

**Summary Translation of Question & Answer Session at  
Briefing for the Media by New President of Fujitsu Microelectronics Limited**

Date: April 14, 2008  
Location: Shiodome Headquarters  
Presenter: Haruki Okada, President, and Shigeru Fujii, Executive Vice President,  
Fujitsu Microelectronics Limited

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**Questioner A**

*Q1: There is significant market risk in the semiconductor field. What kind of strategy are you considering to effectively manage that risk? Do you plan on pursuing a higher-risk strategy than you did in the past, or will you aim to minimize risk and generate a stable stream of earnings?*

**A1 (Mr. Okada):** The shrinking scale and earnings of Japan's semiconductor industry is a significant problem both for Japan's government as well as Japan's economy. I aim to make Fujitsu Microelectronics into a company with high profitability. We will build collaborations with other companies where necessary, and there may even be times when we will need support from the government. I am aiming to raise the profitability of the company as a subsidiary of Fujitsu and contribute to Japan and Japan's economy.

*Q2: Entering into collaborations and getting support from the government are ways of hedging risk, so does that mean that you plan to pursue a strategy of capping your risk while raising your profitability?*

**A2 (Mr. Okada):** That is exactly right. Up to 45nm-generation technology, we have invested on our own. For 32nm-generation technology and beyond, we have not yet decided what we will do, but we will certainly be considering collaborations and alliances.

**Questioner B**

*Q1: Will this change in Fujitsu Microelectronics' leadership have any impact on your business?*

**A1 (Mr. Okada):** On the day I was appointed president, Mr. Fujii explained to our customers the leadership change and our strategic direction. Prior to that, there had been some commotion among customers about these changes, but now they understand.

*Q2: What is your reaction to the previous president's resignation?*

**A2 (Mr. Okada):** I will refrain from commenting.

*Q3: Has it caused a commotion inside the company? This would seem to be a big stumble for Fujitsu Microelectronics right at the establishment of the company.*

**A3 (Mr. Okada):** I was appointed president on the morning of April 8, and I was the first to be unsettled by the developments, but I quickly shifted gears and committed myself to devoting my full energies to making Fujitsu Microelectronics a great company. I soon visited our offices in Shinjuku and Akiruno, as well as our Mie Plant, and explained to our employees that there would be no change in our strategic direction in addition to telling them about my background and my goals. I think they clearly understood what I had to say and have become comfortable with the changes.

**Questioner C**

*Q1: Do you plan to investigate the resignation of the former president?*

**A1 (Mr. Okada):** My understanding is that he resigned for personal reasons.

**Questioner D**

*Q1: On the morning of April 8, when you were appointed president, what kind of interaction did you have with Mr. Kurokawa (Fujitsu president) and others? What did you understand your new role to be?*

**A1 (Mr. Okada):** On the morning of April 8, I was asked by Mr. Kurokawa and Mr. Akikusa (Fujitsu chairman) to become president of Fujitsu Microelectronics. The reason is because, from my role in procurement, I had long dealt with our semiconductor business, and they said I was the best person for the job. Of course I was surprised to be appointed president, but my credo is to approach everything with a positive attitude, so I have shifted my mindset to focus on doing my best in this new position.

*Q2: In your previous role in procurement, were you aware of any significant problems relating to the electronic devices business? Now that you are president, what are your thoughts?*

**A2 (Mr. Okada):** Unlike other companies, procurement at Fujitsu is centralized. When Mr. Fujii was head of the electronic device business unit, as well, the electronic device business unit and the procurement unit would, as equal partners, discuss ways in which our procurement policies could improve our semiconductor business. We identified two issues:

- 1) We need to shift our business from ASIC/COT devices to ASSP devices. The key is intellectual property. We have intellectual property in graphics, security, and communications, but that it is not enough. Enhancing our intellectual property is the biggest issue we face.
- 2) The proportion of our sales outside of Japan last year was only 20%. I would like to increase that quickly to 40-50%. To do so we need to strengthen our sales channels outside of Japan and enhance the competitiveness of our products.

**Questioner E**

*Q1: You said that you would not hesitate to form collaborations or alliances, but that could entail the possibility of equity investments in Fujitsu Microelectronics. Would you even be willing to consider cases in which your partner held a majority shareholding?*

**A1 (Mr. Okada):** Nothing has been decided in terms of collaborations or alliances.

**Questioner F**

*Q1: Regarding the two major issues you identified of strengthening your intellectual property position and expanding sales outside of Japan, do you have a plan for addressing these issues?*

**A1 (Mr. Okada):** To expand our business outside of Japan, we have a non-Japanese board member who leads our subsidiary in China. Even when it was within Fujitsu, internal management decision-making in our electronic device business was very quick and it adapted to change well, but we need to have quick decision-making that is more closely attuned to the market and our customers.

