Fujitsu’s Electronic Devices Business

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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

Source: WSTS 11/2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Market View</th>
<th>Growth rate vs. prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY03</td>
<td>18.3%</td>
<td></td>
</tr>
<tr>
<td>CY04</td>
<td>28.0%</td>
<td></td>
</tr>
<tr>
<td>CY05</td>
<td>6.6% 8.0%</td>
<td></td>
</tr>
<tr>
<td>CY06</td>
<td>10.6% 13.2%</td>
<td></td>
</tr>
<tr>
<td>CY07</td>
<td></td>
<td></td>
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<tr>
<td>CY08</td>
<td></td>
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</tbody>
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Source: WSTS 11/2005
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

Source: iSupplier
### 3Q FY05 Financial Results for Device Solutions

<table>
<thead>
<tr>
<th></th>
<th>Third Quarter FY 2005 (billion yen)</th>
<th>Change vs. 3Q FY04 (%)</th>
<th>Change vs. 3Q FY04*1 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>182.6</td>
<td>-0.1%</td>
<td>+12.8%</td>
</tr>
<tr>
<td>Japan</td>
<td>100.3</td>
<td>-11.3%</td>
<td>+1.7%</td>
</tr>
<tr>
<td>Overseas</td>
<td>82.3</td>
<td>+18.1%</td>
<td>+31.4%</td>
</tr>
<tr>
<td><strong>LSI Devices</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Electronic Components, Others</strong></td>
<td>+10.1%</td>
<td>+10.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-14.2%</td>
<td>+18.4%</td>
</tr>
</tbody>
</table>

**Operating Income**

- **Operating Income Margin**: 9.4, +31 times, +56.7%
- **Operating Income**: 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
- Profits & Growth: We strive to meet the expectations of customers, employees and shareholders
- Environment: We consider environmental impact in all that we do
- Customers: We aim to earn our customers’ trust in FUJITSU
- Employees: Every one of us has a leading role to play
- Quality: Act with fairness in our business dealings

Our Code of Conduct

- Respect human rights
- Protect intellectual property
- Comply with laws and regulations
- Reject unethical behavior
- Maintain confidentiality
Restructuring of Electronic Devices Business from 2002

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

Concentrate resources in logic business
Expand earnings in both advanced and standard areas

ASSP: Application Specific Standard Products; COT: Customer-Owned Tooling; SoC: System on Chip
Electronic Devices Business
Areas of Focus

Provide comprehensive solutions, including from affiliated companies

- Equipment
- Units
- Boards
- Modules
- Packages MCP/SIP
- Logic LSI

Areas of Focus

System Level

Volume

High

Low

Small

Large

Components
Media Devices
FIM * (Packaging / Testing)
Logic Flash

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

Trends in CAPEX for Device Solutions (consolidated)

Focus of Investment

DRAM  LCD / FPD  Flash  Logic
Concentrate resources in logic LSI

Significantly increase revenue by positioning ~90nm advanced technologies as engines of growth

![Graph showing projected and actual results for fiscal years 2003 to 2007. Excluding products purchased from other companies.](image)
Under “New IDM” model, further accelerate focus on logic business and develop volume business

- Leverage internal synergies to improve product competitiveness
- Strengthen partnerships with customers
- Expand advanced logic business
- Further strengthen earnings of standard logic products

IDM: Integrated Device Manufacture
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
- World-class Embedded Software Development
  - Middleware
  - Real-time OS

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

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

Production
- World-leading Process Technology
  - Process technology (Performance Power Ratio)
  - Stable LSI delivery
  - Ultra low-power chip
  - High yield
Leadership in advanced technology development & mass production

45nm
- Process Module
- Process Integration Tuning
  Development completed
  Development ongoing

65nm
- COT
  Now accepting designs
  To start accepting designs from June 2006
- SoC

90nm
- “First-time-right” delivers high customer satisfaction
- Mass-producing over 20 products; sampling over 60 products

- 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)

STA: Static Timing Analysis; DFM: Design For Manufacturing
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)

- **Accelerate investment in 300mm Fab No. 1**
- **Construction of 300mm Fab No. 2**

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

### 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 FY06); 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

Low-k: low dielectric constant; BEOL: Back End of Line
Expanding Our Advanced Logic Business:

**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
Cumulative shipments: 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
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

Leverage system know-how to increase business

- Power management
- Sensor amps for MEMS
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**

**Product Solutions**

- High-End Servers
- Base Stations
- Mobile Phones

**Software & Services**

**IP**
Business Development Going Forward

- Intensify deployment of New IDM business model
- Create ASSPs for global markets
- Expand range of products that can become “cash cows”
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- 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.