

LSI Products Business Strategy

August 27, 2009

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- 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**

Semiconductor Business Operating Environment

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

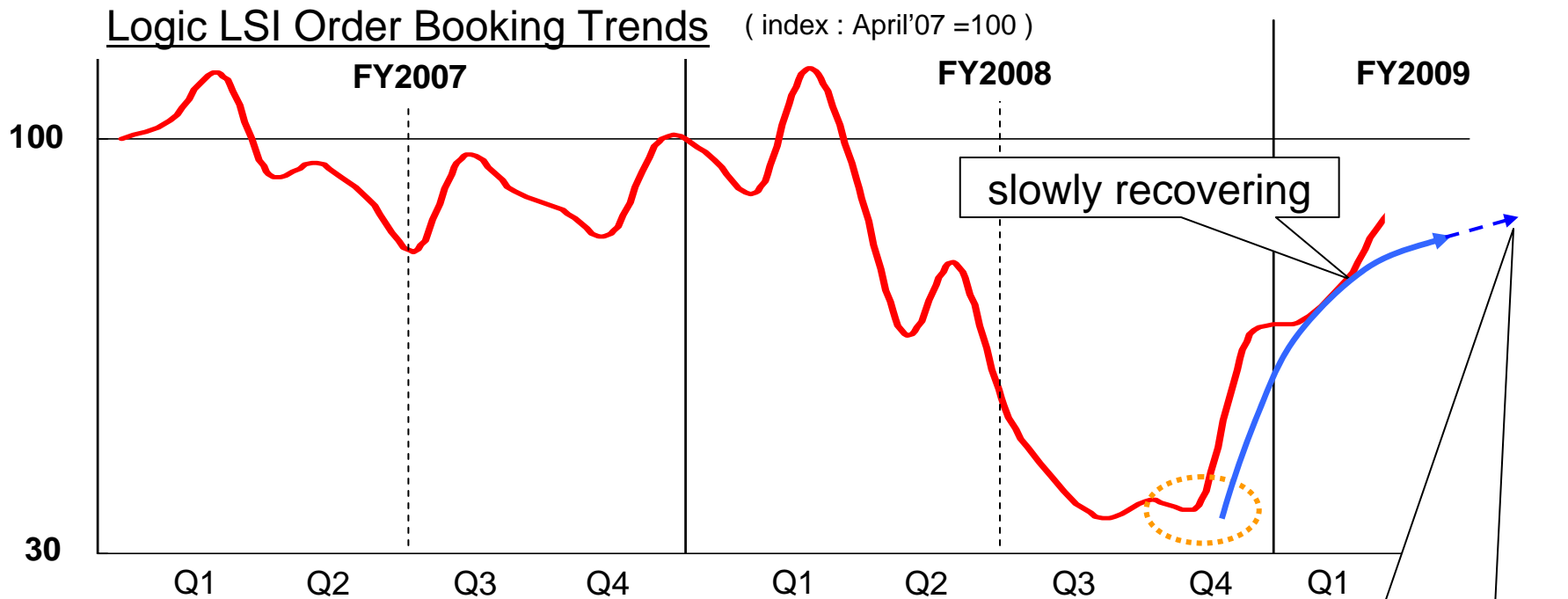
- Drastic reduction of semiconductor demand from 2nd half of FY2008
- Slowly recovering after trough of recession in February 2009

