LSI Products Business Strategy

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Fujitsu Microelectronics Limited
1. Operating Environment and Latest Trends of Semiconductor business

2. 3 Reforms and P/L Target
   - Reform I : Business Model
   - Reform II : Cost Structure
   - Reform III : Product Portfolio
     - Focus on 4 Core Product Segments (business domains)
     - Example of New Business

3. Management Targets
1. Enormous rise in development cost for leading-edge process technologies
   - Shift from “solo investment for development” to “co-development with partners”

2. Bottoming out of semiconductor demand
   - Drastic reduction of semiconductor demand from 2\textsuperscript{nd} half of FY2008
   - Slowly recovering after trough of recession in February 2009

3. Diversified customer needs
   - Requirements: ecological, security and safety
   - Forward-thinking solutions for customers’ products: features, evolution
Latest trends of Fujitsu Microelectronics’ business

**Order Bookings:** On a track of recovery after hitting bottom in February 2009

**Sales:**
- **Q1:** Results met initial projections set at the beginning of this year
- **Q2:** Latest forecast shows projections are anticipated to be met
- **FY2009** projections set at the beginning of this year are anticipated to be met

Significant growth unexpected in 2H’09 and FY10
3 Reforms and P/L Target

Reform I. Business Model
Establishment of FML-specific fab-lite model

Reform II. Cost Structure
Execution of cost-reduction measures primarily in Fixed Costs

Reform III. Product Portfolio
Application-Oriented

P/L Target
- 2nd half FY2009: Turn operating income profitable
- FY2010: Operating income profit in FY2010
Reform I : Business Model “FML-specific fab-lite”

- Shift focus of investment from “Process Miniaturization & Manufacturing” to “Products & IP”
- Valuation loss of Mie Plant Fab#2, 12-inch line (announced on April 30, ’09)

40nm products & below:
Collaboration with Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC)

45nm products & prior: Complete & thorough utilization of own fab
Business Model Reform(1) : Acceleration of TSMC Collaboration

Development and Manufacturing of Miniaturization Process Technologies/Packaging

- 40nm/28nm Logic IC : Foundry Production at TSMC’s fabs
- 28nm high-performance process : Co-development
- Advanced packaging technologies : Co-development

Provide World’s Most-Advanced Customer Value
“FML-specific fab-lite Model”

FML
- High-performance process technologies
- Low-power process design technologies & IPs
- Superior back-end (packaging) tech.
- High-level customer support

Mutual partnership

TSMC
- Advanced miniaturization process technologies
- Large-scale production capacity
- Highest reliability as foundry partner
Business Model Reform (2) : Global M&A, Alliance

Assertive initiatives for M&A, alliances and collaborations to reinforce product competitiveness

Europe
- GCC(*1) establishment
  (Graphics technology development for automotive)
- FEAT(*2) establishment
  (Software development)

China
- Acquisition of West Star Chips
  (MCU design for Home Appliance)

U.S
- Licensing of RF technologies from Freescale along with acquisition of human resources for development

Taiwan
- Collaboration with TSMC
- WiMAX, establishment of FMPI(*4) with III(*3)
  (WiMAX application development)

*1) GCC (Graphics Competence Center)
*2) FEAT (Fujitsu Microelectronics Europe Embedded Solution Austria)
*3) III (Institute for Information Industry)
*4) FMPI (Fujitsu Global Mobile Platform Inc.)
Reform II: Cost Structure

Cost reduction of 80 Billion JPY in 2 years, primarily in fixed costs (FY09: 65 Billion JPY, FY10: 15 Billion JPY)

**FY08**
- Operating Loss approx. 60 Billion JPY

**FY09**
- Cost reduction through design optimization
- Reduction of general administrative costs
- Optimization of development costs
- Impact of sales reduction, etc.
- Operating Loss approx. 15 Billion JPY

**FY10**
- Impact from sales recovery
- Operating Profit approx. 10 Billion JPY
- Improvement approx. 25 Billion JPY

Impact from cost reduction measures:
- manufacturing reform, development etc.
Cost Structure Reform (1) : Manufacturing Reformation

