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Structural Reform of Electronic Devices Business

- Concentrating Full Resources on LSIs -

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FUJITSU

THE POSSIBILITIES ARE INFINITE



Market Situation

Severe conditions in second half of FY 2004; FY 2005 conditions similar to FY 2004

System chips are source of our products' competitiveness (performance, cost, delivery)

Technology advances exacerbating limitations of horizontally segmented business model

Basic Strategy

Increase focus on logic business

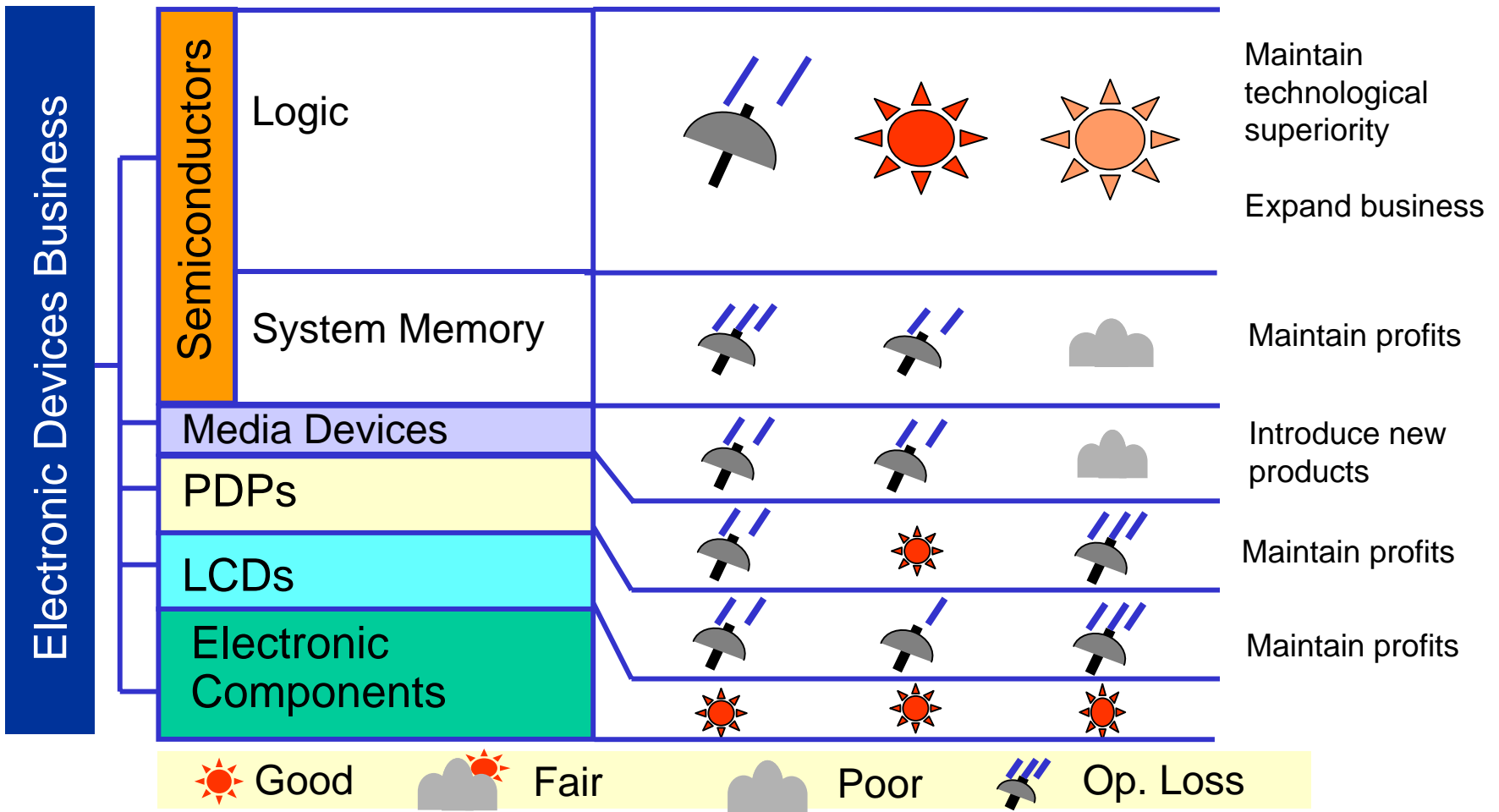
Strengthen strategy of partnering with customers