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

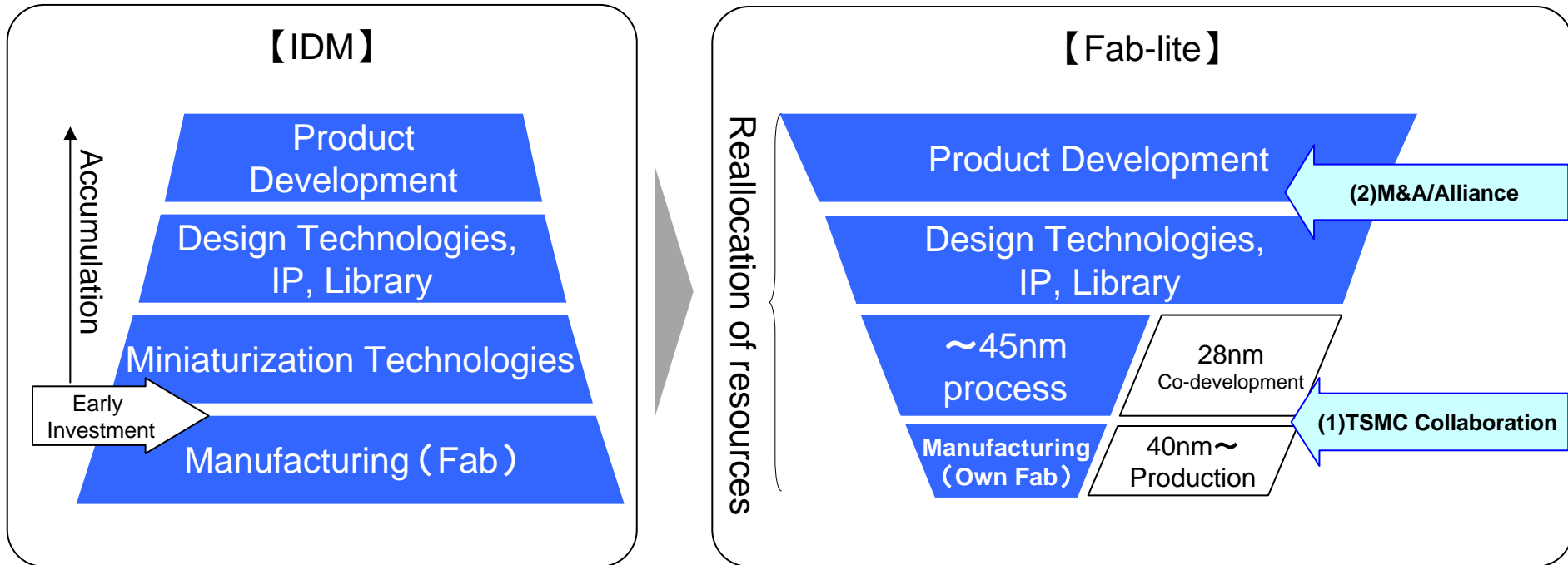


P/L Target

- 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

Mutual partnership

TSMC

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

- 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

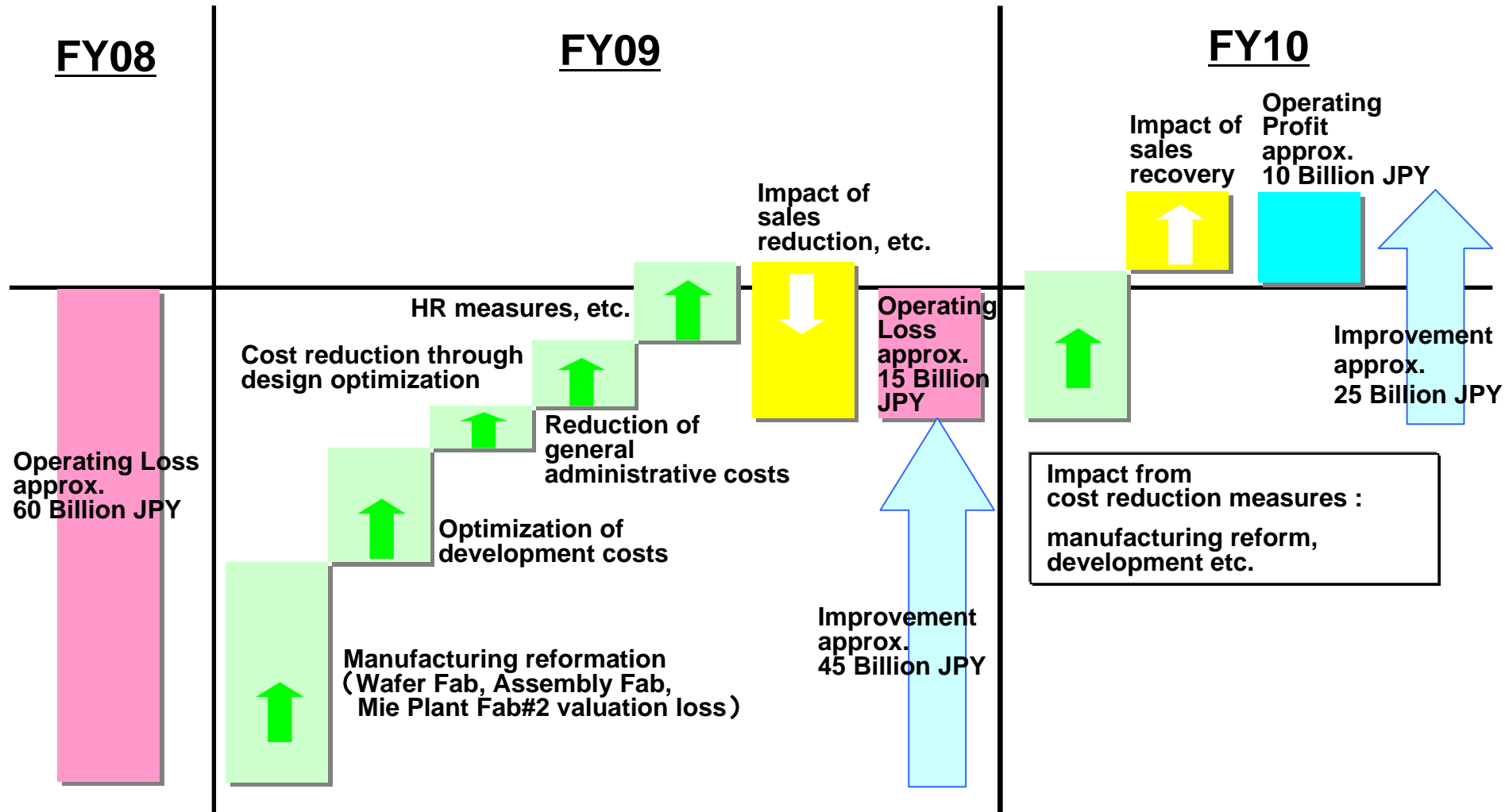
Taiwan

- 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)



