

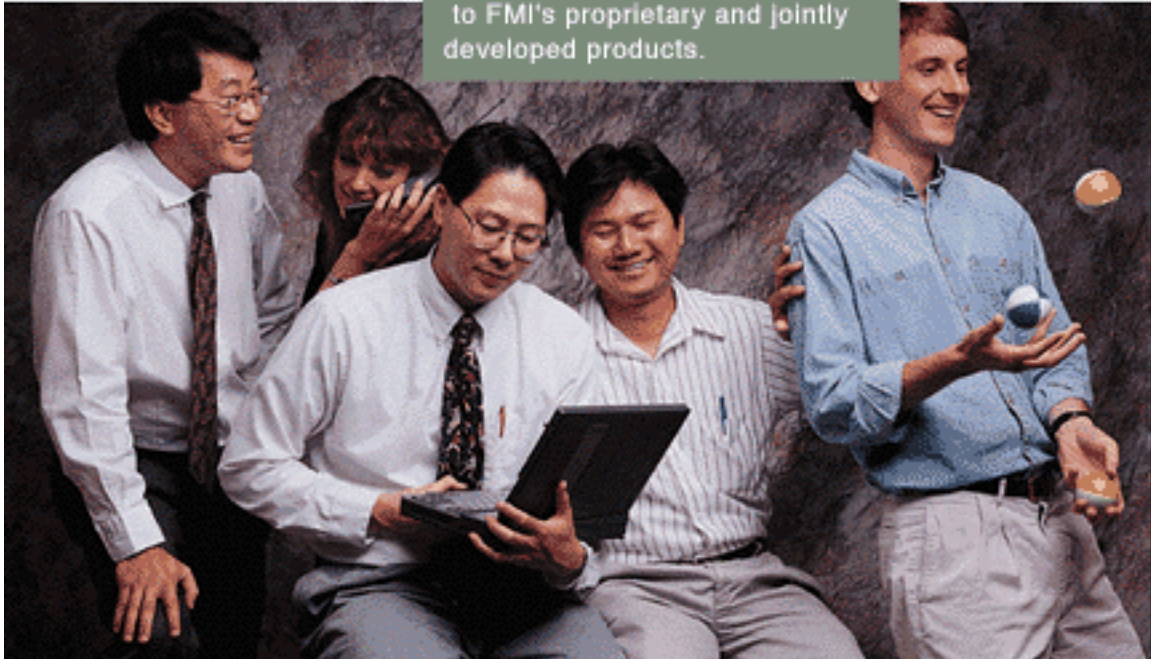
Engineering

Today, what used to be systems challenges are now chip-design challenges. FMI's design operation in San Jose, California, helps the company develop "systems-on-the-silicon" solutions for its customers.

FMI's engineering team is closely attuned to the needs of the U.S. market and aggressively develops creative solutions to the market's problems. A major component of Fujitsu's global development strategy, this local design capability helps FMI meet customer needs quickly. The local engineering teams facilitate joint development projects and enable customers to easily take advantage of the full scope of Fujitsu's product and service offerings.

This emphasis on design is part of FMI's overall move towards providing systems solutions to customer problems while shifting away from purely component sales. More and more, FMI is helping its customers achieve higher levels of integration so that they can get products to market faster. In this new emphasis on integrated solutions, FMI is focusing on -- and leveraging -- its core competencies in areas such as mixed-signal technology, digital signal processing and high-speed memory interfaces.

These San Jose-based engineers are among the key contributors to FMI's proprietary and jointly developed products.



Development Services

As an example of FMI's customer-driven approach, its engineers analyze the customer's requirement and then develop a product to fit those needs. FMI's Field Application Managers (FAMs), who work closely with customers to ensure that the products meet their needs and who operate as a liaisons between the customers and Fujitsu, also provide field support and

training.

Technology Alliances

FMI often works through technology alliances with companies that leverage and complement Fujitsu's strengths. For example, FMI and workstation pioneer Sun Microsystems Computer Corporation jointly developed the SPARC 32-bit microprocessor. That product, the first commercially marketed RISC processor, was a central factor in bringing mainframe computing power to the desktop.

In another example, FMI worked with Intel and Microsoft to develop a single-chip, plug-and-play controller that provides comprehensive autoconfiguration capabilities for PC ISA add-in cards. The product, which will allow customers to be Windows 95 compliant quickly and easily, simplifies PC upgrades and reduces costs.

FMI is currently working with SynopsysTM Inc., using their Structured ASICTM Methodology to develop highly complex ASICs for advanced applications such as multimedia, graphics and telecommunications.

