
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 27, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-07882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

94-1692300
(I.R.S. Employer
Identification No.)

One AMD Place
Sunnyvale, California
(Address of principal executive offices)

94088
(Zip Code)

Registrant's telephone number, including area code: (408) 749-4000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-12 of the Exchange Act). Yes No

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of May 2, 2005: 394,944,096.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Financial Statements
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands except per share amounts)	
Net sales	\$1,018,769	\$ 931,851
Net sales to related party (see Note 3)	207,859	304,582
Total net sales	1,226,628	1,236,433
Expenses:		
Cost of sales	807,449	768,840
Research and development	253,122	226,090
Marketing, general and administrative	211,714	180,217
	1,272,285	1,175,147
Operating income (loss)	(45,657)	61,286
Interest income and other, net	3,974	10,981
Interest expense	(24,245)	(30,154)
Income (loss) before minority interest and income taxes	(65,928)	42,113
Minority interest in loss of subsidiary	46,853	5,351
Income (loss) before income taxes	(19,075)	47,464
(Benefit) provision for income taxes	(1,652)	2,373
Net income (loss)	\$ (17,423)	\$ 45,091
Net income (loss) per common share:		
Basic	\$ (0.04)	\$ 0.13
Diluted	\$ (0.04)	\$ 0.12
Shares used in per share calculation:		
Basic	393,077	351,328
Diluted	393,077	417,963

See accompanying notes.

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Condensed Consolidated Balance Sheets

	March 27, 2005	December 26, 2004*
	(Unaudited) (In thousands except par value and share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 661,984	\$ 918,377
Short-term investments	422,825	277,182
Total cash and cash equivalents and short-term investments	1,084,809	1,195,559
Accounts receivable	539,090	564,538
Accounts receivable from related party (see Note 3)	174,678	172,871
Allowance for doubtful accounts	(15,460)	(17,837)
Total accounts receivable, net	698,308	719,572
Inventories:		
Raw materials	48,262	63,875
Work-in-process	579,946	571,651
Finished goods	217,944	239,264
Total inventories	846,152	874,790
Deferred income taxes	76,499	87,836
Prepaid expenses and other current assets	421,706	350,240
Total current assets	3,127,474	3,227,997
Property, plant and equipment:		
Land	63,050	64,401
Buildings and leasehold improvements	2,433,489	2,462,965
Equipment	7,908,440	7,920,517
Construction in progress	877,229	589,700
Total property, plant and equipment	11,282,208	11,037,583
Accumulated depreciation and amortization	(6,965,660)	(6,803,776)
Property, plant and equipment, net	4,316,548	4,233,807
Other assets	377,752	382,406
Total assets	\$ 7,821,774	\$ 7,844,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 679,362	\$ 636,229
Accounts payable to related party (see Note 3)	31,235	18,894
Accrued compensation and benefits	189,072	191,431
Accrued liabilities	440,622	437,161
Accrued royalties to related party (see Note 3)	3,522	8,180
Restructuring accruals, current portion	18,997	18,997
Income taxes payable	19,779	47,145
Deferred income on shipments to distributors	144,590	141,738
Current portion of long-term debt and capital lease obligations	228,085	220,828
Current portion of long-term debt payable to related party (see Note 3)	20,000	10,000
Other current liabilities	128,210	115,773
Total current liabilities	1,903,474	1,846,376
Deferred income taxes	85,209	104,246
Long-term debt and capital lease obligations, less current portion	1,602,046	1,598,268
Long-term debt payable to related party (see Note 3)	20,000	30,000
Other long-term liabilities	488,035	414,626
Minority interest	788,313	840,641
Commitments and contingencies		
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; 750,000,000 shares authorized; shares issued: 401,456,171 on March 27, 2005 and 398,505,543 on December 26, 2004; shares outstanding: 394,704,114 on March 27, 2005 and 391,738,648 on December 26, 2004	3,947	3,917
Capital in excess of par value	2,443,161	2,407,770
Treasury stock, at cost (6,752,057 shares on March 27, 2005 and 6,766,895 shares on December 26, 2004)	(91,029)	(91,101)
Retained earnings	290,917	308,497
Accumulated other comprehensive income	287,701	380,970
Total stockholders' equity	2,934,697	3,010,053

Total liabilities and stockholders' equity

\$ 7,821,774

\$ 7,844,210

* Amounts as of December 26, 2004 were derived from the December 26, 2004 audited financial statements.