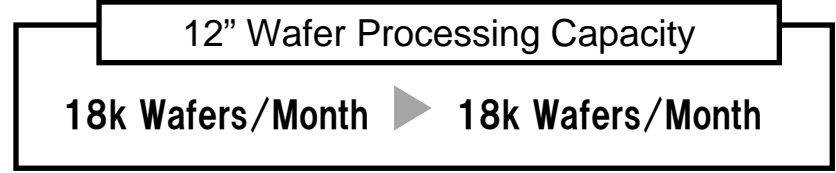
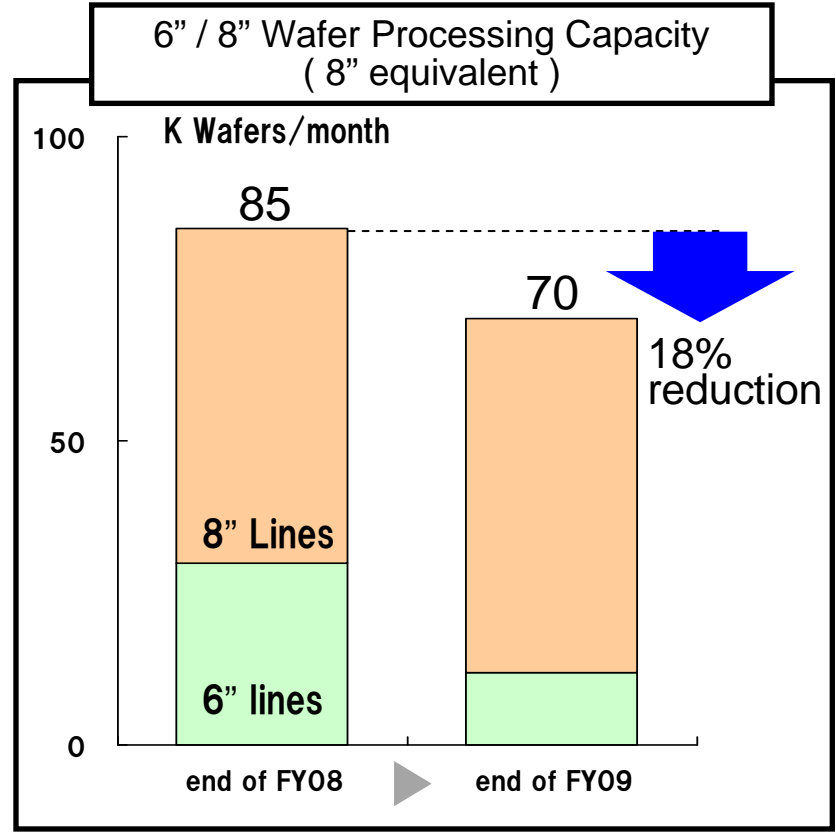
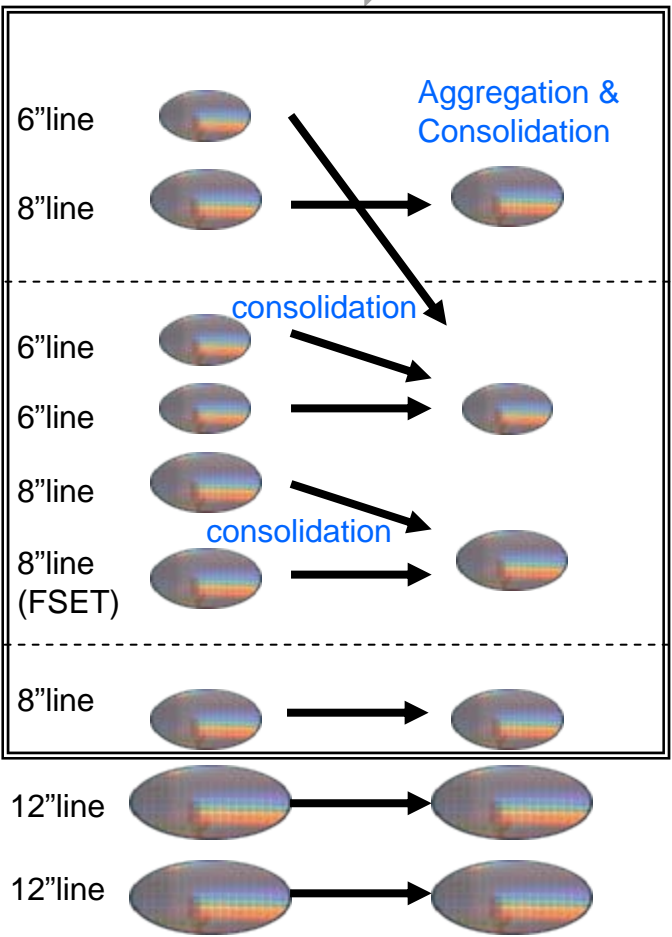
Cost Structure Reform (1) : Manufacturing Reformation