Technical Assistance

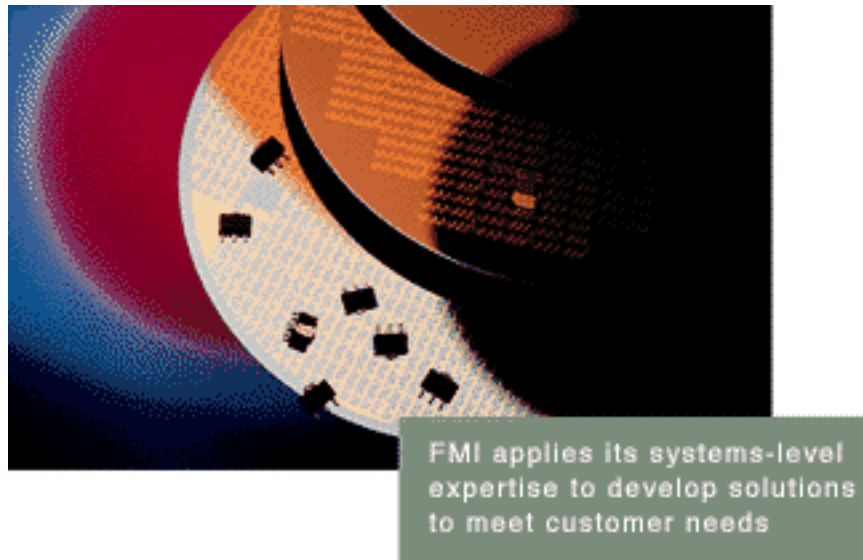
In addition to joint-development projects, FMI is creating in place design centers to support local development of products in areas ranging from graphics and interconnect technologies to telecommunications and plug-and-play solutions.

Additionally, as part of its program to optimize service and development support, FMI provides sophisticated consulting and technical assistance to help customers develop ASICs, interconnect technology and other hybrid products. FMI offers a complete set of development tools ranging from evaluation boards to design kits and software drivers. Through alliances with leading design-tool vendors such as Microtec Research and Green Hills Software Inc., and Cygnus Support, FMI facilitates access to the latest software compilers, assemblers and debuggers. In addition, the company establishes cooperative ventures with a broad range of key hardware and software companies in order to develop and extend successful technologies and bring products to market more quickly.

Future Plans

A technological leader, FMI has earned a reputation as an innovator for its ability to successfully develop and deliver leading-edge products that meet customer needs. FMI is committed to maintaining that innovative momentum in its new products and through successive generations of existing products.

In the future, FMI will continue to emphasize PC applications, including graphics, plug-and-play interfaces, and wireless products. FMI's goal is to blend the best of Fujitsu's worldwide technology with its innovative U.S. semiconductor designs to make FMI an international headquarters for VLSI (Very Large Scale Integration) systems development.



Manufacturing

Over the past few years, the semiconductor market has suffered a chronic shortage of products, as manufacturers strive to keep up with a burgeoning demand. One way FMI meets this challenge is by establishing world-class manufacturing facilities in the areas in which the company does business.

A significant amount of the manufacturing is done in Fujitsu's world class facilities in Japan. Additionally, FMI's wafer-fabrication plant in Gresham, Oregon, produces memory devices for both the U.S. market and for Fujitsu's customers in other parts of the world.

Local Manufacturing Operation

The Gresham facility is among the most advanced of its kind. The 225,000-square-foot plant is consistently upgraded to meet customer needs and to keep abreast of market developments. In 1995, FMI announced a \$1 billion expansion to the facility, which sits on a 200-acre site. The new 545,000-square-foot facility will more than doubling the plant's capacity. Mass production at the new state-of-the-art wafer-fabrication facility will begin in January 1997.

The Gresham operation produces memory products including 4-Megabit DRAMs and Erasable Programmable ROMs (EPROMs), many of which are sold overseas, positively impacting the U.S. trade balance. The new facility will process 8-inch wafers by using 0.32 micron technology in its sub-class-1 "super-clean" clean room. An 8-inch wafer can more than double the current capacity. The new plant, which will initially produce 16-Megabit DRAMs, will have the capability to produce 64-Megabit DRAMs in the future. About 500 highly skilled technicians and professionals now work at the Gresham facility which operates at full capacity, 24 hours a day, seven days a week. With the expansion, FMI will almost double the employment over the next three years.

Quality Standards

Like all Fujitsu operations, the Gresham plant sets standards above those of the industry. In 1995, Gresham received the ISO 9002 certification-a verification that the factory complies with strongest international quality standards. All Fujitsu factories have received ISO certification, which gives FMI a competitive marketing advantage.

Gresham's safety and employee wellness records are among the best in the industry and the plant consistently surpasses Oregon's environmental requirements. Gresham reduces or eliminates the use of toxic substances and the generation of hazardous waste whenever possible. The plant has already eliminated the use of chlorofluorocarbons (CFCs) and all chemicals based on glycol ether.

A prime example of FMI's commitment to localization and globalization, Gresham is an integral part of FMI's overall customer service. The plant's continued attention to innovation and quality make it critical factor in Fujitsu's worldwide manufacturing network.

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