Continue QCD improvements (quality, cost, delivery)

Electronic Devices Business Status



Sales: 734.3 → 740.0 billion yen
 Operating income: 27.5 → 35.0 billion yen
 FY '02 FY '03 FY '04



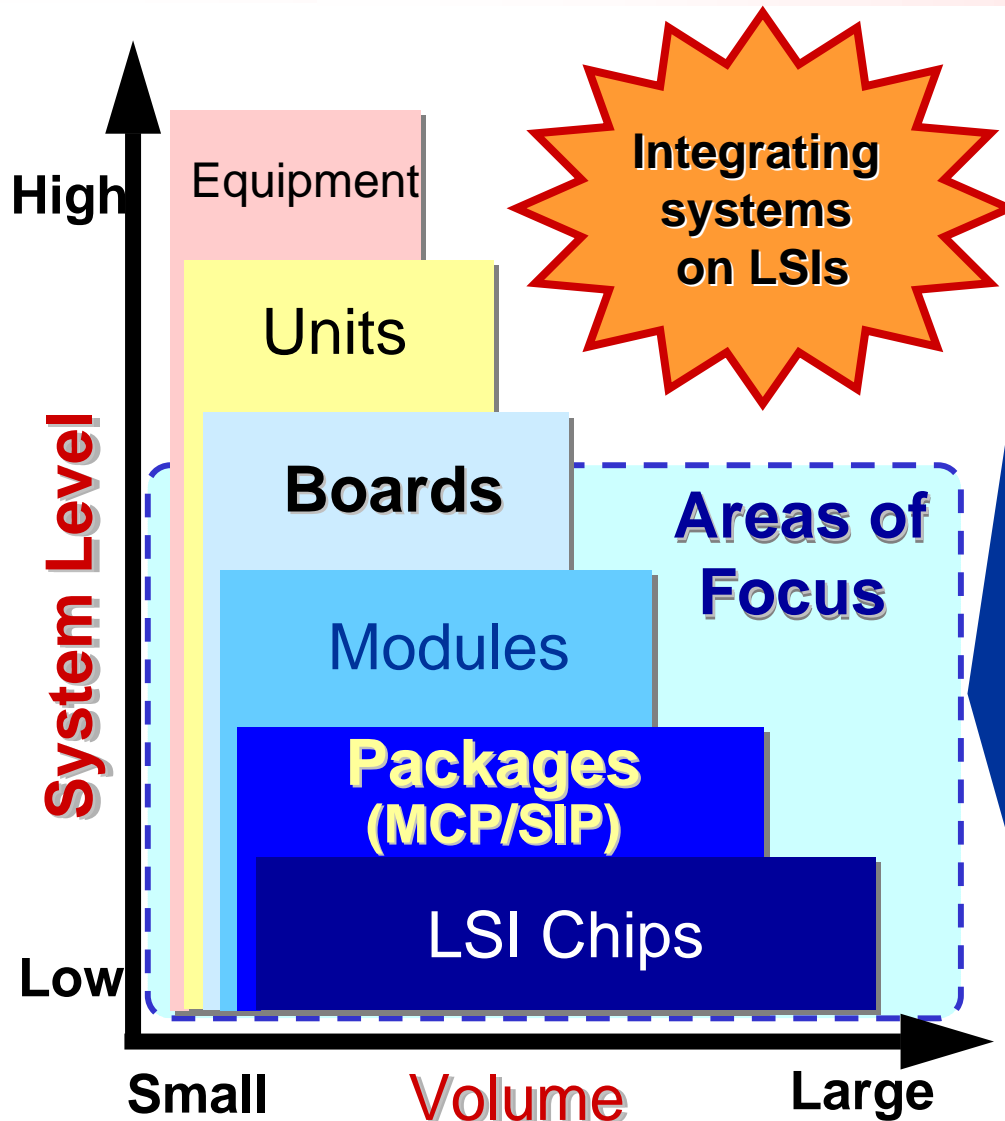
Third Quarter Results for Electronic Devices