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



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

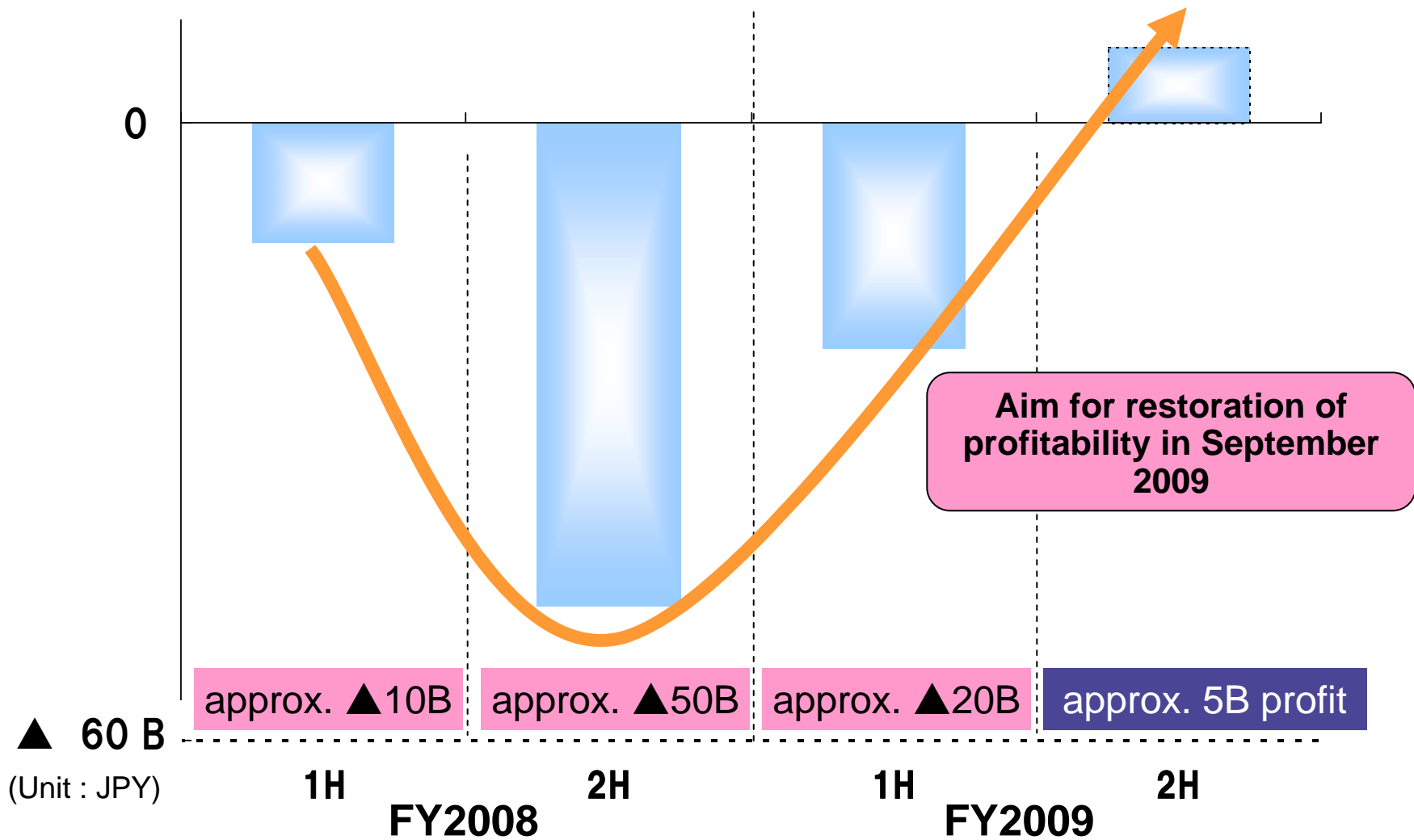
- Review of raw materials and development procedures
- Promote overseas development initiatives for low-cost design

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

Transition of Operating Income

Aim for early operating income restoration despite smaller sales than previous year

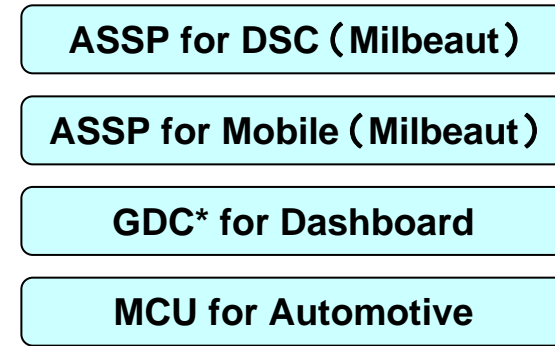
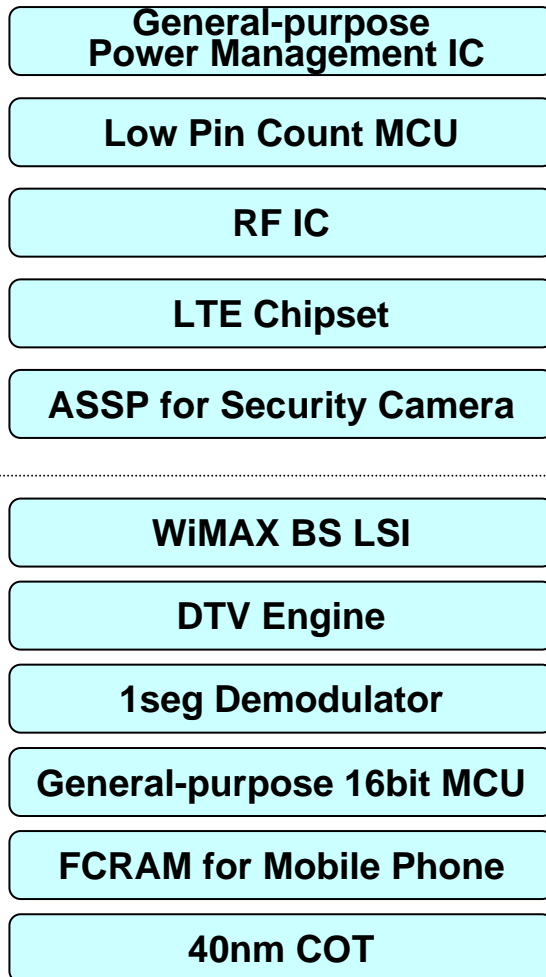


Reform III : Product Portfolio (1)

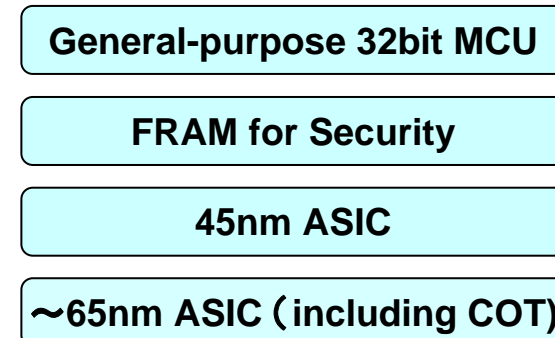
Current Portfolio Issue

: Shift from ASIC-centric to ASSP
: Narrow the range of focus products, portfolio re-composition

