



Fujitsu's Electronic Devices Business

February 7, 2006

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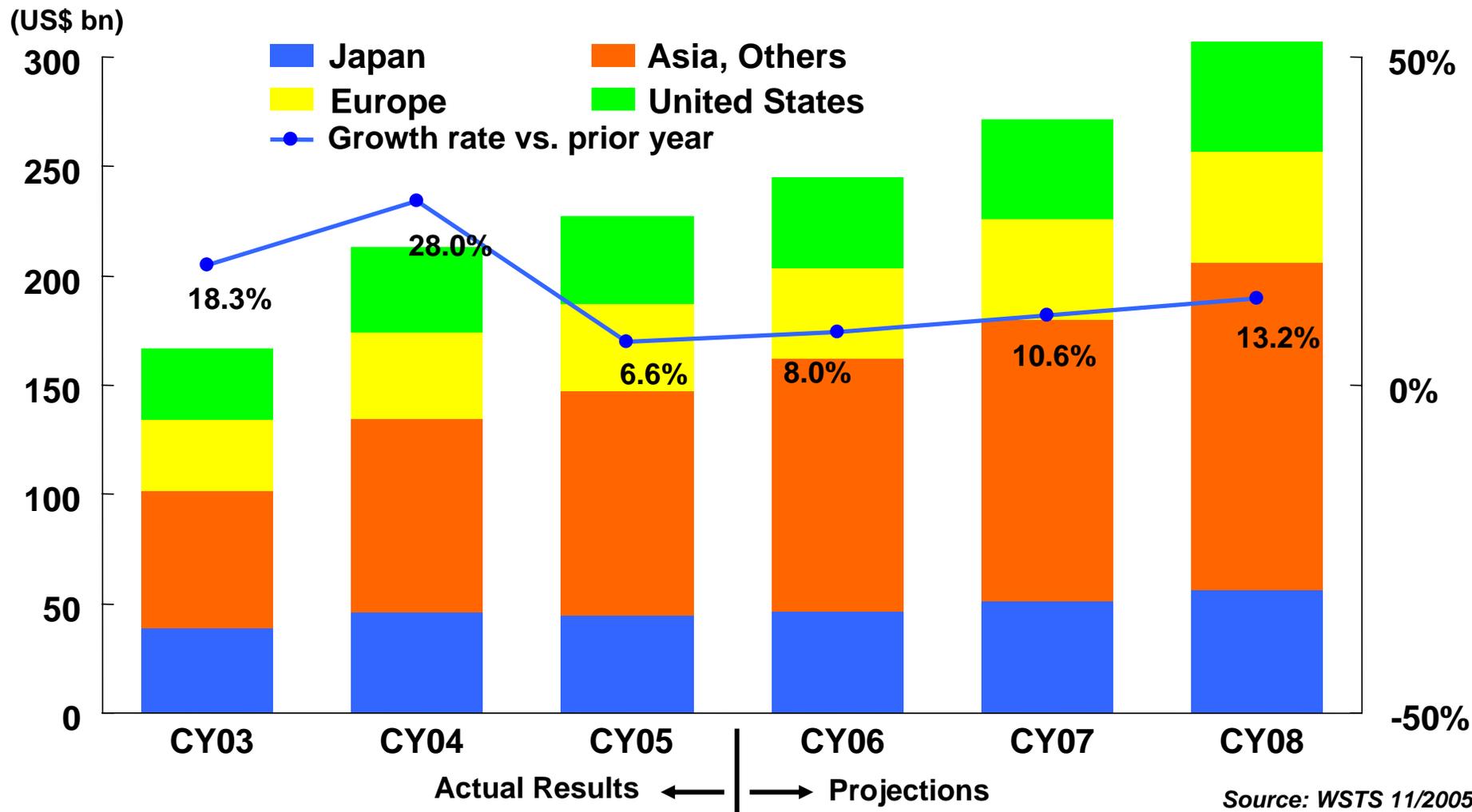


- **Current View of the Semiconductor Industry**
- **Fujitsu's Electronic Devices Business Strategy**
- **Business Development Going Forward**

Current Market View



**Recovery from low point in Apr.-Jun. quarter of 2005;
trend toward steady growth from 2006**



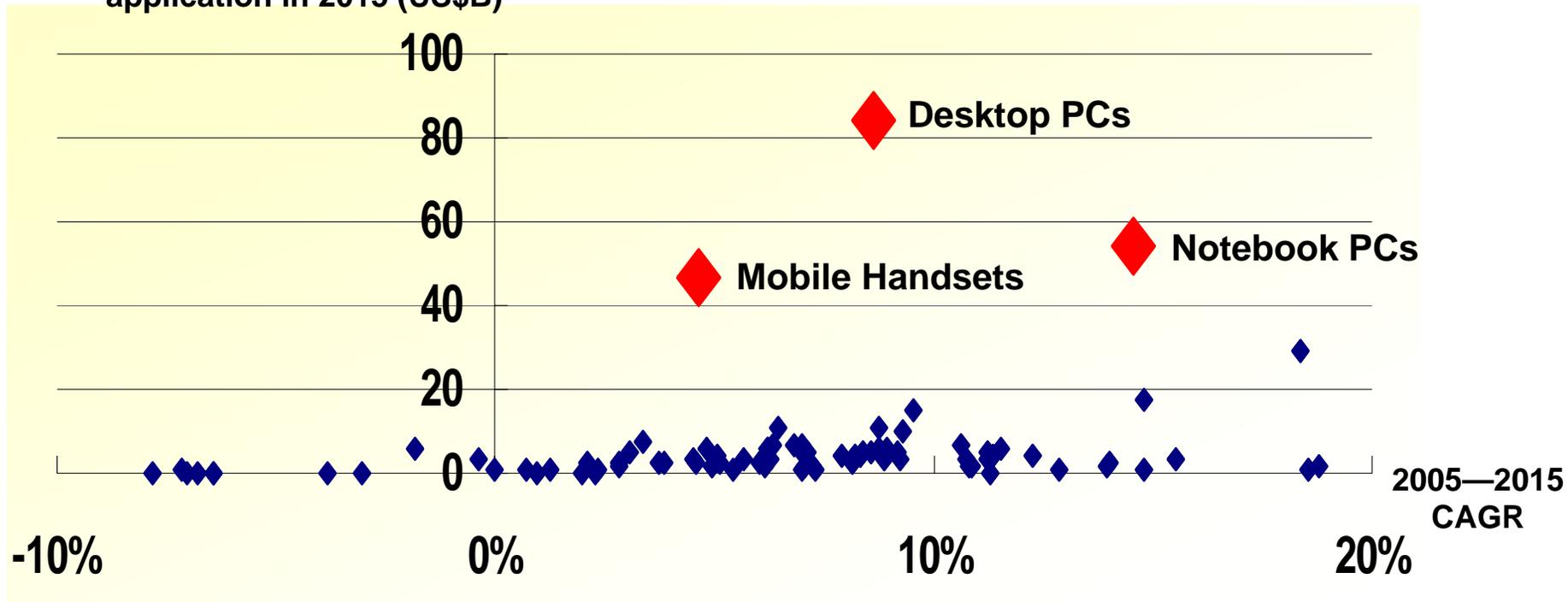
Volume Is True Path to Success in Semiconductor Business