See accompanying notes.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Quarter Ended	
	March 27, 2005	March 28, 2004
(In thousands)		
Cash flows from operating activities:		
Net income (loss)	\$ (17,423)	\$ 45,091
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Minority interest in loss of subsidiary	(46,853)	(5,351)
Depreciation	318,796	287,023
Amortization	14,085	10,957
Provision for doubtful accounts	(2,377)	(541)
Benefit for deferred income taxes	(7,329)	(833)
Foreign grant and subsidy income	(29,713)	(18,870)
Net (gain) loss on disposal of property, plant and equipment	5,896	(2,488)
Net gain realized on sale of available-for-sale securities	—	(7,188)
Compensation recognized under employee stock plans	146	331
Recognition of deferred gain on sale of building	(420)	(421)
Tax benefit on minority interest in loss of subsidiary	4,793	516
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	25,448	(16,637)
Increase in accounts receivable from related party	(1,807)	(52,348)
Decrease in inventories	28,638	5,070
(Increase) decrease in prepaid expenses and other current assets	(53,022)	9,406
(Increase) decrease in other assets	(9,803)	11,318
Decrease in income taxes payable	(27,366)	(12,503)
Refund of customer deposits under long-term purchase agreements	(17,500)	(20,500)
Net increase (decrease) in payables and accrued liabilities	59,455	(3,269)
Increase (decrease) in accounts payables to related party	12,341	(4,720)
Increase (decrease) in accrued liabilities to related party	(4,658)	(3,594)
Net cash provided by operating activities	251,327	220,449
Cash flows from investing activities:		
Purchases of property, plant and equipment	(518,472)	(202,047)
Proceeds from sale of property, plant and equipment	216	6,058
Purchases of available-for-sale securities	(233,406)	(29,935)
Proceeds from sale and maturity of available-for-sale securities	87,675	18,197
Other	(5,625)	—
Net cash used in investing activities	(669,612)	(207,727)
Cash flows from financing activities:		
Proceeds from borrowings, net of issuance costs	—	6,653
Repayments of debt and capital lease obligations	(54,332)	(74,392)
Proceeds from foreign grants and subsidies	99,043	—
Proceeds from sale leaseback transactions	78,145	27,614
Proceeds from issuance of stock	35,191	19,620
Net cash provided by (used in) financing activities	158,047	(20,505)
Effect of exchange rate changes on cash and cash equivalents	3,845	(2,977)
Net decrease in cash and cash equivalents	(256,393)	(10,760)
Cash and cash equivalents at beginning of period	918,377	968,183
Cash and cash equivalents at end of period	\$ 661,984	\$ 957,423
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest, net of amounts capitalized	\$ 11,237	\$ 23,318
Income taxes	\$ 25,280	\$ 19,719
Non-cash financing activities		
Equipment sale leaseback transaction	\$ 78,145	\$ 27,451

See accompanying notes.

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ADVANCED MICRO DEVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 27, 2005

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. (the Company or AMD) have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year ending December 25, 2005. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2004.

The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended March 27, 2005 and March 28, 2004 each consisted of 13 weeks. Certain prior period amounts have been reclassified to conform to the current period presentation.

2. Stock-Based Incentive Compensation Plans

The Company has elected to use the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), as permitted by Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), subsequently amended by SFAS 148, "Accounting for Stock-Based Compensation— Transition and Disclosure" to account for stock options issued to its employees under its 2004 Equity Incentive Plan and its prior stock option plans, and amortizes deferred compensation, if any, ratably over the vesting period of the options. Compensation expense resulting from the issuance of fixed term stock option awards is measured as the difference between the exercise price of the option and the fair market value of the underlying share of common stock subject to the option on the award's grant date. The Company also makes pro forma fair value disclosures required by SFAS 123 which reflect the impact on net income (loss) and net income (loss) per share had the Company applied the fair value method of accounting for its stock-based awards to employees. The Company estimates the fair value of its stock-based awards to employees using a Black-Scholes option pricing model. The pro forma effects on net income (loss) and net income (loss) per share are as follows for the quarters ended March 27, 2005 and March 28, 2004.

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands except per share amounts)	
Net income (loss) - as reported	\$ (17,423)	\$ 45,091
Plus: compensation expense recorded under APB 25	143	331
Less: SFAS 123 compensation expenses	(26,200)	(65,728)
Net income (loss) - pro forma	\$ (43,480)	\$ (20,306)
Basic net income (loss) per share—as reported	\$ (0.04)	\$ 0.13
Diluted net income (loss) per share—as reported	\$ (0.04)	\$ 0.12
Basic net income (loss) per share—pro forma	\$ (0.11)	\$ (0.06)
Diluted net income (loss) per share—pro forma	\$ (0.11)	\$ (0.06)

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In December 2004, the Financial Accounting Standard Board issued a revision to SFAS 123 (SFAS 123R). SFAS 123R requires companies to record on their statements of operations, instead of pro forma disclosures in the financial footnotes, the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. SFAS 123R was to be effective for public companies as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. However, on April 14, 2005, the Securities and Exchange Commission (SEC) modified the effective date of SFAS 123R to be at the beginning of a registrant's next fiscal year. For the Company, SFAS 123R will be effective for the first quarter of fiscal 2006. The SEC's modification of the effective date did not change the accounting required by SFAS 123R. The Company is currently evaluating the requirements of SFAS 123R and plans to adopt the standard at the new effective date. Although the effect of SFAS 123R has not yet been determined, the Company expects that the adoption of SFAS 123R will have a material effect on its financial statements.

3. Related-Party Transactions

Fujitsu became a related party of the Company effective June 30, 2003 as a result of its 40 percent investment in Spansion LLC, the Company's majority-owned consolidated subsidiary. The following tables present the significant transactions between the Company and Fujitsu, directly and through its subsidiaries, including Spansion LLC and certain of Spansion's subsidiaries, and balances receivable from or payable to Fujitsu as of, and for the periods, presented:

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands)	
Net sales to Fujitsu	\$ 207,859	\$ 304,582
Royalty expenses due to Fujitsu	3,522	4,070
Service fees due to Fujitsu	5,731	8,657
Other purchases of goods and services from Fujitsu	16,557	15,744
Subcontract manufacturing purchases from Fujitsu	10,569	22,800
Commercial die purchases from Fujitsu	19,192	28,435
Cost of employees seconded from Fujitsu	2,639	3,225
Rental expense to Fujitsu	600	564
	March 27, 2005	As of December 26, 2004
	(In thousands)	
Accounts receivable from Fujitsu	\$ 174,678	\$ 172,871
Accounts payable to Fujitsu	31,235	18,894
Accrued royalties to Fujitsu	3,522	8,180
Notes payable to Fujitsu	40,000	40,000