Growth



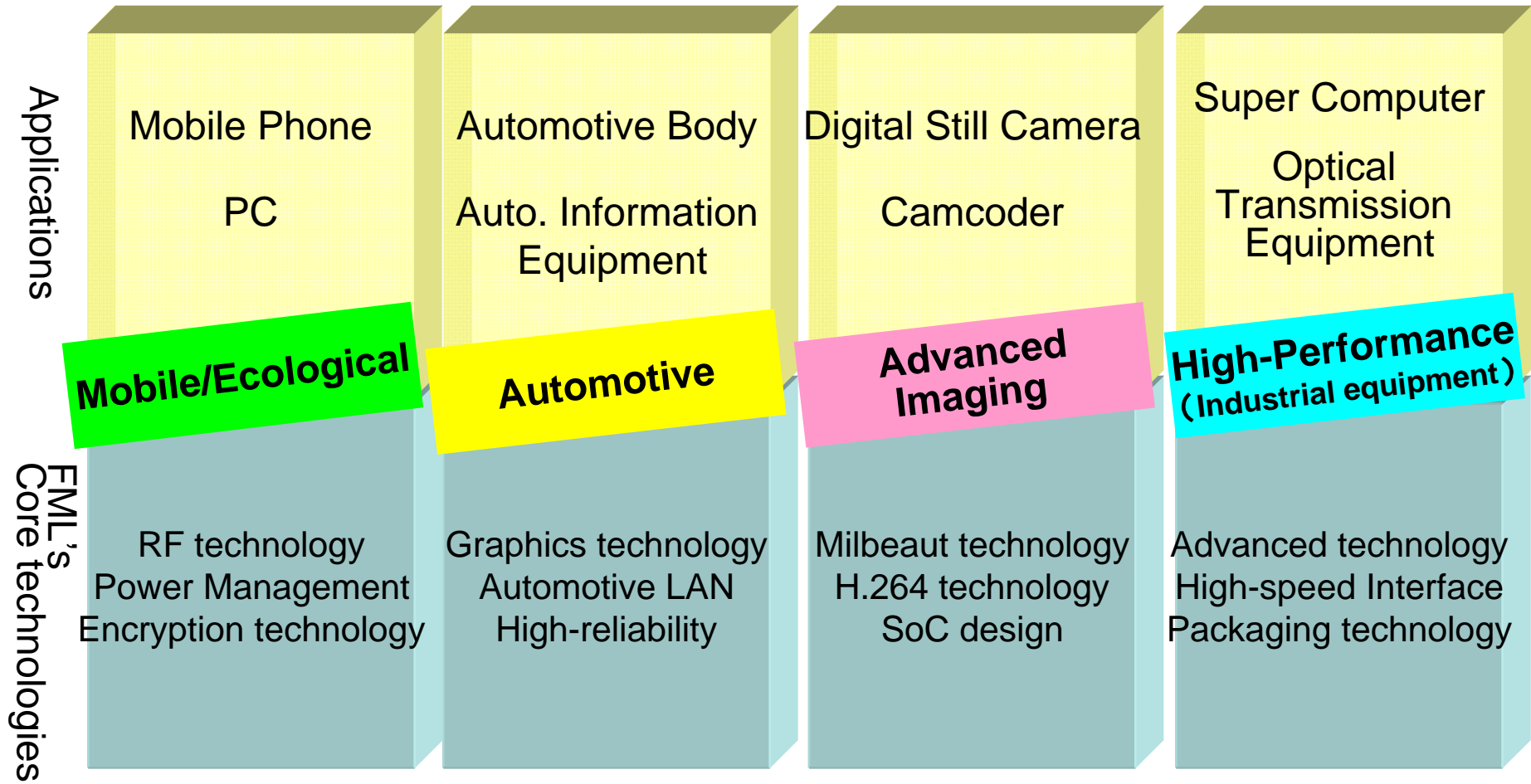
(*)GDC=Graphic display controller



► **Competitiveness**

Reform III : Product Portfolio (2)