- The goal is product volume, not scale of the fab
- PCs & mobile devices will continue to drive the semiconductor market 10 years from now

Projected 2015 Semiconductor Consumption and Growth by Application

Semiconductor consumption by application in 2015 (US\$B)



Source: iSuppli

3Q FY05 Financial Results for Device Solutions



	Third Quarter FY 2005 (billion yen)		
		Change vs. 3Q FY04 (%)	Change vs. 3Q FY04*1 (%)
Net Sales	182.6	-0.1%	+12.8%
Japan	100.3	-11.3%	+1.7%
Overseas	82.3	+18.1%	+31.4%
LSI Devices	117.0	+10.1%	+10.1%
Electronic Components, Others	65.6	-14.2%	+18.4%

Operating Income	9.4	+31 times	+56.7%
Operating Income Margin	5.2%	+5.0% pts.	+1.4% pts.

*1: Excluding impact of transfer of PDP and LCD businesses



■ Our Mission

FUJITSU continually seeks to create new value by providing customers with comprehensive solutions comprising highly reliable high-performance products and services based on powerful technologies. Through this, we aim to grow, realize profits and foster mutually beneficial relationships in our communities worldwide.

■ Our Values

Our dream is to make our customers' dreams come true



■ Our Code of Conduct

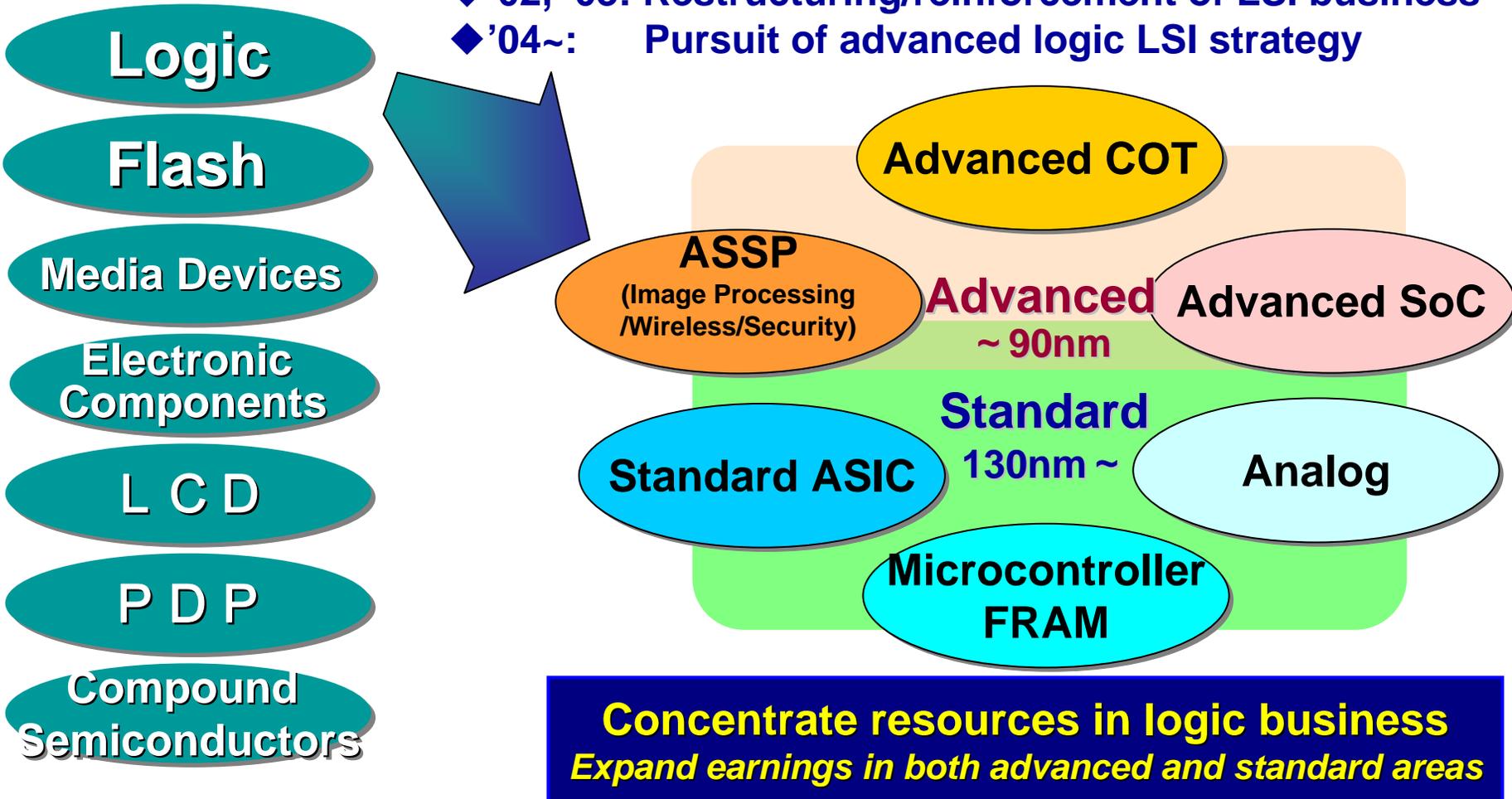
- Respect human rights
- Protect intellectual property
- Comply with laws and regulations
- Reject unethical behavior
- Maintain confidentiality
- Act with fairness in our business dealings