The royalty payable to Fujitsu represents the payments made by Spansion LLC to Fujitsu for the use of specified intellectual property of Fujitsu. The service fees to Fujitsu represent amount paid by Spansion LLC in exchange for services provided by Fujitsu, including information technology, research and development, quality assurance, insurance procurement, facilities, environmental and human resources services. These services are provided primarily to Spansion Japan Limited, Spansion LLC's wholly owned subsidiary (Spansion Japan). Other purchases of goods and services primarily relate to purchases of power supply from Fujitsu. Fujitsu also provides test and assembly services to Spansion LLC on a

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contract basis. In addition, Spansion LLC purchases commercial die from Fujitsu, which is packaged together with the Spansion Flash memory products. Fujitsu also seconded certain employees to Spansion Japan. Spansion LLC pays the employees seconded from Fujitsu directly.

In addition to the above transactions with Fujitsu, certain of Spansion Japan's employees are enrolled in either a defined benefit pension plan or a lump-sum retirement benefit plan sponsored by Fujitsu, but for which Spansion is required to fund those proportional benefit obligations attributable to the employees of Spansion Japan enrolled in these plans as of June 30, 2003. The amount of pension cost and the unfunded pension liability related to these employees are not material to the Company's consolidated financial statements. For the three-month period ended March 27, 2005, the Company recorded pension cost of approximately \$1 million, and as of March 27, 2005, the Company recorded a pension benefit obligation liability of approximately \$25 million.

Through agreement with Fujitsu, Spansion Japan will withdraw from the plans by no later than the end of 2005 and assume the pension obligation associated with its own employees. In connection with the withdrawal, Fujitsu will assign a portion of the pension assets to Spansion Japan based on the relative portion of Spansion Japan's pension benefit obligation to the total pension benefit obligation of the Fujitsu plans.

Historically, the Fujitsu pension plans included a substitutional portion, which is based on the pay-related part of old-age pension benefits prescribed by the Japan Welfare Pension Insurance Law (JWPIL) and is similar to social security benefits in the United States. In 2001, the JWPIL was amended to allow employers to transfer the substitutional portion of employer pension plans back to the Japanese government. Fujitsu has announced that they will separate the substitutional portion from the Fujitsu pension plans and transfer the obligation and related plan assets to the Japanese government. The Company expects the transfer of assets and liabilities by Fujitsu to the Japanese government will be completed later this year. Spansion Japan plans to establish its separate pension plan immediately following this transfer and believes that this transfer will reduce the amount of assets and liabilities that would otherwise be transferred to Spansion Japan from the Fujitsu pension plans. The Company does not have sufficient data at this time to quantify the impact of the pending transfer.

4. Financial Instruments

The following is a summary of the available-for-sale securities held by the Company as of March 27, 2005:

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Market Value
(In thousands)				
Cash equivalents:				
Commercial paper	\$438,435	\$ —	\$ —	\$438,435
Money market funds	57,000	—	—	57,000
Time deposits	41,657	—	—	41,657
Total cash equivalents	\$537,092	\$ —	\$ —	\$537,092
Short-term investments:				
Auction rate preferred stocks	\$279,275	\$ —	\$ —	\$279,275
Commercial paper	113,901	—	—	113,901
Corporate notes	2,879	—	(410)	2,469
Federal agency notes	27,180	—	—	27,180
Total short-term investments	\$423,235	\$ —	\$ (410)	\$422,825
Long-term investments:				
Equity investments	\$ 3,942	\$ 3,079	\$ —	\$ 7,021
Total long-term investments (included in other assets)	\$ 3,942	\$ 3,079	\$ —	\$ 7,021
Grand Total	\$964,269	\$ 3,079	\$ (410)	\$966,938

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Long-term equity investments consist of marketable equity securities that, while available for sale, are not intended to be used to fund current operations.

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties. The Company does not have any short-term investments with maturities greater than one year from March 27, 2005.

The Company did not realize any gain or loss from the sale of available-for-sale securities in the first quarter of 2005 compared to a net gain of approximately \$7 million in the first quarter of 2004.

At March 27, 2005 and December 26, 2004, the Company had approximately \$14 million of investments classified as held to maturity, consisting of commercial paper and treasury notes used for long-term workers' compensation and leasehold deposits, which are classified as other long-term assets. The fair market value of these investments approximated their cost at March 27, 2005 and December 26, 2004.

5. Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding. Diluted net income (loss) per common share is computed using the weighted-average number of common shares outstanding plus any potential dilutive securities, if dilutive. Potential dilutive securities include stock options and shares issuable upon the conversion of convertible debt. The following table sets forth the components of basic and diluted income (loss) per common share:

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands except per share data)	
Numerator:		
Numerator for basic income (loss) per common share	\$ (17,423)	\$ 45,091
Effect of assumed conversion of 4.50% convertible notes:		
Interest expense	—	5,116
Profit sharing expense adjustment	—	(512)
Numerator for diluted income (loss) per common share	\$ (17,423)	\$ 49,695
Denominator:		
Denominator for basic income (loss) per share - weighted-average shares	393,077	351,328
Effect of dilutive securities:		
Employee stock options	—	12,021
4.50% convertible notes	—	54,614
Dilutive potential common shares	—	66,635
Denominator for diluted income (loss) per common share - adjusted weighted-average shares	393,077	417,963
Net income (loss) per common share:		
Basic	\$ (0.04)	\$ 0.13
Diluted	\$ (0.04)	\$ 0.12

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Potential dilutive common shares of approximately 62 million and 21 million for the quarter ended March 27, 2005 and March 28, 2004 were not included in the net income (loss) per common share calculation, as their inclusion would have been antidilutive.

6. Segment Reporting

Management, including the Chief Operating Decision Maker (CODM), who is the Company's chief executive officer, reviews and assesses operating performance using segment revenues and operating income before interest, taxes and minority interest. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

The Company's reportable segments include the Computation Products segment, which includes microprocessor products for desktop and mobile PCs, servers and workstations and chipset products, and the Memory Products segment, which includes Flash memory products. In addition, in the fourth quarter of 2004, the Company began presenting its Personal Connectivity Solutions operating segment as a separate reportable segment because the operating loss from this operating segment exceeded 10 percent of the combined profit of all its operating segments, and therefore this operating segment became a reportable segment under the requirements of Statement of Financial Standards 131, "Segment Reporting." Previously, the Company included the Personal Connectivity Solutions operating segment in its All Other category. The Personal Connectivity Solutions segment includes primarily low-power, high-performance x86 and MIPS® architecture-based embedded microprocessors. In addition to these three reportable segments, the Company also has the All Other category, which is not a reportable segment and includes certain operating expenses and credits that are not allocated to the operating segments because the CODM does not consider them in evaluating the operating performance of the Company's business segments.

Prior period segment information has been reclassified to conform to the current period presentation.

The following table is a summary of net sales and operating income (loss) by segment with reconciliations to net income (loss) for the quarters ended March 27, 2005 and March 28, 2004:

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands)	
Computation Products		
Net sales	\$ 749,601	\$ 571,101
Operating income (loss)	91,506	67,283
Memory Products		
Net sales	447,356	627,718
Operating income (loss)	(109,844)	13,812
Personal Connectivity Solutions Products		
Net sales	29,671	37,614
Operating income (loss)	(17,091)	(7,066)
All Other		
Net sales	—	—
Operating income (loss)	(10,228)	(12,743)
Total		
Net sales	1,226,628	1,236,433
Operating income (loss)	(45,657)	61,286
Interest income and other, net	3,974	10,981
Interest expense	(24,245)	(30,154)
Minority interest in loss of subsidiary	46,853	5,351
Provision (benefit) for income taxes	(1,652)	2,373
Net income (loss)	\$ (17,423)	\$ 45,091

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7. Comprehensive Income (Loss)

The following are the components of comprehensive income (loss):

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands)	
Net income (loss)	\$ (17,423)	\$ 45,091
Net change in cumulative translation adjustments	(67,212)	(19,947)
Net change in unrealized gains/(losses) on cash flow hedges	(25,954)	(29,415)
Net change in unrealized gains/(losses) on available-for-sale securities	(103)	(3,472)
Other comprehensive loss	(93,269)	(52,834)
Total comprehensive loss	\$ (110,692)	\$ (7,743)

8. Guarantees

The Company accounts for and discloses guarantees in accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."

Guarantees of Indebtedness Recorded on the Company's Unaudited Condensed Consolidated Balance Sheet

The following table summarizes the principal guarantees issued as of March 27, 2005 related to underlying liabilities that are already recorded on the Company's unaudited condensed consolidated balance sheet as of March 27, 2005 and their expected expiration dates by year. No incremental liabilities are recorded on the Company's unaudited consolidated balance sheet for these guarantees.

	Amounts Guaranteed ⁽¹⁾	2005	2006	2007	2008	2009	2010 and Beyond
	(in thousands)						
July 2003 Spansion term loan guarantee	\$ 22,634	\$ 12,375	\$ 10,259	\$ —	\$ —	\$ —	\$ —
Spansion Japan term loan guarantee	67,723	20,317	27,089	20,317	—	—	—
Spansion capital lease guarantees	74,642	37,186	34,168	3,288	—	—	—
Repurchase Obligations to Fab 36 partners ⁽²⁾	116,271	15,261	25,218	25,264	25,264	25,264	—
Total guarantees	\$ 281,270	\$ 85,139	\$ 96,734	\$ 48,869	\$ 25,264	\$ 25,264	\$ —

⁽¹⁾ Amounts represent the principal amount of the underlying obligations guaranteed and are exclusive of obligations for interest, fees and expenses.

⁽²⁾ This amount represents the silent partnership contributions received by AMD Fab 36 KG, a wholly-owned subsidiary of AMD, as of March 27, 2005 from the unaffiliated limited partners under the Fab 36 partnership agreements. AMD Fab 36 Holding and AMD Fab 36 Admin are required to repurchase up to \$181 million of the partners' silent partnership contribution in annual installments beginning one year after the partner has contributed the full amount required under the partnership agreements. The Company guaranteed these obligations. As of March 27, 2005, Fab 36 Beteiligungs had contributed the full amount required under the partnership agreements, but Leipziger Messe had not contributed the full amount in accordance with the partnership agreements. Therefore, the condition precedent to the Company's repurchase obligations with respect to Leipziger Messe's silent partnership contribution had not been met. For purposes of this table, the Company assumed that Leipziger Messe will have contributed the full amount by December 2005.