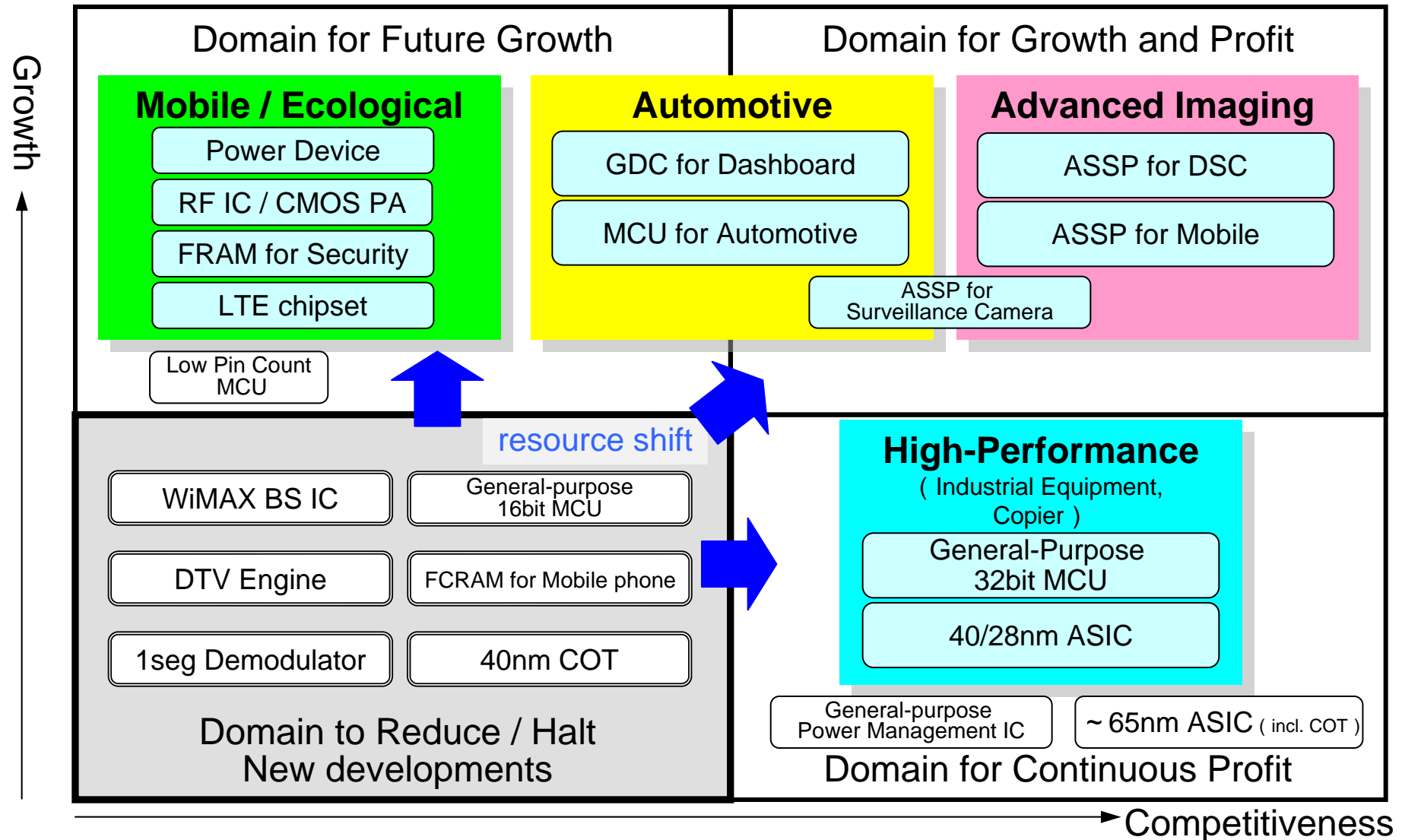
Focus on product development in 4 business domains



4 focusing areas = Key pillars for growth

Reform III: Product Portfolio (3)

- Narrow down focus of core product categories from 20 to 14
- Reallocation of 400 engineers



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

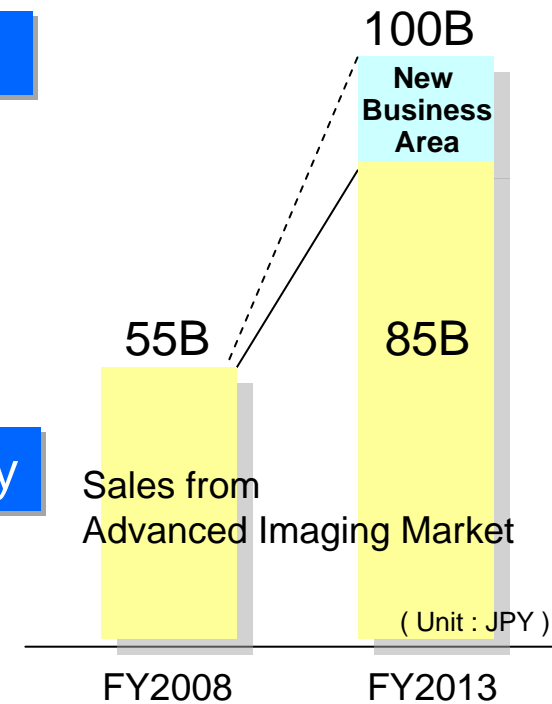
- Further enhanced roadmap of “global No.1” ASSP / SoC for DSCs
- Gain larger market share in Mobile Phone and Compact DSC market

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



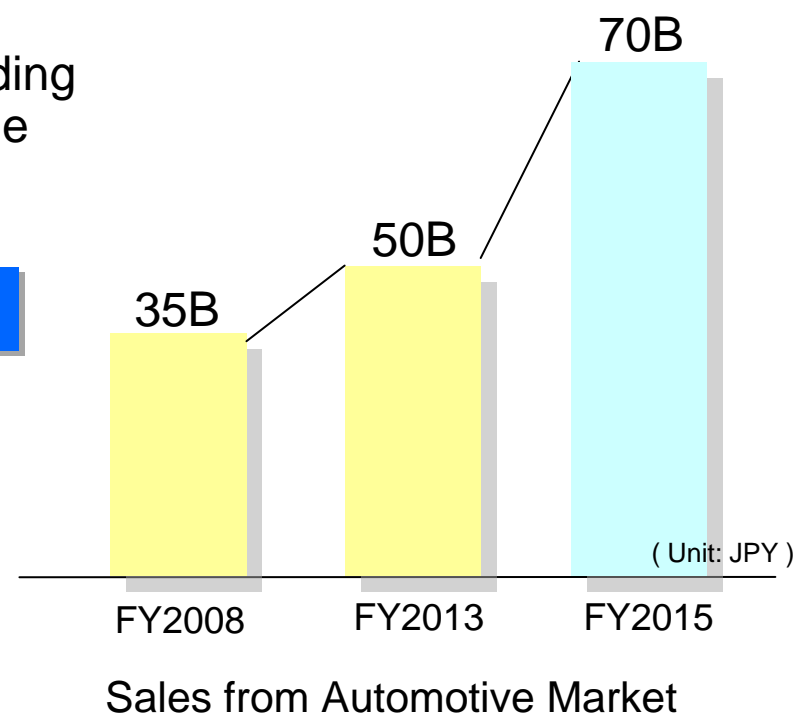
Build a firm position as Automotive system solution supplier by establishing a global development formation