Business Restructuring Direction



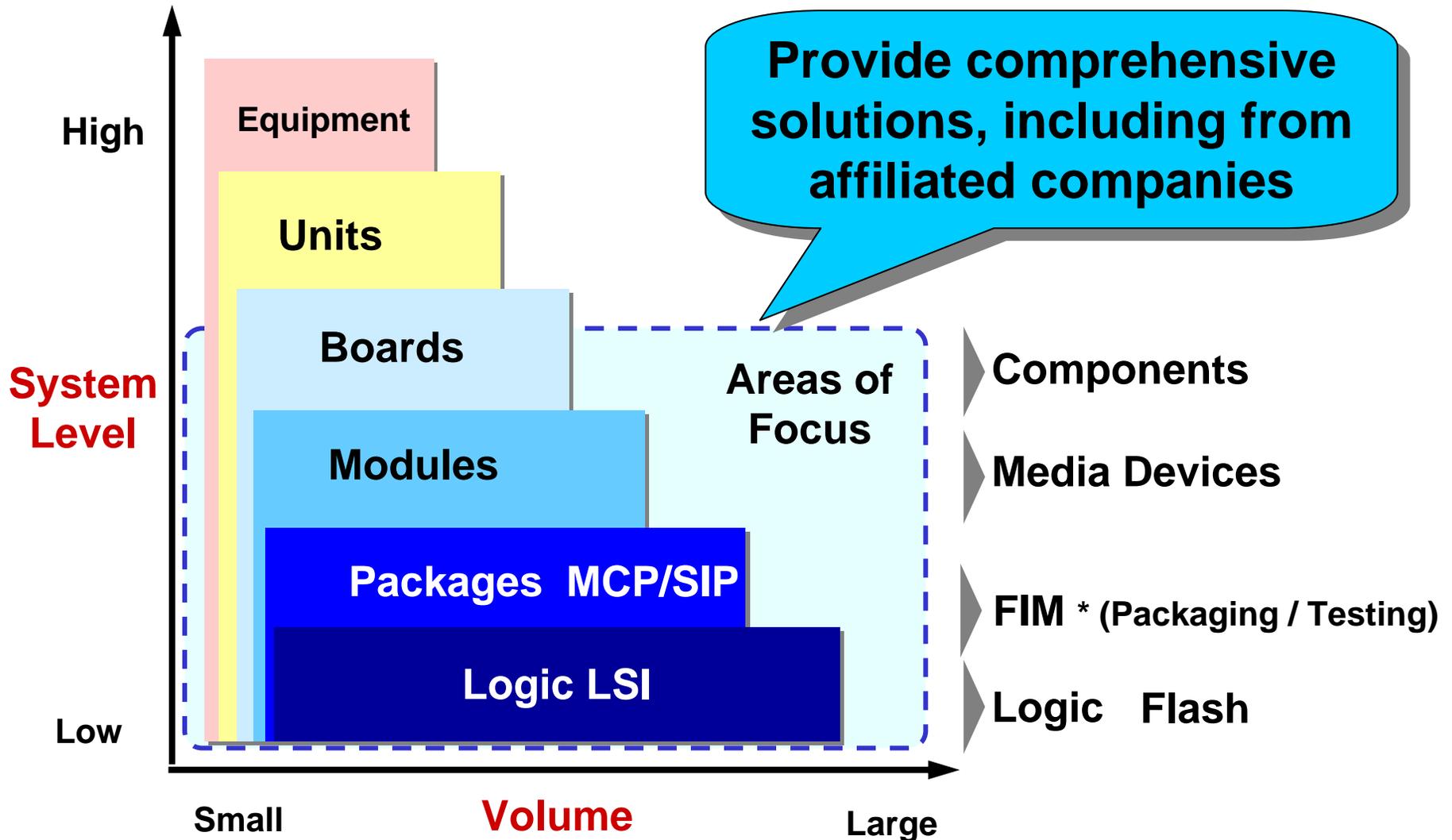
Restructuring of Electronic Devices Business from 2002

- ◆ '02, '03: Restructuring/reinforcement of LSI business
- ◆ '04~: Pursuit of advanced logic LSI strategy



ASSP: Application Specific Standard Products; COT: Customer-Owned Tooling; SoC: System on Chip)

