

A LETTER FROM THE PRESIDENT



Customer satisfaction is the only thing that matters.

Our customers need powerful, systems-level products that fit their needs today and can grow to accommodate their needs in the future.

We are constantly challenged to meet -- and exceed -- our customers' requirements and expectations.

Fortunately, we are in a strong position to meet this challenge. FMI is a technological leader, with a reputation for quality and reliability. We have earned that reputation over the years; it is a "given" with the Fujitsu name.

We have established extensive local design operations in the United States so that we can be close to our customers here and respond more quickly and accurately to their market needs. We are financially sound and are investing today to ensure we will be able to meet customer demands tomorrow. Our employees are among the "best and the brightest," representing some of the premier engineering talent from around the world.

And our focus is clear: We are committed to leveraging Fujitsu's technological expertise to ensure excellent customer service and satisfaction, locally and globally.

Fujitsu's Technological Expertise

Fujitsu is a recognized technology leader. Our mission is to package that technology in the best way possible to benefit our customers. To do that, we apply a systems-level approach. We do not view situations from the component perspective, but instead analyze the system and then develop the product to meet

that need.

This customer-driven approach represents a strategic shift for us over the past few years, but it's been a rewarding change both for us and for our customers. For example, we were the first to announce a 64-megabit Synchronous Dynamic Random Access Memory (SDRAM) chip. We have already produced a .35 micron CMOS ASIC sample. Our products have been recognized for their excellence. For example, Our keyboards won the Product of the Year Award from Sun Microsystems.

Customer Service and Satisfaction

All these accomplishments have one goal: customer satisfaction. Everything we do begins and ends with the customer. We have to continually earn their confidence and their business. We have to provide the right products at the right time at the right price. These products must perform as promised and we must back them up with quality technical support.

One of our greatest challenges in this equation is the time-to-market issue. FMI is constantly working to speed up our design and manufacturing operations to respond more quickly to customer needs. We understand that, in this business, time truly is of the essence.

Globalization and Localization

Many of our clients have global operations. We must deal with them on a worldwide basis.

As a U.S. subsidiary of a large Japanese company, FMI has an advantage here. We are already multinational. We are already developing products in Asia, Europe and America. We already blend Japanese culture, organization and discipline with American management, leadership and innovation. As an integral part of Fujitsu's worldwide product group, we represent our parent company here. When customers deal with us, they are also dealing with Fujitsu Limited, with all its global technical expertise and resources.

At the same time FMI is a local company, with engineering and manufacturing operations here. Fujitsu regards the United States as a crucial market, the genesis and proving ground for the most significant developments in computers and communications. FMI is committed to expanding and investing here, to staying in touch with the needs of this market and to providing a service that blends development, manufacturing and support in a seamless fashion.

As a demonstration of that commitment, FMI has local design teams working in areas such as Ethernet products, embedded controls, processors, memory chips, graphics and wireless products. We continue to recruit highly qualified people to help us develop faster, smaller, more cost-effective solutions for our customers. On the manufacturing side, FMI announced a \$1 billion expansion to its Gresham, Oregon, manufacturing site in 1995.

Being a local company also means contributing to the communities in which we do business. That means being a good corporate citizen and maintaining the highest ethical conduct in our business dealings. It means creating jobs, investing in buildings and equipment, supporting the local economy and helping worthwhile causes. Local involvement has been FMI's tradition in the past. We will continue to foster strong community ties in the future.

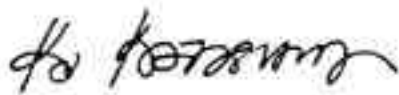
The Future

The future looks bright. We expect our major markets to continue to grow at impressive rates. We see especially high-growth rates for embedded controls, graphics ICs, memory chips, wireless and other communications products such as those based on the Asynchronous Transfer Mode (ATM) standard.

In the future, we will continue to develop products to meet specific customer needs. We will focus more of our energies on the PC, workstation and networking industries. We will also serve the end user more directly. We are developing additional distribution channels, including VARs and retail channels, as we make the transition from being primarily an OEM supplier to dealing more directly with end-users. Within five years, we expect to be a major player in the commercial retail market.

FMI is financially strong. By the end of FY1995, we will be a \$1 billion company. We expect to continue growing at a rate exceeding that of the industry. We are investing in manufacturing facilities and in productivity-enhancement tools to ensure we can handle our anticipated growth. The semiconductor industry is constantly changing, but one thing remains constant. Customer satisfaction is the only thing that matters. To earn our customers' business, we must focus on their needs. We must provide systems-level assistance and develop and deliver the cost-effective products they need in a timely fashion.

That is our challenge. It is the only true measure of our success.



Ken Katashiba
President and Chief Executive Officer
Fujitsu Microelectronics, Inc.

FMI IN REVIEW

FMI has achieved a leadership position in the U.S. and world markets. Here are a few highlights.

Calendar Year	
1976	Predecessor to FMI formed under FAI.
1979	FMI formed as subsidiary of FAI.
1980	First 16K DRAMs shipped.
	FMI became subsidiary of Fujitsu Limited.
1981	FMI shipped one million DRAMs a month.
1982	Joint development agreement with Ungermann-Bass (UB Networks) signed.
1984	Purchase of Gresham, Oregon, site announced.
1985	Fujitsu's electronic components business became part of FMI.
	Joint development agreement with Sun Microsystems signed.
1986	First prototype SPARC S-16 chips shipped to Sun Microsystems.
1987	Membrane-type AT 101 standard keyboard introduced.

1988	Second-generation SPARC processor introduced.
	EtherStar Ethernet LAN controller named fastest in the industry.
	SCSI II connectors introduced.
	Gresham manufacturing plant opened.
1989	High-volume production began at Gresham.
1990	Embedded RISC processor introduced.
	NICE (Network Interface Controller and Encoder/Decoder) introduced.
	Low-profile notebook/laptop keyboard introduced.
	Volume production of 1 Megabit DRAMs began at Gresham.
1991	Third-generation SPARC processor shipped.
	Volume production of 1 Megabit DRAMs began at Gresham.
	EtherCoupler Ethernet LAN controller with filters unveiled.
	Next-generation telecommunications relay introduced.
	Gresham produced more than three million chips a month.
1992	Fujitsu Compound Semiconductor, Inc. formed.
	PC-compatible Ethernet I/O card introduced.
	Plasma-display panel for workstation applications introduced.
	Controlled-impedance connector for high-frequency applications introduced.
	Gresham produced more than four million chips a month.

1993	ATM chip set introduced.
	MicroSPARC II chip developed.
	New input devices (pen-touch panel and pointing devices) introduced.
	Suzuka factory received ISO 9001 quality certification.
	Gresham began producing 4 Megabit DRAMs.
1994	.5 micron CMOS ASIC family introduced.
	64 Megabit SDRAM introduced.
	Mie, Aizu-Wakamatsu and Iwate factories received ISO-9002 certifications.
	Plug-and-play controller introduced.
	21-inch plasma display panels installed in NYSE.
1995	.35 micron CMOS ASIC sample introduced.
	256-Megabit DRAM prototyped.
	Gresham factory received ISO 9002 certification.
	Expansion of Gresham facility announced.
	42-inch plasma display panel introduced.
	PC Card family introduced.
	Sapphire graphics-accelerator card announced.

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