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



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

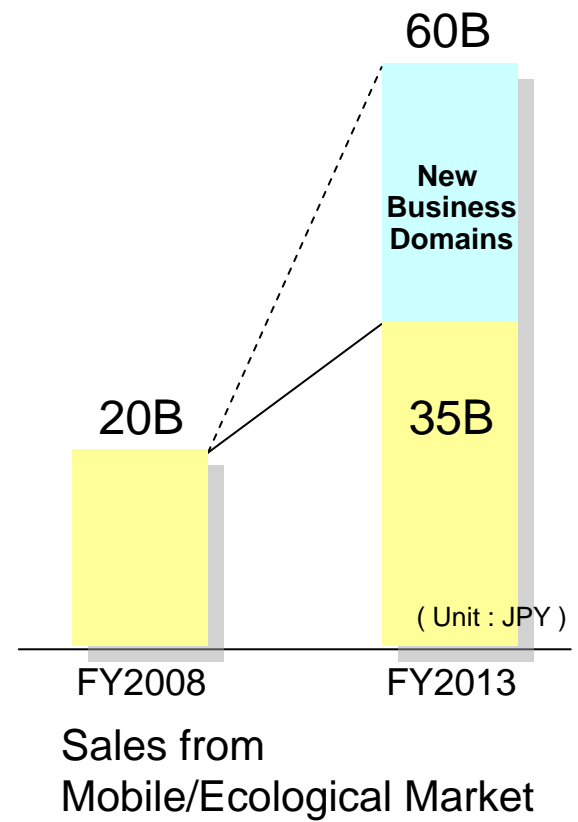
- Enhance competitiveness of Power Management ICs for Net Books
- Market launch of RF ICs for Mobile Phones

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



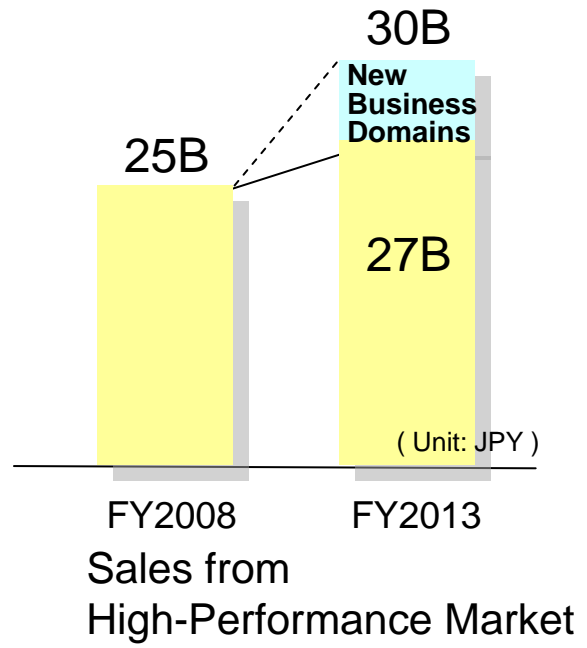
Enhance value of customers' products through FML's outstanding technological competencies; leverage as a source to generate profit for FML

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



New Business

Gallium-Nitride (GaN)-based Power Devices

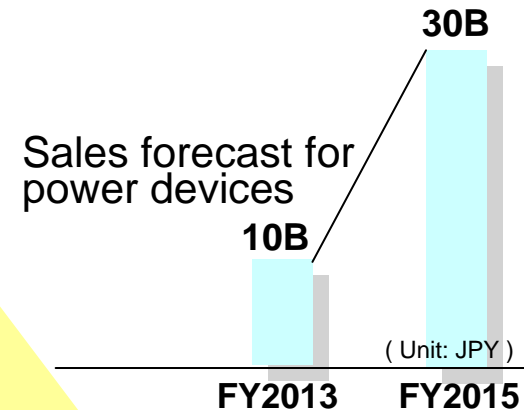
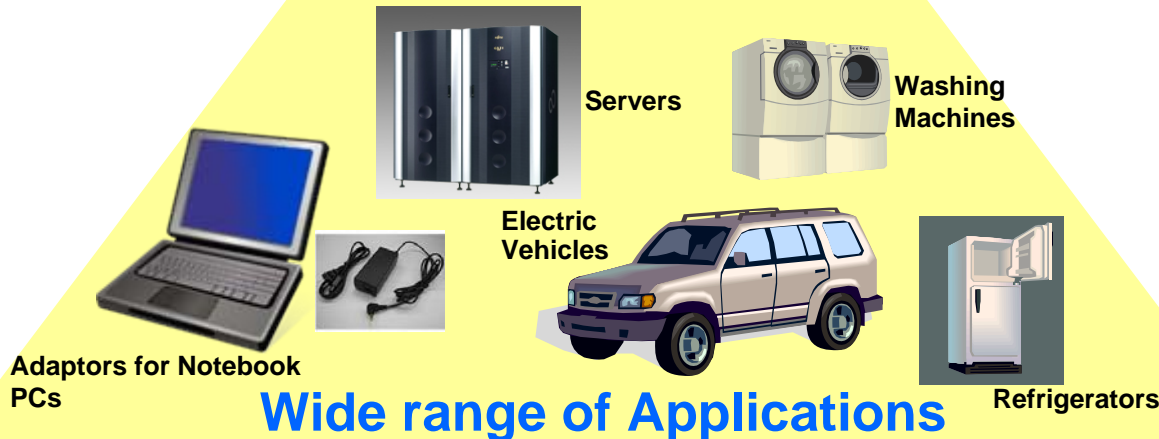
Fujitsu Laboratories' development achievements;

- ➔ GaN crystal-based technique :
GaN-based crystal growth technique on silicon (Si) substrate
- ➔ Total solution : GaN crystal / process / design