Electronic Devices Business Areas of Focus

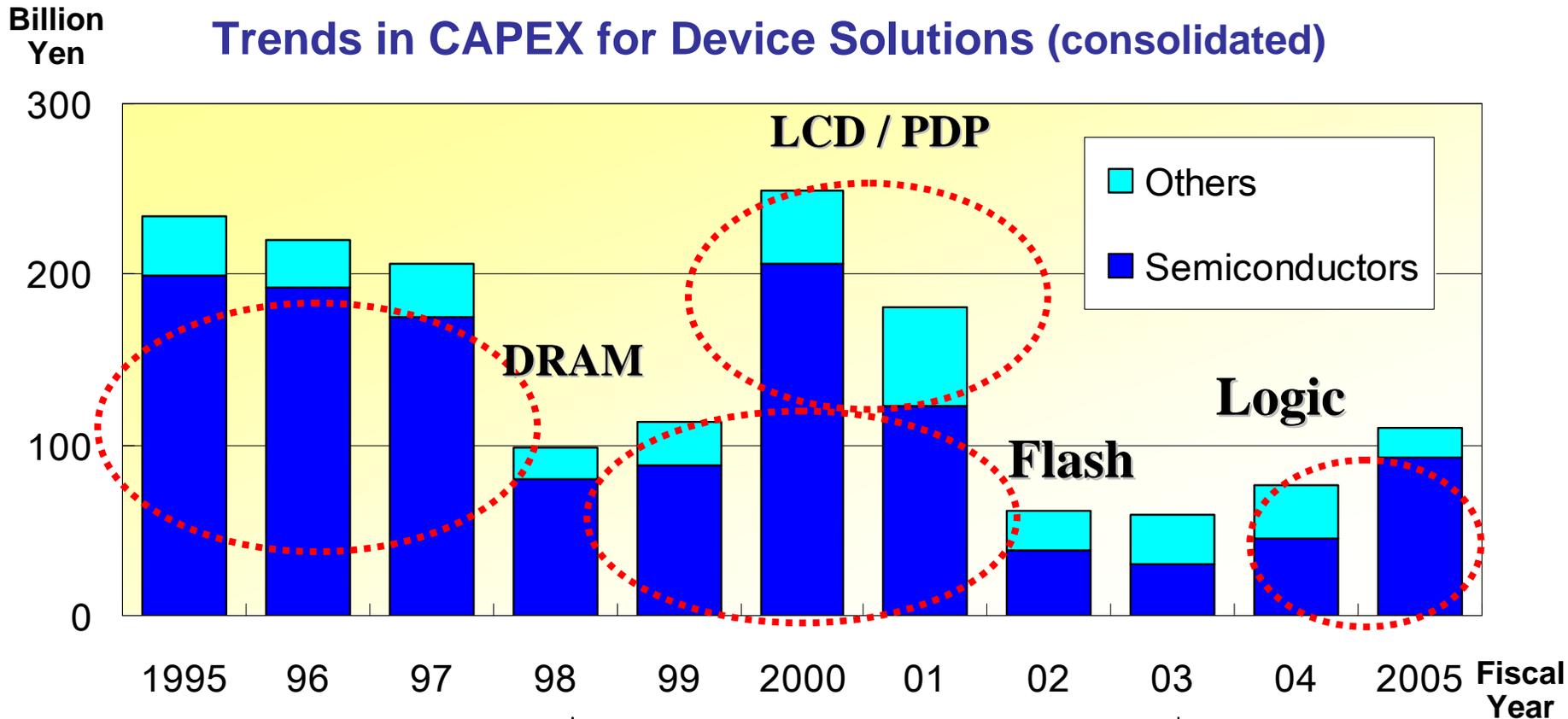


FIM: Fujitsu Integrated Microtechnology Limited; MCP: Multi-Chip Package; SIP: System in Package

Logic-focused Investment Strategy



Large-scale CAPEX in logic business from 2005
 Previous large-scale CAPEX was in DRAM / Flash / LCD / PDP