(billion yen)

| | FY 2004 3Q | | FY 2004 (projected) | | |
|-------------------------|------------|--------------------------|-----------------------|------------------------------|-------------------------------|
| | | Change from FY '03 3Q | | Change from previous year | Change from previous year* |
| Sales | 170.1 | -11.0% | 740 | 0.8% | 5.5% |
| Domestic | 100.8 | 0.4% | 420 | 11.0% | 11.3% |
| Overseas | 69.2 | -23.7% | 320 | -10.1% | -1.4% |
| Semiconductors | 96.4 | -7.3% | 420 | 4.0% | 13.1% |
| Other | 73.7 | -15.5% | 320 | -3.1% | -3.1% |
| Operating Income | 0.3 | --- | 35 | 27.3% | 9.0% |
| Operating Margin | 0.2% | -7.9% | 4.7% | 1.0% | 0.2% |

* If operations shifted to equity method affiliates are included

Our Areas of Focus in Semiconductors



Focus Requirements

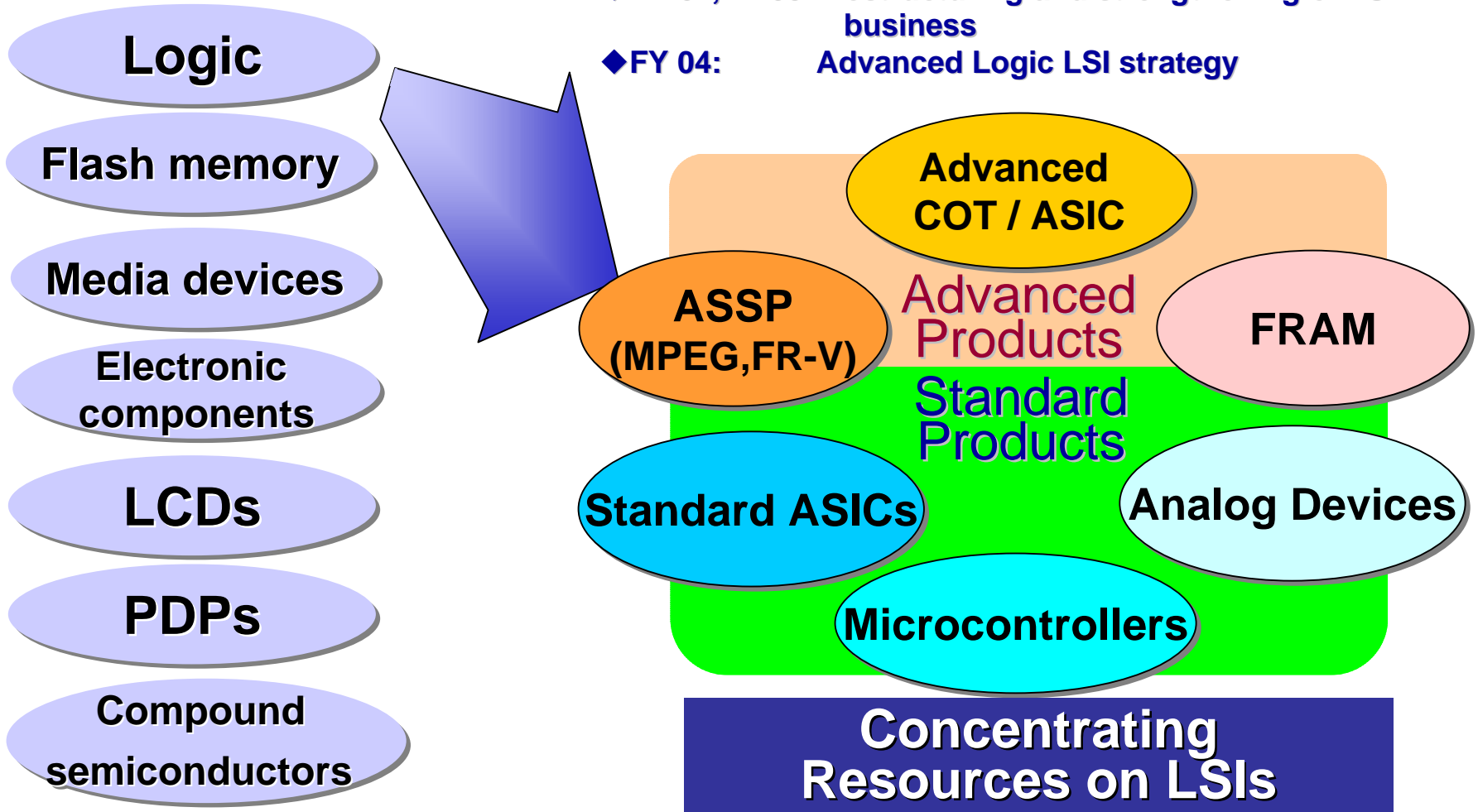
- **Semiconductors**
 - Single-chip devices
 - Device solutions
- **Provide a choice**
 - Exploit strengths through collaboration
- **Enhance internal technological expertise**
 - Promote internal synergies