Aggregation and consolidation of front-end (wafer) fab lines → Optimization of production capacity
6-inch lines into 1 line, 8-inch lines into 3 lines

End of FY2008
9 lines

FY2010
6 lines

6" / 8" Wafer Processing Capacity
(8" equivalent)

6" lines
8" Lines

18% reduction

12" Wafer Processing Capacity

18k Wafers/Month
Cost Structure Reform (2) : Further Cost Reduction

Measure 1 : Optimal allocation of development costs

- Cessation of 40nm process development
- Unprofitable products: Disengagement / halt development

Measure 2 : General administrative costs

- Streamlining of related indirect groups

Measure 3 : Cost reduction by optimized development

- Review of raw materials and development procedures
- Promote overseas development initiatives for low-cost design

Measure 4 : HR measures, etc.

- Labor cost reduction (cuts in compensation for executives and management-level employees, etc.)
- Overtime reduction / set working styles (shifts, etc.) according to market-based demand fluctuation
Aim for early operating income restoration despite smaller sales than previous year

Transition of Operating Income

Aim for restoration of profitability in September 2009

FY2008

1H
approx. ▲10B

2H
approx. ▲50B

FY2009

1H
approx. ▲20B

2H
approx. 5B profit

(Unit: JPY)
Reform III: Product Portfolio (1)

Current Portfolio Issue: Shift from ASIC-centric to ASSP
Portfolio re-composition

Growth

- General-purpose Power Management IC
- Low Pin Count MCU
- RF IC
- LTE Chipset
- ASSP for Security Camera

Reform

- ASSP for DSC (Milbeaut)
- ASSP for Mobile (Milbeaut)
- GDC* for Dashboard
- MCU for Automotive

- WiMAX BS LSI
- DTV Engine
- 1seg Demodulator
- General-purpose 16bit MCU
- FCRAM for Mobile Phone
- 40nm COT

- General-purpose 32bit MCU
- FRAM for Security
- 45nm ASIC
- ~65nm ASIC (including COT)

(*)GDC=Graphic display controller.
Reform III: Product Portfolio (2)

Focus on product development in 4 business domains

- Mobile Phone
  - PC
- Automotive Body
  - Auto. Information Equipment
- Digital Still Camera
  - Camcorder
- Super Computer
  - Optical Transmission Equipment

FML’s Core technologies

- RF technology
- Power Management
- Encryption technology
- Graphics technology
- Automotive LAN
- High-reliability
- Milbeaut technology
- H.264 technology
- SoC design
- Advanced technology
- High-speed Interface
- Packaging technology

4 focusing areas = Key pillars for growth
Narrow down focus of core product categories from 20 to 14
Reallocation of 400 engineers

- Domain for Future Growth
  - Mobile / Ecological
    - Power Device
    - RF IC / CMOS PA
    - FRAM for Security
    - LTE chipset
  - Low Pin Count MCU

- Domain for Growth and Profit
  - Automotive
    - GDC for Dashboard
    - MCU for Automotive
  - Advanced Imaging
    - ASSP for DSC
    - ASSP for Mobile
  - ASSP for Surveillance Camera

- Domain to Reduce / Halt New developments
  - High-Performance
    - WiMAX BS IC
    - DTV Engine
    - 1seg Demodulator
    - General-purpose 16bit MCU
    - FCRAM for Mobile phone
    - 40nm COT
  - General-Purpose
    - 32bit MCU
  - 40/28nm ASIC
  - ~ 65nm ASIC (incl. COT)
  - Domain for Continuous Profit
  - Competitiveness

Reform III: Product Portfolio (3)
Strive to become global leader in Camera market through core competence in Milbeaut and H.264 codec technologies

Measure 1 : Promotion with core competence of Milbeaut technology
- Further enhanced roadmap of “global No.1” ASSP / SoC for DSCs
- Gain larger market share in Mobile Phone and Compact DSC market

Measure 2 : Market deployment of H.264 ASSP
- Transcoder and Codec ICs for Full HD video recording with low power dissipation
- Strengthen the promotion for requirements for TV Capture in PCs / Recording functions in TVs