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July 2003 Spansion Term Loan Guarantee

Under the July 2003 Spansion Term Loan, as amended, amounts borrowed bear interest at a variable rate of LIBOR plus four percent, which was 6.56 percent at March 27, 2005. Repayment occurs in, consecutive, quarterly principal and interest installments ending in June 2006. As of March 27, 2005, \$38 million was outstanding under the July 2003 Spansion Term Loan, of which 60 percent is guaranteed by the Company and 40 percent is guaranteed by Fujitsu. Spansion LLC granted a security interest in certain property, plant and equipment as security under the July 2003 Spansion Term Loan. In addition, as security for its guarantee obligations, the Company granted a security interest in certain of its assets, including its accounts receivable, inventory, general intangibles (excluding intellectual property) and the related proceeds.

Spansion Japan Term Loan Guarantee

In September 2003, the third-party loans of Fujitsu AMD Semiconductor Limited, the previous manufacturing joint venture between AMD and Fujitsu, or the Manufacturing Joint Venture, were refinanced from the proceeds of a term loan entered into between Spansion Japan, which owns the assets of the Manufacturing Joint Venture, and a Japanese financial institution. Under the agreement, the amounts borrowed bear an interest rate of TIBOR plus a spread that is determined by Fujitsu's current debt rating and Spansion Japan's non-consolidated net asset value as of the last day of its fiscal year. The interest rate was 0.99 percent as of March 27, 2005. Repayment occurs in equal, consecutive, quarterly principal installments ending in June 2007. As of March 27, 2005, \$113 million was outstanding under this term loan agreement. Fujitsu guaranteed 100 percent of the amounts outstanding under this facility. The Company agreed to reimburse Fujitsu up to 60 percent of amounts paid by Fujitsu under its guarantee of this loan. In addition, Spansion Japan's assets are pledged to Fujitsu as security for AMD's reimbursement obligation.

Spansion Capital Lease Guarantees

The Company has guaranteed certain capital lease obligations of Spansion LLC and its subsidiaries totaling approximately \$75 million as of March 27, 2005. The amount of the guarantees will be reduced by the actual amount of lease payments paid by Spansion LLC over the lease terms.

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March 27, 2005, \$89 million was drawn under the revolving credit facility, and \$72 million was drawn under the term loan. The Company has not recorded any liability in its consolidated financial statements associated with the guarantees because they were issued prior to December 31, 2002, the effective date of FIN 45.

Warranties and Indemnities

The Company offers a three-year limited warranty to end users for certain of its boxed microprocessor products and generally offers a one-year limited warranty only to direct purchasers for all other products. Under limited circumstances, the Company may offer an extended limited warranty to direct purchasers of Flash memory products or of microprocessor products that are intended for systems targeted at the commercial and embedded end markets.

Changes in the Company's liability for product warranty during the quarters ended March 27, 2005 and March 28, 2004 were as follows:

	Quarter Ended	
	March 27, 2005	March 28, 2004
	(In thousands)	
Balance, beginning of period	\$ 22,043	\$ 24,668
New warranties issued during the period	9,572	11,073
Settlements during the period	(7,959)	(4,556)
Changes in liability for pre-existing warranties during the period, including expirations	(2,641)	(6,843)
Balance, end of period	\$ 21,015	\$ 24,342

In addition to product warranties, the Company, from time to time in its normal course of business, indemnifies other parties with whom it enters into contractual relationships, including customers, lessors and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against specified losses, such as those arising from a breach of representations or covenants, third-party claims that the Company's products when used for their intended purpose(s) infringe the intellectual property rights of a third party or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

9. Restructuring and Other Special Charges

2002 Restructuring Plan

In December 2002, the Company began implementing a restructuring plan (the 2002 Restructuring Plan) to further align its cost structure to the industry conditions at that time, including weak customer demand and industry-wide excess inventory.

With the exception of the facility exit costs consisting primarily of remaining lease payments on abandoned facilities, net of estimated sublease income, which are payable through 2011, the Company has completed the activities associated with the 2002 Restructuring Plan. As a result of the 2002 Restructuring Plan, 1,786 employees had been terminated pursuant to the 2002 Restructuring Plan resulting in cumulative cash payments of approximately \$60 million in severance and employee benefit costs.

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The following table summarizes activities under the 2002 Restructuring Plan from December 26, 2004 through March 27, 2005:

	Exit Costs
	(In thousands)
Accruals at December 26, 2004	\$ 105,676
First quarter 2005 cash charges	(5,243)
Accruals at March 27, 2005	\$ 100,433

As of March 27, 2005 and December 26, 2004, \$81 million and \$87 million of the total restructuring accruals of \$100 million and \$106 million were included in Other Liabilities (long-term) on the consolidated balance sheets. (See Note 10.)