Focus of Investment

DRAM



**LCD / FPD
Flash**

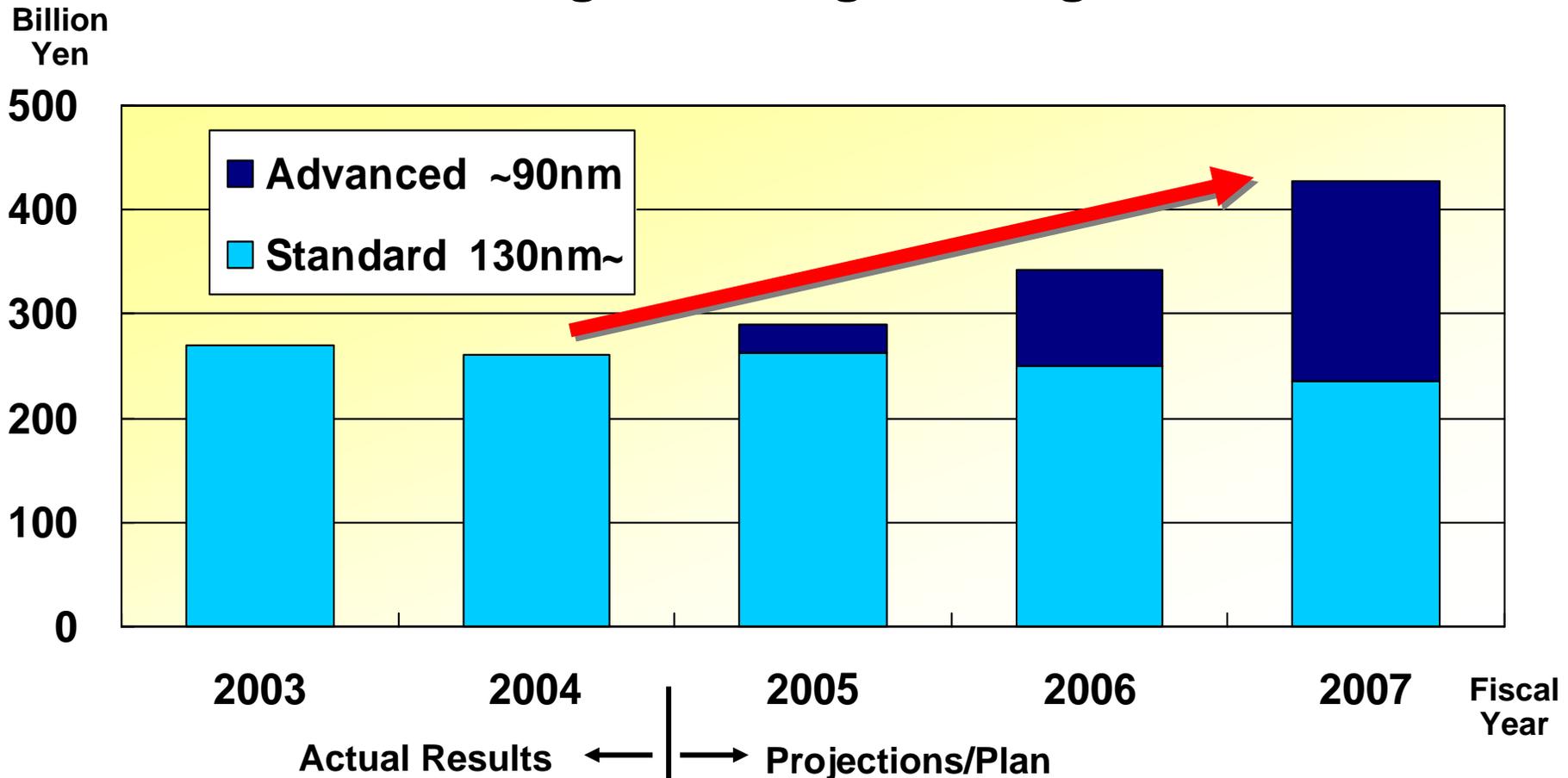


Logic

Expanding Our Logic Business

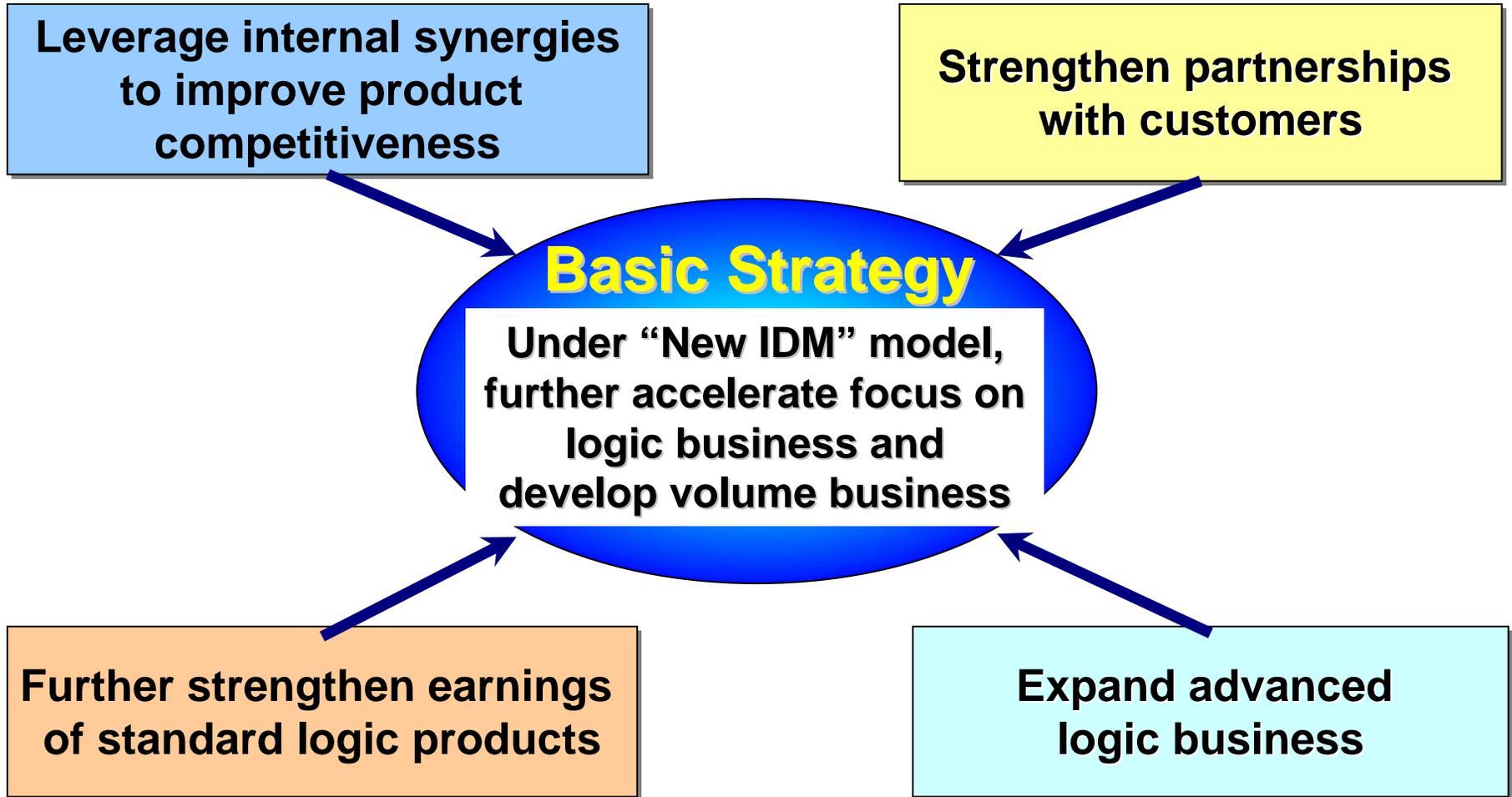


- Concentrate resources in logic LSI
- Significantly increase revenue by positioning ~90nm advanced technologies as engines of growth



**Excluding products purchased from other companies*

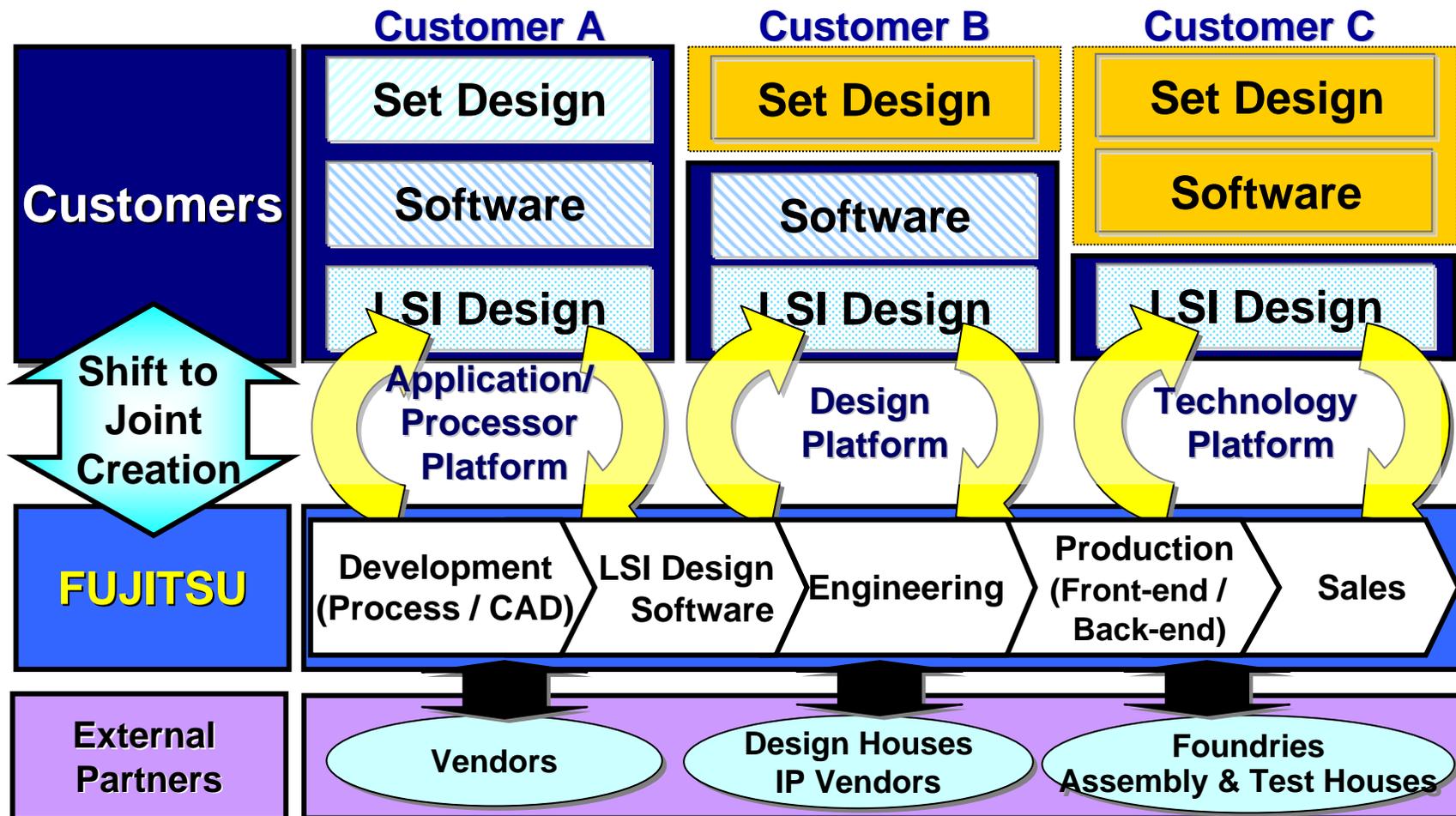
Basic Strategy



Strengthen Partnerships: New IDM Business Model



Expand market presence and improve earnings through New IDM business model, which strikes a balance between ASSP and COT/SoC