Direction of Structural Reforms



Structural Reform of Electronic Devices Business since 2002

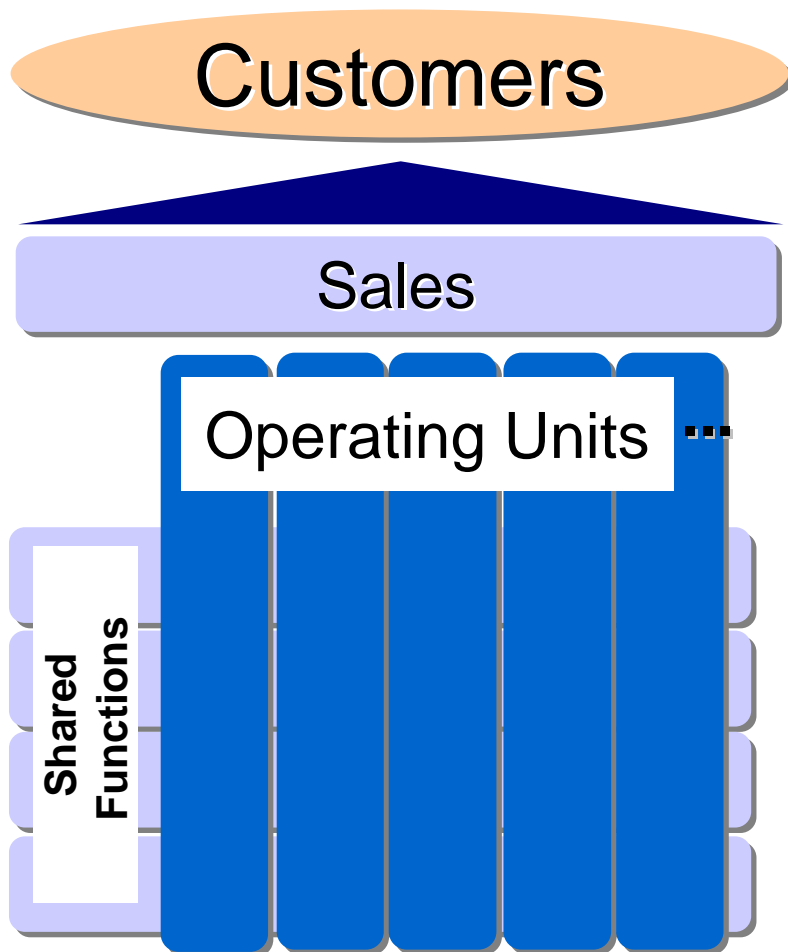
- ◆FY 02,FY 03: Restructuring and strengthening of LSI business
- ◆FY 04: Advanced Logic LSI strategy



Evolution in Structural Reforms: Internal Organizational Reforms in FY 2002



From June 2002: Shifted LSI operations to matrix-type organization



- Clarification of quantitative input-output of each operating unit
- Clarification of focus areas
- Integrated organization for marketing, production, delivery
- Consistent efficiency gains in software, design methods and manufacturing innovation

Points of Emphasis in Strengthening Our LSI Operations



● Worldwide Development

- “Image Processing” & “Low Power”