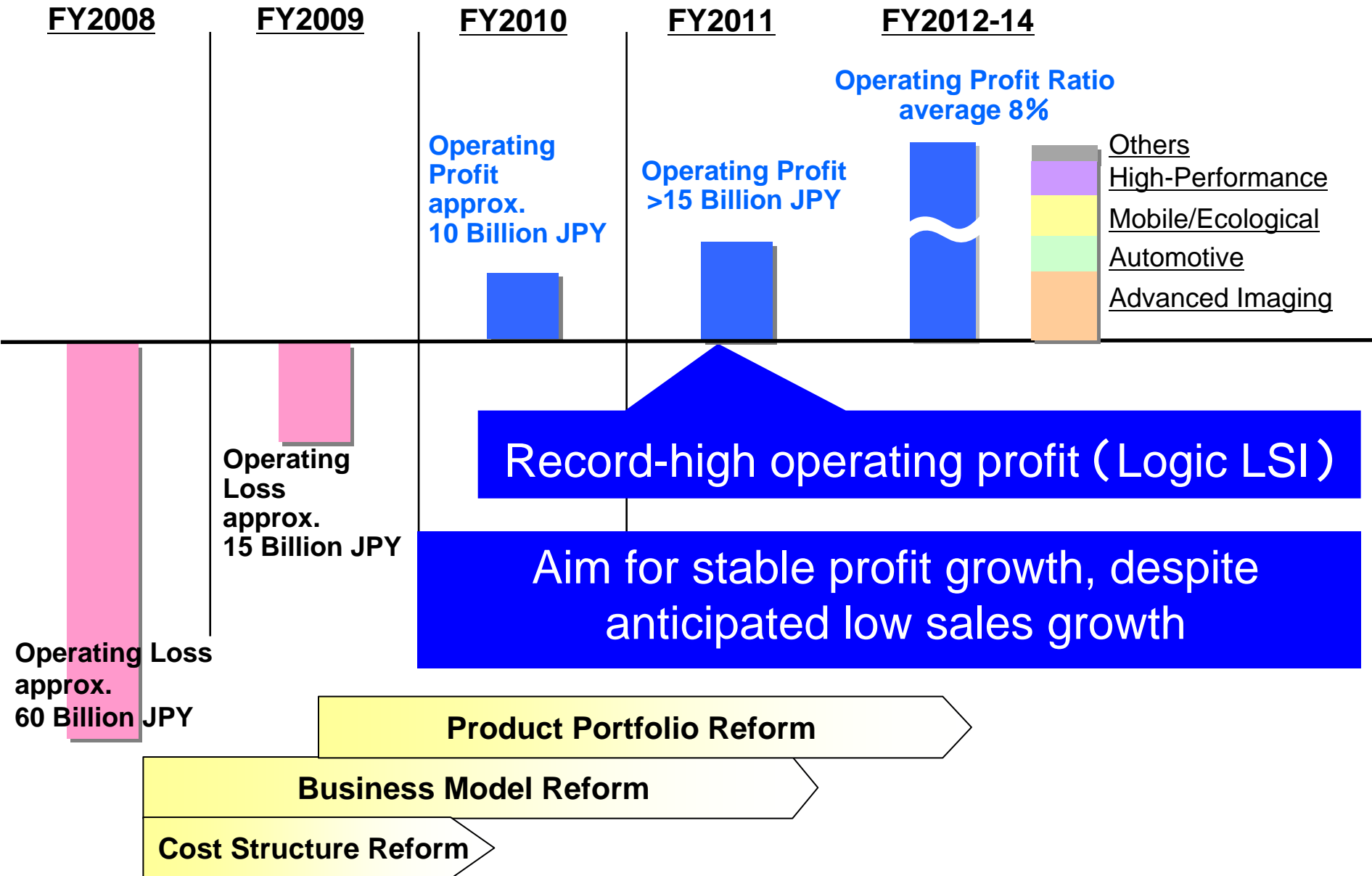
World-leading achievement for high reliability

**Ecological benefits enabled by GaN :
Less power dissipation**

➔ **Approximately 1/2 compare to conventional silicon**

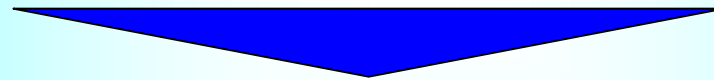


Management Targets

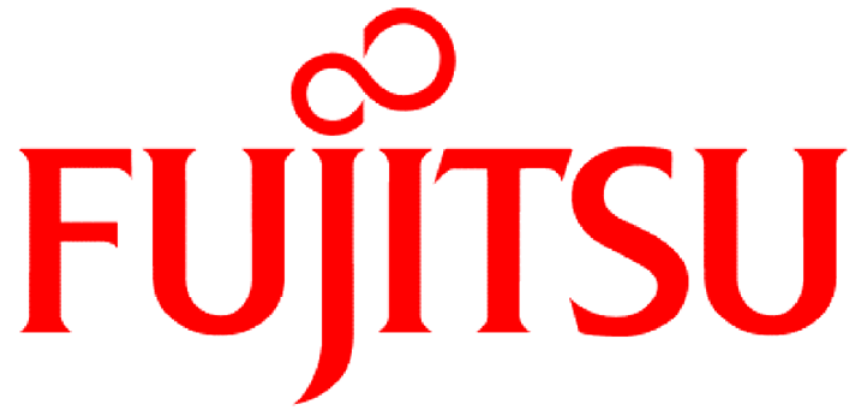


Fujitsu Microelectronics Group will:

- ◆ **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**



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THE POSSIBILITIES ARE INFINITE

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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;
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- 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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