World-Class Technology to Support Our Partners



Partners

Software

Design

Engineering

Production

World-class Embedded Software Development

- Middleware
- Real-time OS

World-class Design Methodology

- Ultra low-power/low-noise design methodology
- UML design & verification methodology (Cedar®)
- LSI-PCB concurrent design

World-class Engineering Skills

- DFM: Design for Manufacturing
- Concurrent test design with failure analysis
- LSI-PKG-PCB concurrent verification

World-leading Process Technology

- Process technology (Performance Power Ratio)
- Stable LSI delivery
- Ultra low-power chip
- High yield

Technology Innovation



Leadership in advanced technology development & mass production

- Five generations of copper wiring technology
- Leading-edge ultra low-K technology (NCS: Nano Clustering Silica)
- DFM for 65nm at practical testing stage (adopting statistical STA)
- Low-Power, LSI internal variation control technology / IP (65nm)

45nm

- **Process Module** *Development completed*
- **Process Integration Tuning** *Development ongoing*

65nm

- **COT** *Now accepting designs*
- **SoC** *To start accepting designs from June 2006*

90nm

- **“First-time-right” delivers high customer satisfaction**
- **Mass-producing over 20 products; sampling over 60 products**



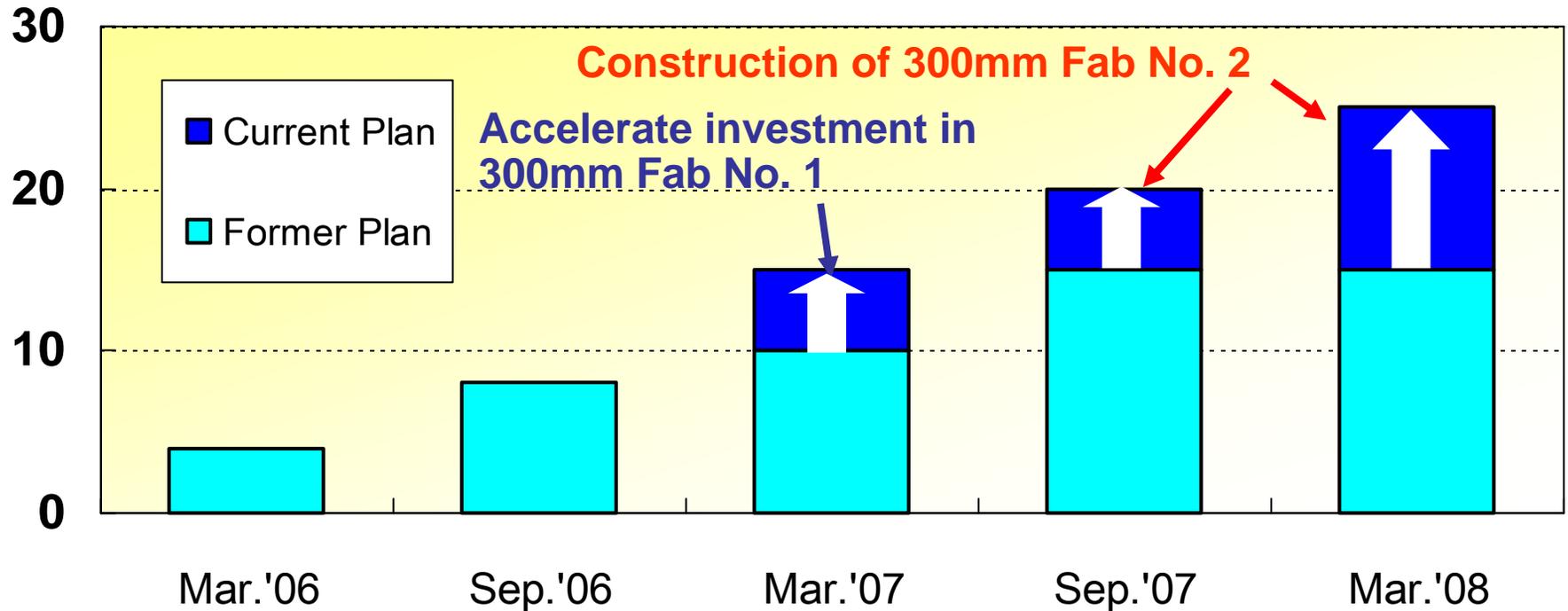
STA: Static Timing Analysis; DFM: Design For Manufacturing

Strengthen Production Capacity at 300mm Fab (65nm/90nm)



- To meet strong customer demand, we are expanding production capacity by accelerating investment in 300mm Fab No. 1 and constructing 300mm Fab No. 2

Production Capacity
(1000 wafers/month)



World-class advanced logic production capacity

Construction of New 65nm/90nm 300mm Fab at Mie Plant

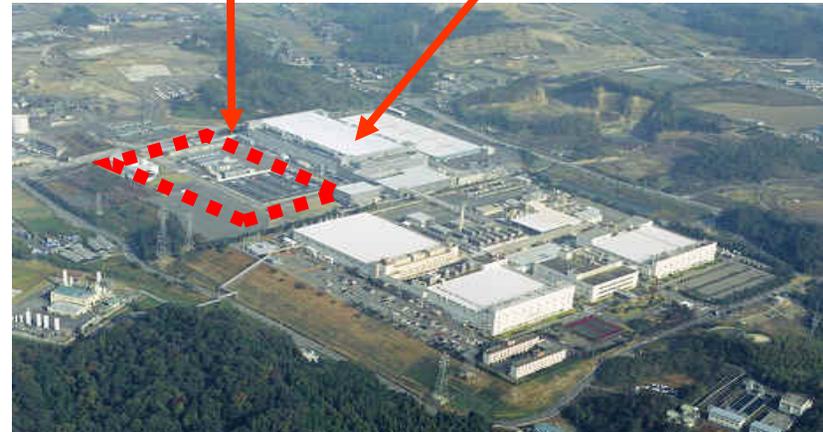


300mm Fab No. 1

- Commenced operation in April 2005 and began mass production in September (world-class speed in going from start of construction to product-out)
- Process technologies: 90nm/65nm CMOS logic
- Production capacity: 15K wafers/ month (in FY06)
- Structural design: Hybrid seismic isolation structure