● Standard Products: Reduce cost ratio

- Boost capability with minimal investment
- Improve structural efficiencies
- Manufacturing innovation (Toyota Production System)

● Advanced Products: Completely reform former approach

- Quick return
- Rapid, low-cost development (first-time-complete)
- Software verification

● Resources: Design/Software

Evolution in Structural Reforms: Business Restructuring in FY 2003



Business Consolidation

- | | Company | Objective |
|------------|------------------------------|--|
| ■ Jul. '03 | Spancion (Flash business) | - Improve efficiency and boost competitiveness |
| ■ Dec. '03 | Eudyna | - Strengthen single module business |

Technology Development

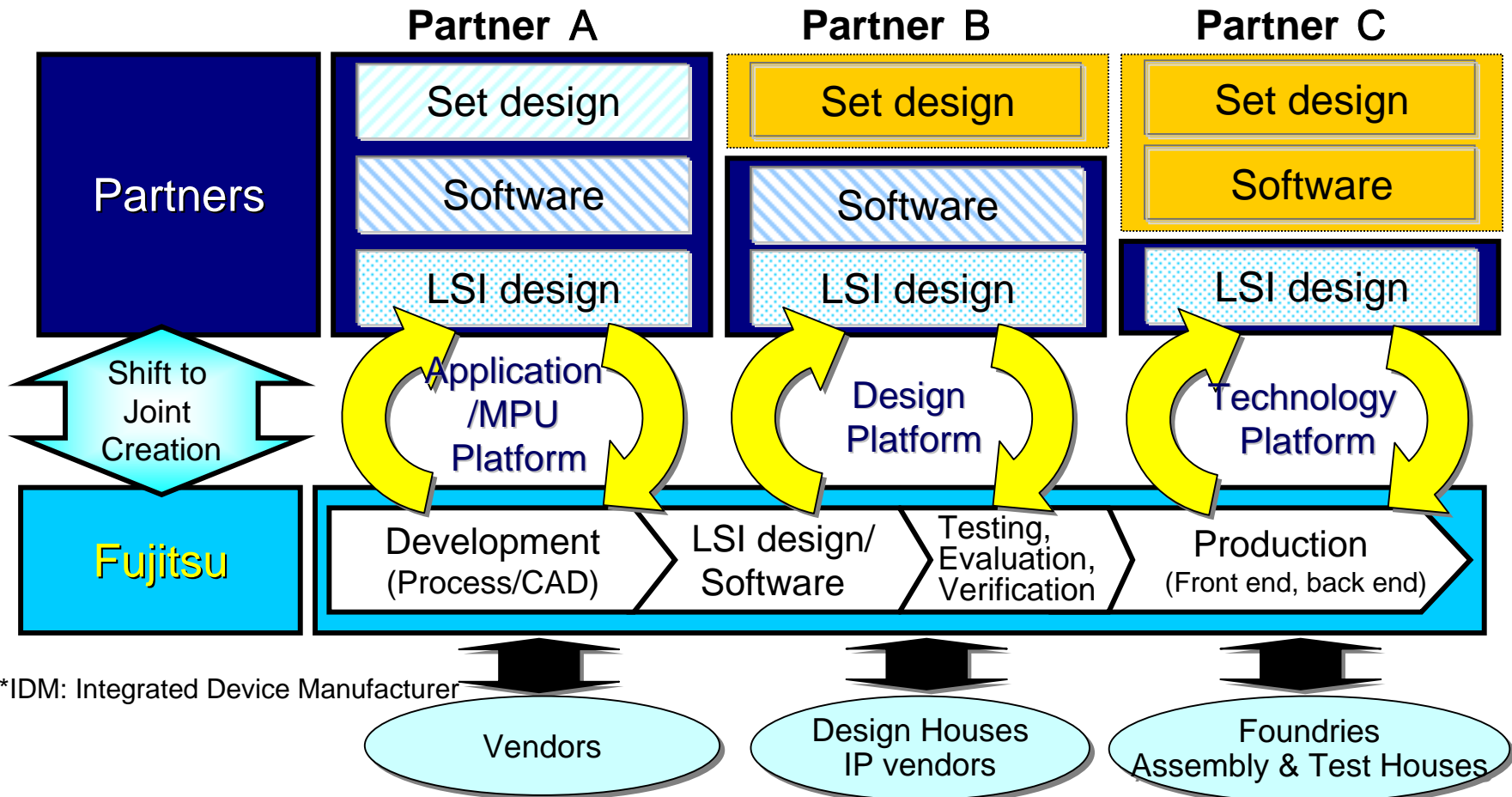
- | | | |
|------------|--|--|
| ■ Oct. '03 | FMSL Fujitsu Microelectronics Solutions | - Shift design and software resources from telecommunications division (Strengthen R&D) |
|------------|--|--|