Measure 3 : New Products launch with SoC technology
- Development & business deployment of the solutions for Surveillance Cameras / Automotive Cameras

Sales from Advanced Imaging Market

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<th>FY2008</th>
<th>FY2013</th>
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<tbody>
<tr>
<td>New Business Area</td>
<td>55B</td>
<td>100B</td>
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<tr>
<td>FY2008 Sales</td>
<td></td>
<td></td>
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<tr>
<td>FY2013 Sales</td>
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<td>85B</td>
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( Unit : JPY )
Build a firm position as Automotive system solution supplier by establishing a global development formation

**Measure 1 : Strengthen automotive products: Information equip. & Body**

- Expand the business with global automotive equipment vendors by broadening GDC product line-up specialized for Navigation and Meter Display
- Expand the business for Body Control, including emerging markets, by deploying high-voltage products in addition to MCU product line-up

**Measure 2 : New Product Launches**

- Become global leader of Motor Control MCU for Hybrid / Electric Vehicles
- Deploy solutions for Driver-Assistance equipment based on expertise in Imaging / Video processing technology

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**Product Portfolio**

**Automotive**

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<th>Sales from Automotive Market</th>
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<tr>
<td>FY2008</td>
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<tr>
<td>35B</td>
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(Unit: JPY)
Create New Business domain by capturing trends in “Mobile” & “Ecological” markets & establish leading position focused around Power Management

Measure 1: Global product deployment for Mobile Platforms and Net Books
- Enhance competitiveness of Power Management ICs for Net Books
- Market launch of RF ICs for Mobile Phones

Measure 2: New Product Launches
- Enter into new CMOS PA business for Mobile devices
- Deploy LED backlight-control ICs for LCD to Asia-based customers

Measure 3: Entry into New Business Domains
- Develop power management ICs with low power dissipation capability for eco-sensitive lighting systems
- Become leading player in power devices through early establishment of Gallium-Nitride (GaN) mass production techniques

Sales from Mobile/Ecological Market (Unit: JPY)
- FY2008: 20B
- FY2013: 35B
- New Business Domains: 60B
Enhance value of customers’ products through FML’s outstanding technological competencies; leverage as a source to generate profit for FML

Measure 1: Offer most-advanced technologies for Super Computer and Optical Transmission Equipment
- Design technologies based on world’s highest level of high-speed I/O
- Ultra high-pin-count packaging technology suitable for large-scale CPUs

Measure 2: World’s first 28nm ASIC Supplier
- Represent customers’ value through FML-specific fab-lite model
  - New technology deployment through collaboration with TSMC
- Provide rich IP line-up and thorough customer support
- Continuously provide high-performance products by leveraging technical capabilities and relationships with customers
Gallium-Nitride (GaN)-based Power Devices

Fujitsu Laboratories’ development achievements:
- GaN crystal-based technique:
  GaN-based crystal growth technique on silicon (Si) substrate
- Total solution: GaN crystal / process / design

World-leading achievement for high reliability

Ecological benefits enabled by GaN:
Less power dissipation
Approximately 1/2 compare to conventional silicon

Wide range of Applications

Sales forecast for power devices
- FY2013: 10B (Unit: JPY)
- FY2015: 30B

Adaptors for Notebook PCs
Servers
Electric Vehicles
Washing Machines
Refrigerators

New Business

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Operating Profit Ratio average 8%

FY2008
Operating Loss approx. 60 Billion JPY

FY2009
Operating Loss approx. 15 Billion JPY

FY2010
Operating Profit approx. 10 Billion JPY

FY2011
Operating Profit >15 Billion JPY

FY2012-14
Others
High-Performance
Mobile/Ecological
Automotive
Advanced Imaging

Record-high operating profit (Logic LSI)
Aim for stable profit growth, despite anticipated low sales growth

Product Portfolio Reform
Business Model Reform
Cost Structure Reform
FML’s Vision

Fujitsu Microelectronics Group will:

◆ Thoroughly reinforce our products and IPs
◆ Provide application-oriented products with a focus on 4 core business domains

● To enhance value of our customers’ products
● To become an enterprise that can continuously generate profit
Fujitsu

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