Planned Site for 300mm Fab No. 2

300mm Fab No. 1



300mm Fab No. 2

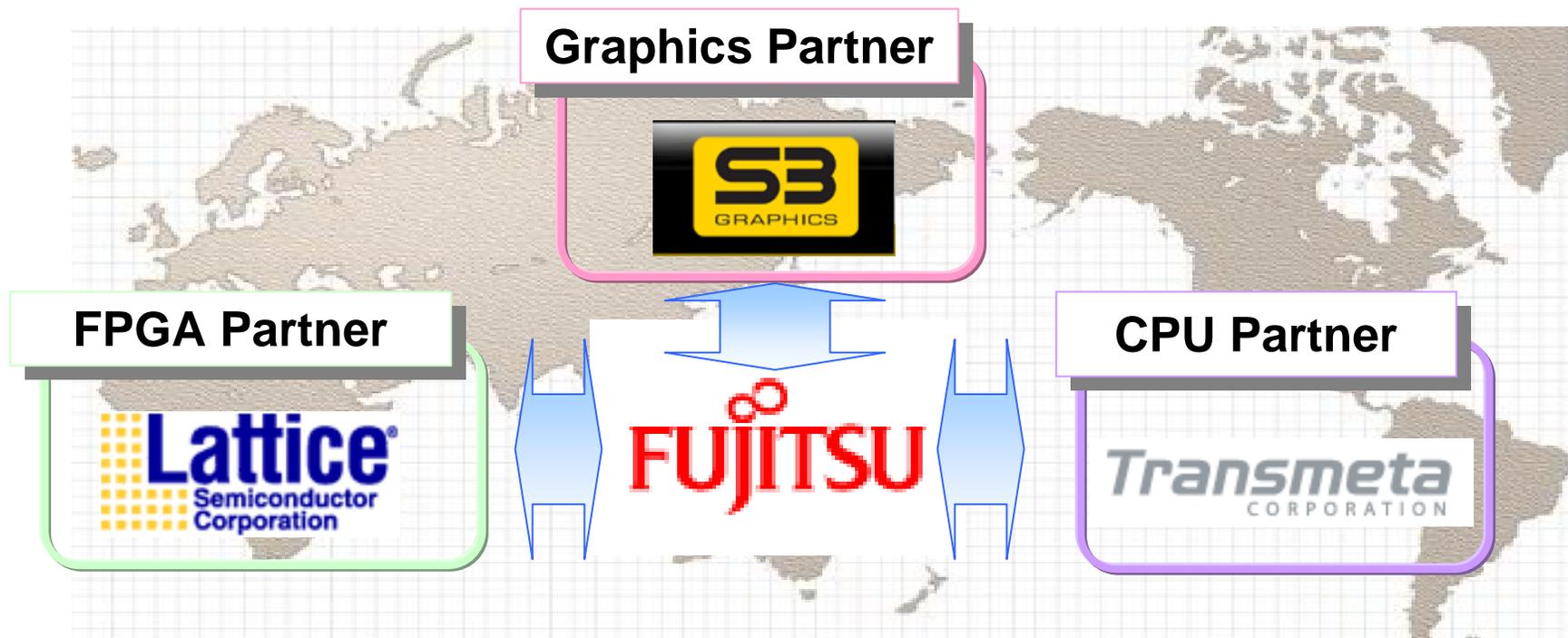
- Scheduled to commence operation in April 2007 and begin mass production that July
- Process technologies: 65nm/90nm CMOS logic
- Production capacity: 10K wafers/ month (in FY07); 25k wafers/month (at max. capacity)
- Structural design: Hybrid seismic isolation structure (2-story clean room)
- Investment: 120 billion yen (through FY07)

Expanding Our Advanced Logic Business: Aggressive Development of COT



Not simply a foundry, but a COT

Joint development from the design stage onward enables a high yield rate and superior device characteristics



Partnerships with over 20 companies (including the three above)

COT: Customer-Owned Tooling

Fujitsu's COT Advantages



IP Licensing

- Providing a wide range of IP that has been “silicon-proven” in ASSPs and ASICs

True “One-Stop-Shopping”

- From wafer production to testing and finished package

“Low-k” Expertise

- Actively apply Low-k materials in BEOL to enable high-speed operation and low power consumption

Technology Tailored to Customer's Needs

- Able to provide technology optimized to meet customers' needs, including high-performance process and low-leak process technologies

ASSPs for Global Markets (Strategic Products)



Graphics, wireless and security are key areas

● Image Processing = Fujitsu

- Milbeaut
- MPEG, H.264: image compression standards
- GDC (Graphic Display Controller)



Achievements

- 3D graphics LSI for automotive terminals/navigation systems
- MPEG encoder LSI for PC with TV function
- ASSP for set-top boxes
- ASSP for digital cameras and mobile phones

No. 1 Worldwide

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Cumulative shipments:
More than 20 million

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More than 20 million

Further Strengthen Earnings of Standard Logic Products



Strengthen resources to target volume business sectors

Continually reinforce sales resources for Asia markets

Improve production capability by investing in greater efficiency at existing plants

Consider enhancing resources further through collaborative work



MCU

Leverage technological differentiation to promote standard products

- **Car networks**
=> WW No. 1 in 16bit CAN (microcontroller shipments) and leader in introducing devices for next-generation standards such as FlexRay and IDB-1394
- **Flash-, FRAM-embedded MCUs**