More Efficient Use of Resources

- | | | |
|------------|--|--|
| ■ Oct. '03 | FIM Fujitsu Integrated Microtechnology | - Strengthen back-end competitiveness - Focus on assembly/testing |
| ■ Oct. '03 | FMC Fujitsu Microelectronics (Shanghai) | - Strengthen business development in China |

New IDM Business Model: Focus on Advanced Logic LSIs from 2004

Shift to New IDM Business Model



*IDM: Integrated Device Manufacturer

Construction of New 90/65nm 300mm Fab: Begun in March 2004



Exterior view (photo as of 11/04)



World's first semiconductor fab utilizing seismic isolation construction

Status of New Mie Facility

- 4/21/04: Groundbreaking ceremony
- 11/20/04: Completion of construction
- 2/8/05~: Pilot testing now under way
- 4/1/05: Official start of operations
- 9/05: Start of mass production

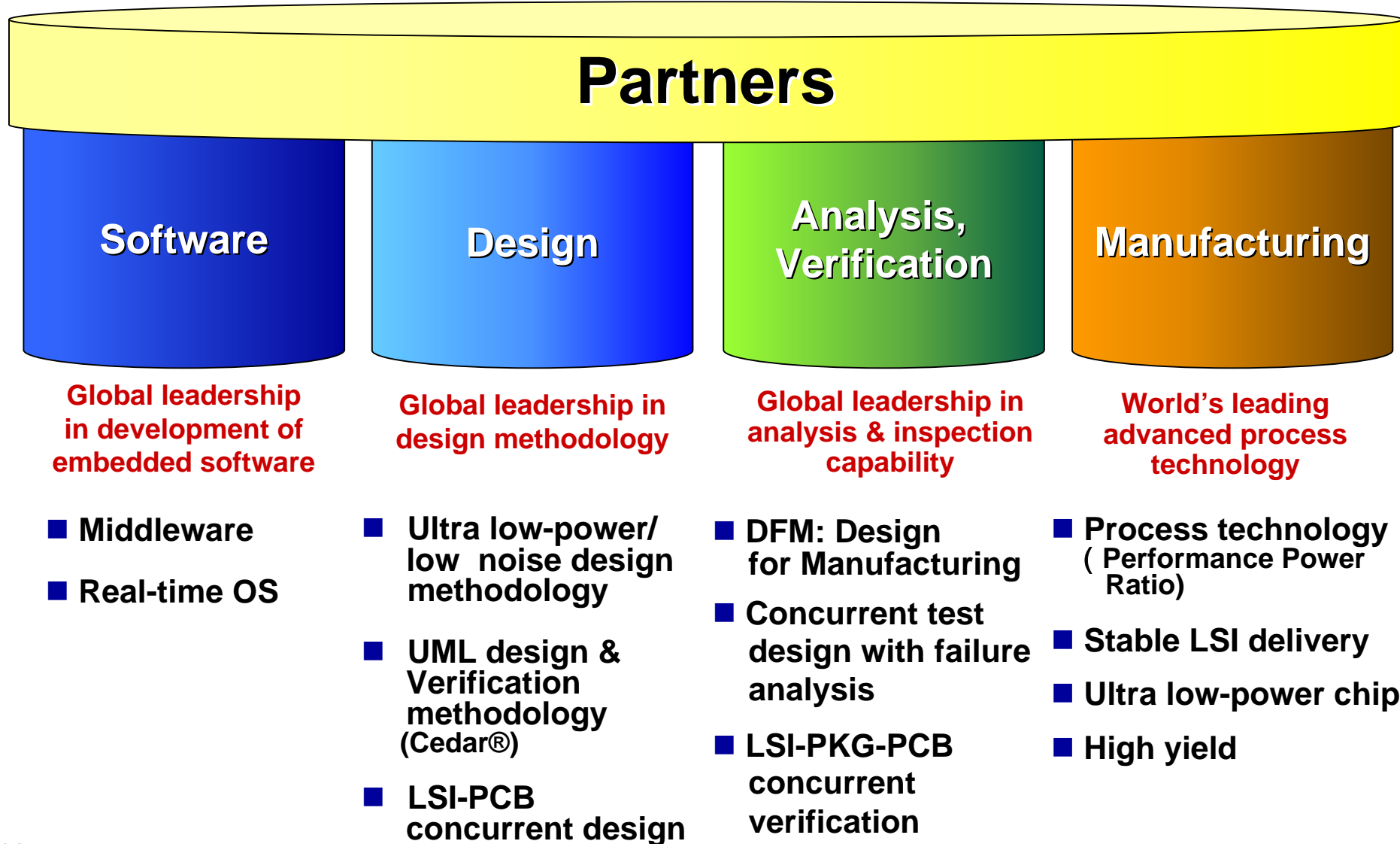
This Time



Strengthening Business Operations

| | Fujitsu Entity | Counterparty | Action |
|-------------------------|--|--------------|---|
| Vertical Integration | <ul style="list-style-type: none"> ■ FHP | Hitachi | Equity Transfer <ul style="list-style-type: none"> ▪ 30.1% of issued stock ▪ intellectual property rights |
| | <ul style="list-style-type: none"> ■ FDTC LCD business | Sharp | Business Transfer <ul style="list-style-type: none"> ▪ R&D, manufacturing, sales ▪ Yonago Plant ▪ CLC low- temperature poly-silicon technology (Fujitsu Laboratories) |