10. Other Long-Term Liabilities

The Company's other long-term liabilities at March 27, 2005 and December 26, 2004 consisted of:

	March 27, 2005	December 26, 2004
	(in thousands)	
Fab 30/Fab 36 deferred grants and subsidies	\$ 341,972	\$ 274,150
Deferred gain on sale leaseback of building	21,387	21,807
Restructuring accrual (see Note 9)	81,437	86,680
Spansion LLC pension liability (see Note 3)	25,412	25,890
Other	17,827	6,099
	\$ 488,035	\$ 414,626

11. Subsequent Events

Spansion LLC - Proposed Initial Public Offering

On April 13, 2005, Spansion filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering of its Class A common stock. The number of shares to be offered and the estimated price range for the common stock have not been determined. The Company does not know when, or if, an initial public offering will occur.

In the event the proposed initial public offering is consummated, Spansion would receive the net proceeds from the offering, and the Company's ownership in Spansion would be reduced from its current ownership of 60 percent. At this time, the Company does not have enough information to quantify the potential financial impact of the proposed initial public offering, but the Company expects that it would have a material effect on the Company's financial condition and results of operations, including the following:

- The Company expects that its aggregate ownership interest in Spansion would be less than 50 percent and that it would no longer consolidate Spansion's results of operations and financial position in its consolidated financial statements;
- To the extent that Spansion's employees continue to hold unvested options to purchase AMD common stock, the Company would be required to account for these unvested options at then-current fair value each reporting period until the options are fully vested because Spansion's employees would no longer be considered employees of the "consolidated group;"
- As of March 27, 2005, the Company guaranteed certain indebtedness of Spansion and its subsidiaries totaling approximately \$184 million. Of this amount, approximately \$165 million

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relates to underlying liabilities that are already recorded on the Company's unaudited condensed consolidated balance sheet, and no incremental liabilities are recorded for these guarantees because these guarantees are for the Company's majority-owned subsidiary. However, because the Company expects that it would no longer consolidate Spansion's results of operations and financial position, the Company would be required to record on its consolidated financial statements the fair value of those guarantees that were entered into or amended subsequent to December 31, 2002, the effective date of FIN 45. At this time, the Company does not have enough information to evaluate the fair value of these guarantees;

- Depending on the valuation of Spansion's Class A common stock and the carrying value of the Company's interest in Spansion at the time of the initial public offering, the Company would realize either a gain or a loss upon the initial public offering, reflecting the reduction of its ownership interest in Spansion. The gain or loss would be calculated as the difference between Spansion's book value per share before and after the initial public offering multiplied by the number of shares owned by the Company; and
- Spansion currently operates as a Delaware limited liability company that elected to be treated as a partnership for U.S. federal tax reporting and, therefore, is not a taxable entity in the United States. The Company expects that Spansion would be converted into a Delaware corporation, Spansion Inc. As a result of this conversion, Spansion would be required to record a charge of approximately \$20 million to \$25 million to establish net deferred tax liabilities on its consolidated balance sheet during the quarter in which it is converted to a corporation. The Company would be required to record its share of the charge based on its proportional ownership interest in Spansion at that time;

Completion of the proposed initial public offering is subject to many conditions, including the approval of the Company and Fujitsu as members of Spansion, the final approval of the Spansion Board of Managers, and the AMD and Fujitsu Boards of Directors, market conditions and governmental approvals. Market conditions and other factors could result in, among other things, a delay in or withdrawal of the initial public offering or pursuit of alternative transactions.

Concurrent with and as a condition to consummating the proposed initial public offering, Spansion also currently intends to consummate a debt offering pursuant to which it would issue notes and apply the net proceeds from the sale of the notes to repay a portion of its outstanding indebtedness. To the extent that such repaid indebtedness was guaranteed by the Company or Fujitsu, the amount of Spansion debt guaranteed by the Company and Fujitsu would be reduced accordingly. Spansion has not determined the aggregate principal amount of the notes or the terms upon which the notes would be issued.

Acceleration of Vesting of Stock Options

On April 27, 2005, the Company accelerated the vesting of all stock options outstanding under the Company's 2004 Equity Incentive Plan and the Company's prior equity compensation plans that have exercise prices per share higher than the closing price of the Company's common stock on April 27, 2005, which was \$14.51. Options to purchase approximately 12 million shares of the Company's common stock became exercisable immediately. Options held by non-employee directors were not included in the vesting acceleration.

The primary purpose of the accelerated vesting was to eliminate future compensation expense the Company would otherwise recognize in its statement of operations with respect to these accelerated options upon the adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment* ("SFAS 123R"). SFAS 123R is effective beginning in the first quarter of 2006 and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as a footnote disclosure in the Company's consolidated financial statements. The estimated future compensation expense associated with these accelerated options that would have been recognized in the Company's statement of operations upon implementation of SFAS 123R is approximately \$33 million. The acceleration of the vesting of these options did not result in a charge based on generally accepted accounting principles.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report include forward-looking statements. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma," "estimates," or "anticipates" or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: the potential initial public offering of Spansion's Class A common stock; our sales, operating results and anticipated cash flows; capital expenditures; research and development expenses; marketing, general and administrative expenses; the development and timing of the introduction of new products and technologies, including our dual-core microprocessors, and ORNAND architecture; customer and market acceptance of our microprocessor products; customer and market acceptance of Spansion™ Flash memory products based on MirrorBit™ and floating gate technology, including the ORNAND architecture; our ability to remain competitive and maintain or increase our market position; our ability to maintain and develop key relationships with our existing and new customers; the ability to produce our microprocessor and Flash memory products in the volumes and mix required by the market; our ability to maintain the level of investment in research and development and capacity that is required to remain competitive; our ability to transition to advanced manufacturing process technologies in a timely and effective way; our ability to achieve cost reductions in the amounts and in the timeframes anticipated; the process technology transitions in our wafer fabrication facilities; and our ability to gain market share in high-growth global markets such as China, Latin America, India and Eastern Europe.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this report and our audited consolidated financial statements and related notes as of December 26, 2004 and December 28, 2003, and for each of the three years in the period ended December 26, 2004 as filed in our Annual Report on Form 10-K for the year ended December 26, 2004. Certain prior period amounts have been reclassified to conform to the current period presentation.