Analog

Leverage system know-how to increase business

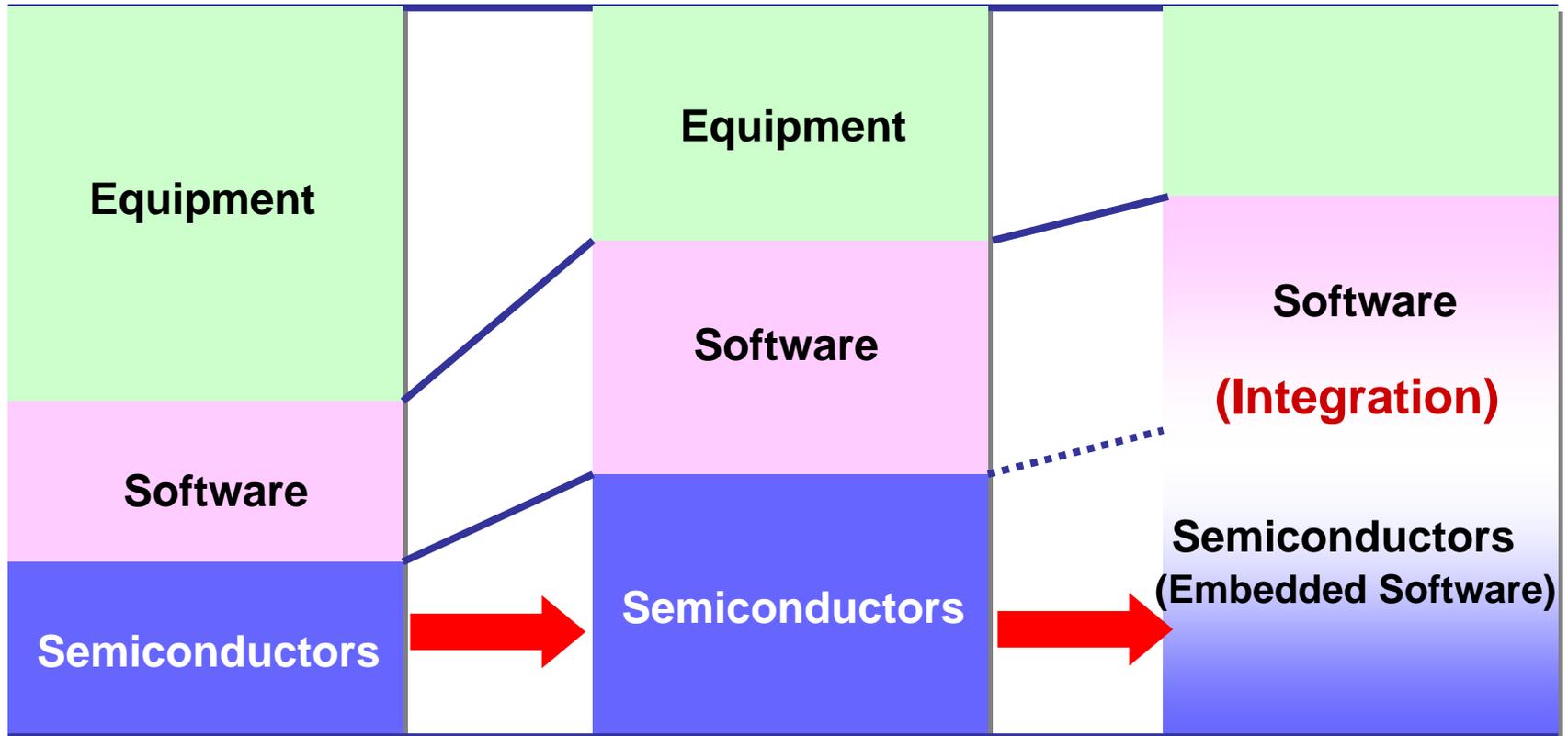
- **Power management**
- **Sensor amps for MEMS**

Change in Added Value of Technology



Added value shifting to semiconductors and software

➡ Our strength in services sets us apart from our competitors

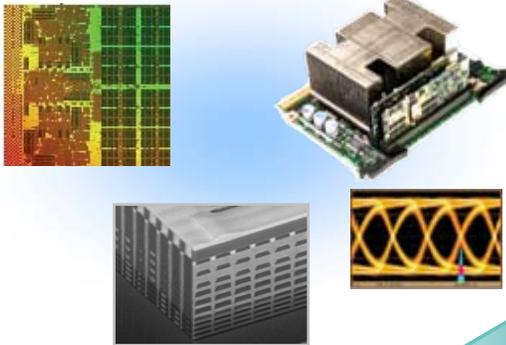


Leverage Internal Synergies to Improve Product Competitiveness



Contributing to Fujitsu product competitiveness by supplying leading-edge technology

Device Solutions



IP

Product Solutions



High-End Servers

Base Stations



Mobile Phones

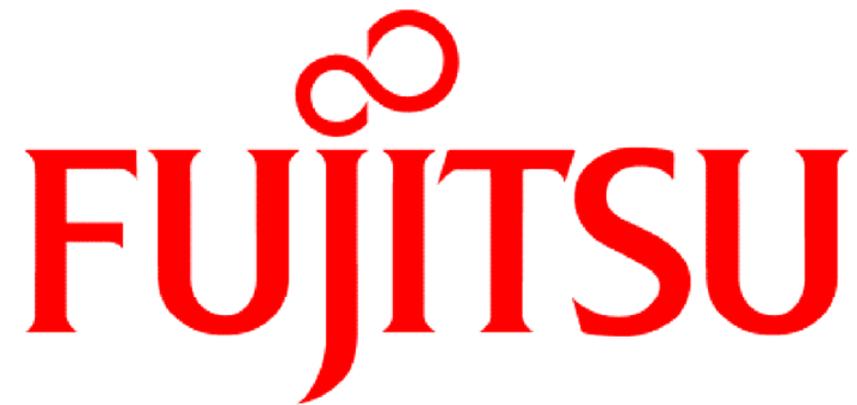
Software & Services



Intensify deployment of New IDM business model

Create ASSPs for global markets

Expand range of products that can become “cash cows”



FUJITSU

THE POSSIBILITIES ARE INFINITE

Cautionary Statement



These presentation materials and other information on our meeting may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects," and similar expressions which indicate future events and trends identify forward-looking statements.

Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- general economic and market conditions in the major geographic markets for Fujitsu's services and products, which are the United States, EU, Japan and elsewhere in Asia, particularly as such conditions may effect customer spending;
- rapid technological change, fluctuations in customer demand and intensifying price competition in the IT, telecommunications, and microelectronics markets in which Fujitsu competes;
- 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;
- poor operating results, inability to access financing on commercially reasonable terms, insolvency or bankruptcy of Fujitsu's customers, any of which factors could adversely affect or preclude these customers' ability to timely pay accounts receivables owed to Fujitsu; and
- fluctuations in rates of exchange for the yen and other currencies in which Fujitsu makes significant sales or in which Fujitsu's assets and liabilities are denominated, particularly between the yen and the British pound and U.S. dollar, respectively.