| Horizontal Segmentation | <ul style="list-style-type: none"> ■ FVD Manufacturing equipment business | ULVAC | Business Transfer <ul style="list-style-type: none"> ▪ Semiconductor process manufacturing equipment ▪ LCD one drop filling system (ODF equipment) ▪ PDP panel, bump inspection equipment |

Four Pillars Supporting Our Partners: World-class Leadership in LSI Technology



Going Forward



Expand business fields that can become “cash cows”

Bolster design and embedded software resources

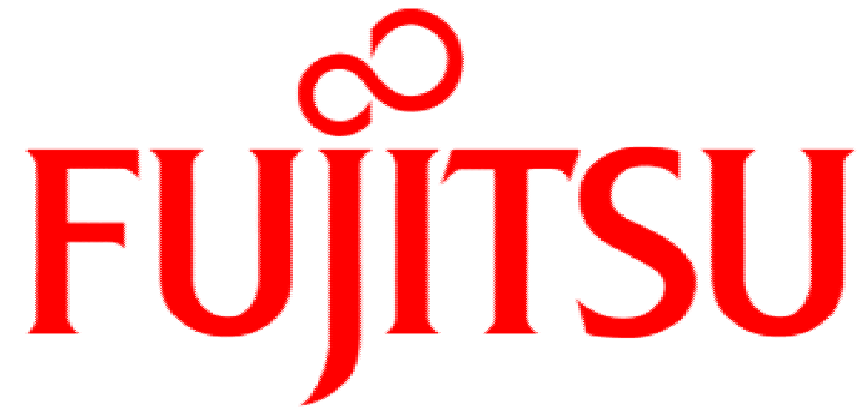
Reform sales structure

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- Fujitsu's ability to dispose of non-core businesses and related assets through strategic alliances and sales on commercially reasonable terms, and the effect of realization of losses which may result from such transactions;
- uncertainty as to Fujitsu's access to, or protection for, certain intellectual property rights;
- uncertainty as to the performance of Fujitsu's strategic business partners;
- declines in the market prices of Japanese and foreign equity securities held by Fujitsu which could cause Fujitsu to recognize significant losses in the value of its holdings and require Fujitsu to make significant additional contributions to its pension funds in order to make up shortfalls in minimum reserve requirements resulting from such declines;
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