In addition, because we need more external input, we invited Mr. Yasuo Nishiguchi, the former chairman of Kyocera, to serve as an outside director. I was also a member of Fujitsu Microelectronics' board, and I made this recommendation because I felt it would be best to have input from people outside of Fujitsu's semiconductor business. Mr. Masami Yamamoto, the president of Fujitsu's Ubiquitous Products Business Group, is also a member of our board. He will serve as a bridge between Fujitsu and Fujitsu Microelectronics so that we can align our needs and create new products that will enable us to enhance our intellectual property position.

**Questioner G**

*Q1: You talked about strengthening your ASSP business, but I have heard that you are having difficulties as a foundry. What are your plans for your foundry business?*

**A1 (Mr. Okada):** By putting more emphasis on ASSP devices, the proportional share of COT devices will naturally decline. There are differences between ASSP and ASIC devices in terms of the way business is conducted as well as how sales are done, so we will also strengthen our sales organization.

Regarding foundry difficulties, I would like you to direct the question to Mr. Fujii, but, although we will increase the absolute volume of our COT, or foundry, business, in relative terms the proportion will decline. To put it another way, it is important that we expand our business in ASSPs and general-purpose logic devices, and if we are able to do so, it will add stability to our business.

*Q2: You said that you have no made any decisions on alliances, do you think it is best to remain a wholly owned subsidiary of Fujitsu or, in order to raise outside capital, that Fujitsu's ownership ratio decline over time? A considerable amount of capital is required for the semiconductor business, so I am wondering if you think the current structure is best.*

**A2 (Mr. Okada):** I cannot say much about alliances, but we are going it alone through the 45nm generation of technology. We have made no decisions regarding 32nm-

generation technology and beyond. This fiscal year we will decide what kind of alliance will be best for us.

***Q3:** For an alliance in devices beyond 45nm technology, do you think it is best to remain under the Fujitsu umbrella or for Fujitsu's ownership ratio to decline?*

**A3 (Mr. Okada):** We are just considering an alliance for developing 32nm-generation technology and beyond, so there are no discussions at this time about merging our business. I cannot say, however, that it is something we would not consider in the future.

**(Mr. Fujii):** Even up to now, not limiting ourselves to Fujitsu, we have pursued alliances in intellectual property, including with our customers. From the perspective of intellectual property, alliances have been important and will continue to be important. Up until now we have taken the steps we needed to take and we will continue to do so in the future. There are no discussions, however, about an alliance in production.

We are open to discussions about alliances in intellectual property, but we are not considering any changes to our ownership structure. To pursue our business as a 100% subsidiary of Fujitsu, we are considering what to do about intellectual property. We have business in areas such as mixed signal and RFID devices based upon that intellectual property, and intellectual property for 45nm or 32nm devices will either be developed internally or in collaboration with another company.

Japan's semiconductor industry is not in great shape, and Fujitsu Microelectronics has its work cut out for it, but one reason why I think Japan's semiconductor industry got into its current predicament is because we transferred too much know-how to the fabrication equipment manufacturers. We need to accumulate know-how in design, product development, and software development and we will collaborate to do so.

#### **Questioner H**

***Q1:** Will you suffer any monetary loss as a result of the executive change? If you anticipate any future opportunity costs, can you quantify these?*

**A1:** I think my becoming the president of Fujitsu Microelectronics is a plus for the company. I have been in procurement for many years and have had the opportunity to closely interact with top executives in the electronics and other industries. I think the understanding and support they will demonstrate for me will be very significant, and I would like to take advantage of this strength in managing the company. I think you will simply need to see the results.

***Q2:** You said that the commotion among your customers over the executive changes has died down, but I think some people are still not comfortable with what has happened. What is the reaction among your customers?*

**A2 (Mr. Okada):** My understanding is that they are now comfortable with these changes. I would like Mr. Fujii, who has responsibility for sales, to explain the reaction among our customers.

**(Mr. Fujii):** I am also serving as president of Fujitsu Electronics, which, as our sales company, will play the key role in strengthening our sales efforts. As soon as Mr. Okada was appointed president, I quickly informed our customers of what happened and what I knew. I explained that I would be working under Mr. Okada, and they are comfortable with these changes.

As for employees, they are comfortable now after hearing Mr. Okada's message and explanation.

**Questioner I**

***Q1:** Please tell us about your plans for capital expenditures. In the briefing in February, it was disclosed that you planned capital expenditures in fiscal 2008 of 50-60 billion yen, a level significantly below spending in fiscal 2007. Do you plan to constrain investments, or will you increase investments if necessary?*

**A1 (Mr. Fujii):** We had a high level of capital expenditures in fiscal 2007. We believe that capital expenditures in fiscal 2008 will be held to 50-60 billion yen. For fiscal 2009 and beyond, we will monitor demand trends and invest accordingly.