

Company: Fujitsu Limited
Representative: Hiroaki Kurokawa,
President & Representative Director
Securities Code: 6702 TSE 1st Section
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Notice of Company Split of LSI Business

Fujitsu Limited (“the Company”) gives notice that its Board of Directors, at a meeting held on February 12, 2008, resolved to split off the Company’s LSI business through a company split (“the Company Split”) and establish a wholly owned subsidiary to be incorporated as Fujitsu Microelectronics Limited effective March 21, 2008.

Particulars

1. Purpose of the Company Split

The core competencies of the LSI business include advanced process technologies, an abundant library of competitive intellectual property, design technologies for “first-shot full operation” (*1) of system LSIs, and a strong customer base. Fujitsu has leveraged these competencies to develop a strong business foundation focused primarily on ASICs (*2), COT (*3), and a growing lineup of promising ASSP (*4) products, with software development capabilities as a key competitive component of the business.

In order to flourish amid intense competition and implement a strategic plan for growth, however, the LSI business requires greater independence and a new management structure which can facilitate the kind of rapid and timely decision-making needed to compete in the LSI industry. Under these circumstances, the Board of Directors made the decision on January 21, 2008 to pursue the reorganization of the LSI divisions into a separate entity.

As a result of detailed consideration on the structure of the LSI business, the Board of Directors made a decision today to split off the LSI business into a new, wholly owned subsidiary, Fujitsu Microelectronics Limited, to be incorporated on March 21, 2008.

As part of the company split, a number of LSI subsidiaries and affiliates, including subsidiary Fujitsu Electronics Inc., will become subsidiaries of Fujitsu Microelectronics Limited. Fujitsu Component Limited, Shinko Electric Industries Co., Ltd., and Fujitsu Media Devices Inc., which manufacture electronic components, will remain Fujitsu Limited subsidiaries.

As a specialized LSI business, Fujitsu Microelectronics Limited will adopt a new management cycle optimized for the industry. In addition to ASIC and COT products, which have been a mainstay of the LSI business, the subsidiary will seek to expand the lineup of ASSPs, microcontrollers, analog products and other general-purpose products, while enhancing its sales structure to focus on high-growth regions like Asia. These measures will enable the company to increase the proportion of high value-added products among its offerings and ensure a stable capacity utilization, which in turn will improve the profit structure.

As a management goal, Fujitsu Microelectronics Limited plans to achieve a consolidated operating income margin of at least 5% for fiscal 2009 ending March 31, 2010.

Notes:

1. First-shot full operation:

Refers to first-try successful operation of an LSI from the initial prototype chip.

2. ASIC:

Application specific IC. Customized ICs for specific applications (customers).

3. COT:

Customer-owned tooling. Refers to a business model in which LSIs designed and developed by the customer are manufactured by an LSI manufacturer. Unlike foundry manufacturing, the manufacturer co-develops with the customer from initial design stages.

4. ASSP:

Application specific standard product. LSI products for specific applications, such as image processing and network-related processing.

2. Summary of the Company Split

- (1) Schedule of the Company Split
February 12, 2008: Board of Directors meeting to approve the plan for the Company Split
March 21, 2008 (scheduled): Incorporation date of Fujitsu Microelectronics Limited (effective date of the Company Split)
The Company Split will be performed pursuant to Article 805 of the Corporate Law without obtaining the approval of a General Meeting of Shareholders as stipulated under Article 804, paragraph 1, of the Corporate Law.
- (2) Method of the Company Split
The Company Split will be carried out through a 100% share allotment to the Company by the newly incorporated Fujitsu Microelectronics Limited.
Reason for adopting this method:
In consideration of the speed of the procedures required, the Company has decided to carry out a Company Split through a share allotment to the Company, whereby Fujitsu Microelectronics Limited will become a fully owned subsidiary of the Company.
- (3) Share allotment
Upon the Company Split, all 6,024,000 shares of common stock to be issued by Fujitsu Microelectronics Limited will be issued and allotted to the Company.
- (4) Consideration for the share allotment
The Company will receive 100% equity of Fujitsu Microelectronics Limited, and no cash consideration will be paid by Fujitsu Microelectronics Limited in connection with the Company Split.
- (5) Decline in capital, etc. due to the Company Split
No decline in the amount of stated capital of the Company will result from the Company Split.
- (6) Treatment of existing share purchase warrants and bonds with share purchase warrants
The Company will not transfer to nor have Fujitsu Microelectronics Limited assume its obligations with regard to the Company's existing share purchase warrants and bonds with share purchase warrants.
- (7) Rights and duties to be assumed by Fujitsu Microelectronics Limited
Fujitsu Microelectronics Limited will succeed to the assets and liabilities, contracts, and other rights and duties that the Company owns with respect to the LSI business as of the effective date of the Company Split. However, all employees of Fujitsu Microelectronics Limited will be seconded from the Company.
- (8) Ability to satisfy liabilities
Given that all shares to be issued by Fujitsu Microelectronics Limited upon the Company Split will be allotted to the Company, and given that assets and liabilities to be succeeded by Fujitsu Microelectronics Limited are expected to total 461,400 million yen and 160,200 million yen respectively, with assets in excess of liabilities, it is expected that the existing liabilities of the Company, whether they remain at the Company or they are succeeded by Fujitsu Microelectronics Limited, will be duly satisfied.
- (9) Officers of Fujitsu Microelectronics Limited
President, Representative Director Toshihiko Ono
Director Shigeru Fujii
Director Koichi Ishizaka
Director Haruyoshi Yagi
Director Joji Murakami
Auditor Masamichi Ogura
Auditor Toshimasa Wada
Auditor Yoshihiro Ando

3. Outline of the Parties to the Company Split

(1) Splitting entity

As of September 30, 2007

| | | |
|---|--|-------|
| (1) Corporate name | Fujitsu Limited (splitting entity) | |
| (2) Business description | Development, production, and sales of products and services in the fields of software services; information processing; telecommunications, and electronic devices | |
| (3) Date of establishment | June 1935 | |
| (4) Location of head office | 4-1-1, Kamikodanaka, Nakahara-ku, Kawasaki City, Kanagawa Prefecture, Japan | |
| (5) Representative | Hiroaki Kurokawa, President & Representative Director | |
| (6) Capital | 324,625 million yen | |
| (7) Total number of outstanding shares | 2,070,018,213 shares | |
| (8) Net assets (consolidated) | 1,125,897 million yen | |
| (9) Total assets (consolidated) | 4,200,112 million yen | |
| (10) Fiscal year | April 1 to March 31 | |
| (11) Principal shareholders and shareholding ratio (as of September 30, 2007) | The Master Trust Bank of Japan, Ltd. (Trust account) | 6.17% |
| | Fuji Electric Holdings Co., Ltd. | 4.57% |
| | State Street Bank and Trust Company | 3.86% |
| | Japan Trustee Services Bank, Ltd. (Trust account) | 3.74% |
| | Fuji Electric Systems Co., Ltd. | 2.95% |

(12) Consolidated financial results of the splitting entity for the last three fiscal years (Billion Yen)

| Fiscal year | Fujitsu Limited | | |
|----------------------------------|-----------------|---------|---------|
| | FY2004 | FY2005 | FY2006 |
| Net sales | 4,762.7 | 4,791.4 | 5,100.1 |
| Operating income | 160.1 | 181.4 | 182.0 |
| Ordinary income | 89.0 | 126.0 | 147.2 |
| Net income | 31.9 | 68.5 | 102.4 |
| Net income per share (yen) | 15.42 | 32.83 | 49.54 |
| Annual dividends per share (yen) | 6.00 | 6.00 | 6.00 |
| Net assets per share (yen) | 414.18 | 443.20 | 469.02 |

(2) Newly incorporated entity

As of March 21, 2008 (projected)

| | | |
|--|--|------|
| (1) Corporate name | Fujitsu Microelectronics Limited (newly incorporated entity) | |
| (2) Business description | Design, development, manufacture, and sale of LSI products | |
| (3) Date of establishment | March 21, 2008 (scheduled) | |
| (4) Location of head office | Shinjuku Daiichi Seimei Building, 2-7-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan | |
| (5) Representative | Toshihiko Ono, President & Representative Director | |
| (6) Capital | 60,000 million yen | |
| (7) Total number of outstanding shares | 6,024,000 shares | |
| (8) Net assets (non-consolidated) | 301,200 million yen (projected) | |
| (9) Total assets (non-consolidated) | 461,400 million yen (projected) | |
| (10) Fiscal year | April 1 to March 31 | |
| (11) Principal shareholders and shareholding ratio | Fujitsu Limited | 100% |

4. Outline of the Business Division to Be Succeeded by Fujitsu Microelectronics Limited

(1) Operations of the business division to be succeeded

Design, development, manufacture, and sale of LSI products

- (2) Financial results of the business division to be succeeded
 (Sales of the business to be succeeded for the fiscal year to March 31, 2007)

| | LSI operations (a) | Sales of the Company (b) | Ratio (a/b) |
|--------|---------------------|--------------------------|-------------|
| Sales* | 345,166 million yen | 2,869,204 million yen | 12.0 % |

*Note: The amount of sales is unaudited.

- (3) Assets and liabilities transferred upon the Company Split (projected as of March 21, 2008)
 Assets and liabilities amount to 461,400 million yen and 160,200 million yen, respectively.

5. Overview of Fujitsu Microelectronics Limited

Please refer to section 3 (2).

6. The Company after the Company Split

| | |
|---|--|
| (1) Corporate name | Fujitsu Limited |
| (2) Business description | Development, production, and sales of products and services in the fields of software services; information processing; and telecommunications |
| (3) Location of head office | 4-1-1, Kamikodanaka, Nakahara-ku, Kawasaki City, Kanagawa Prefecture, Japan |
| (4) Representative | Hiroaki Kurokawa, President & Representative Director |
| (5) Capital | 324,625 million yen |
| (6) Fiscal year | April 1 to March 31 |
| (7) Expected effects of the Company Split on financial results of the Company | Since the newly incorporated entity is a wholly owned subsidiary of the Company, consolidated results of the Company will not be substantially affected. Furthermore, effects on non-consolidated financial results of the Company for the current fiscal year are expected to be negligible. |

There are no other changes to the business of the Company besides those indicated above.

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Press Contacts:

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