AMD, the AMD Arrow logo, AMD Athlon, AMD Opteron, AMD Sempron and Geode are trademarks of Advanced Micro Devices, Inc. Spansion and MirrorBit are trademarks of Spansion LLC. Microsoft, Windows, Windows NT and MS-DOS are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other jurisdictions. MIPS is a registered trademark of MIPS Technologies, Inc. in the United States and/or other jurisdictions. Other names are for informational purposes only and used to identify companies and products and may be trademarks of their respective owners.

Overview

We design, manufacture and market industry-standard digital integrated circuits, or ICs, that are used in diverse product applications such as desktop and mobile personal computers, or PCs, workstations, servers, communications equipment, such as mobile phones, and automotive and consumer electronics. Our products consist primarily of microprocessors and Flash memory devices. We also sell embedded microprocessors for personal connectivity devices and other consumer markets.

We review and assess operating performance using segment revenues and operating income before interest, taxes and minority interest. These performance measures include the allocation of expenses to the operating segments based on management judgment.

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We have three reportable business segments:

- the Computation Products segment, which includes microprocessor products for desktop and mobile PCs, servers and workstations and chipset products;
- the Memory Products segment, which includes Spansion Flash memory products; and
- the Personal Connectivity Solutions segment, which includes primarily low-power, high- performance x86 and MIPS architecture-based embedded microprocessors.

In addition to our reportable segments, we also have the All Other category that is not a reportable segment. It includes certain operating expenses and credits that are not allocated to the operating segments because our Chief Executive Officer, who is our Chief Operating Decision Maker, does not consider these operating expenses and credits in evaluating the operating performance of our business segments.

Prior period segment information has been reclassified to conform to the current period presentation.

We are in extremely competitive businesses and face new and established competitors regularly. The first quarter of 2005 was a continuation of the two themes that defined our fourth quarter of 2004. Our Computation Products segment experienced strong momentum while our Memory Products segment experienced continued challenges. In particular, Computation Products net sales increased compared to the fourth quarter of 2004. Demand for our microprocessors was especially strong in high growth markets such as greater China, which includes Hong Kong and Taiwan. Conversely, our Memory Products business continued to experience aggressive pricing by competitors in the first quarter of 2005. This aggressive pricing contributed to lower average selling prices, which adversely affected Memory Products net sales in the first quarter of 2005.

Total net sales for the first quarter of 2005 decreased three percent compared to the fourth quarter of 2004. This decrease in total net sales was primarily due to a decline in Memory Products net sales of 11 percent from the fourth quarter of 2004 primarily due to a decrease in average selling prices of 18 percent. Memory Products average selling prices declined because of aggressive pricing by competitors due primarily to oversupply in the NOR Flash memory market. The impact of the decline in Memory Products net sales was partially offset by an increase of three percent in Computation Products net sales. Computation Products net sales increased primarily as a result of an increase in microprocessor average selling prices of three percent. In particular, sales of our AMD64-based microprocessors increased approximately 30 percent from the fourth quarter of 2004 and represented 63 percent of our Computation Products net sales during the first quarter of 2005. Operating loss in the first quarter of 2005 was \$46 million, as compared to operating income of \$20 million in the fourth quarter of 2004, and operating income of \$61 million in the first quarter of 2004. The decline in operating results in the first quarter of 2005 compared with the fourth quarter of 2004 and the first quarter of 2004 was due primarily to the increased operating loss in our Memory Products segment.

In order to address the challenges faced by the Memory Products business, Spansion is undertaking a number of actions in an effort to significantly reduce its expenses. These actions include streamlining operations and continuing to align manufacturing utilization to the level of demand for Spansion Flash memory. However, we cannot assure you that any of these actions will occur as anticipated or at all, or that Spansion will be able to achieve significant cost reductions.

Spansion LLC - Proposed Initial Public Offering

On April 13, 2005, Spansion, our majority-owned consolidated subsidiary, filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering of Class A common stock. The number of shares to be offered and the estimated price range for the common stock have not been determined. We do not know when, or if, an initial public offering will occur.

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In the event the proposed initial public offering is consummated, Spansion would receive the net proceeds from the offering, and our ownership interest in Spansion would be reduced from our current ownership interest, which is 60 percent. We do not have enough information at this time to quantify the potential financial impact of the proposed initial public offering, but we expect that it would have a material effect on our financial condition and results of operations, including the following:

- We expect that our aggregate ownership interest in Spansion would be less than 50 percent and that we would no longer consolidate Spansion's results of operations and financial position in our consolidated financial statements;
- To the extent that Spansion's employees continue to hold unvested options to purchase AMD common stock, we would be required to account for these unvested options at then-current fair value each reporting period until the options are fully vested because Spansion's employees would no longer be considered employees of the "consolidated group;"
- As of March 27, 2005, we guaranteed certain indebtedness of Spansion and its subsidiaries totaling approximately \$184 million. Of this amount, approximately \$165 million relates to underlying liabilities that are already recorded on our unaudited condensed consolidated balance sheet, and no incremental liabilities are recorded for these guarantees because these guarantees are for the indebtedness of our majority-owned subsidiary. However, because we expect that we would no longer consolidate Spansion's results of operations and financial position, we would be required to record on our consolidated financial statements the fair value of those guarantees that were entered into or amended subsequent to December 31, 2002, the effective date of FIN 45. At this time, we do not have enough information to evaluate the fair value of these guarantees;
- Depending on the valuation of Spansion's Class A common stock and the carrying value of our interest in Spansion at the time of the initial public offering, we would realize either a gain or a loss upon the initial public offering, reflecting the reduction of our ownership interest in Spansion. The gain or loss would be calculated as the difference between Spansion's book value per share before and after the initial public offering multiplied by the number of shares owned by us; and
- Spansion currently operates as a Delaware limited liability company that elected to be treated as a partnership for U.S. federal tax reporting and therefore is not a taxable entity in the United States. We expect that Spansion would be converted into a Delaware corporation, Spansion Inc. As a result of this conversion, Spansion would have to record a charge of approximately \$20 million to \$25 million to establish net deferred tax liabilities on its consolidated balance sheet during the quarter in which it is converted to a corporation. We would be required to record our share of the charge based on our proportional ownership interest in Spansion at that time.

Completion of the proposed initial public offering is subject to many conditions, including our and Fujitsu's final approval as members of Spansion, the final approval of the Spansion Board of Managers and the AMD and Fujitsu Boards of Directors, market conditions and governmental approvals. Market conditions and other factors could result in, among other things, a delay in the initial public offering or pursuit of alternative transactions.

Concurrent with and as a condition to consummating the proposed initial public offering, Spansion also currently intends to consummate a debt offering pursuant to which it would issue notes and apply the net proceeds from the sale of the notes to repay a portion of its outstanding indebtedness. To the extent that such repaid indebtedness was guaranteed by us or Fujitsu, the amount of Spansion debt guaranteed by us and Fujitsu would be reduced accordingly. Spansion has not determined the aggregate principal amount of the notes or the terms upon which the notes would be issued.

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Critical Success Factors for 2005

In the near term, we believe critical success factors for AMD include our ability to:

- continue to increase market acceptance of our AMD64 technology, particularly among enterprises;
- successfully introduce our next generation products to the market in a timely manner;
- strengthen our relationships with key customers and establish relationships with new customers that are industry leaders in their markets;
- successfully develop and continue to transition to the latest manufacturing process technologies for both our microprocessor and Flash memory products;
- develop and introduce new microprocessor products for the PC, mobile, server and workstation markets, on a timely basis and achieve efficient and timely volume production of these products;
- develop and introduce new Flash memory products on a timely basis and achieve efficient and timely volume production of these products;
- control costs;
- increase the adoption of products incorporating MirrorBit technology; and
- expand our participation in high-growth global markets, including China, Latin America, India and Eastern Europe.

We intend the discussion of our financial condition and results of operations that follows, including results of operations by reportable segment, to provide information that will assist you in understanding our financial statements, the changes in certain key items in those financial statements from quarter to quarter, the primary factors that resulted in those changes, and how certain accounting principles, policies and estimates affect our financial statements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our net sales, inventories, asset impairments, restructuring charges, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Although actual results have historically been materially consistent with management's expectations, the actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Management believes there have been no significant changes during the quarter ended March 27, 2005 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 26, 2004.

RESULTS OF OPERATIONS

We use a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended March 27, 2005, December 26, 2004 and March 28, 2004 each included 13 weeks.

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The following is a summary of our net sales and operating income (loss) by segment and category for the periods presented below:

	Quarter Ended		
	March 27, 2005	December 26, 2004	March 28, 2004
	(in millions)		
Net sales			
Computation Products	\$ 750	\$ 730	\$ 571
Memory Products	447	504	628
Personal Connectivity Solutions	30	30	37
All Other	—	—	—
Total Net Sales	\$ 1,227	\$ 1,264	\$ 1,236
Operating income (loss)			
Computation Products	\$ 92	\$ 89	\$ 67
Memory Products	(110)	(39)	14
Personal Connectivity Solutions	(17)	(20)	(7)
All Other	(11)	(10)	(13)
Total Operating Income (Loss)	\$ (46)	\$ 20	\$ 61

Computation Products

Computation Products net sales of \$750 million in the first quarter of 2005 increased three percent compared to net sales of \$730 million in the fourth quarter of 2004. The increase in net sales was primarily attributable to a three percent increase in average selling prices. Average selling prices increased due to increased sales of AMD64-based microprocessors, which increased approximately 30 percent from the fourth quarter of 2004. Sales of our AMD64-based microprocessors represented 63 percent of Computation Products net sales.

Computation Products net sales of \$750 million in the first quarter of 2005 increased 31 percent compared to net sales of \$571 million in the first quarter of 2004, primarily as a result of a 28 percent increase in unit shipments. Unit shipments increased due to improving market conditions across all geographic regions and increased market acceptance of AMD64-based microprocessors.

Computation Products operating income of \$92 million in the first quarter of 2005 improved \$3 million from operating income of \$89 million in the fourth quarter of 2004, primarily as a result of a decrease of \$18 million in marketing expenses from the fourth quarter of 2004, partially offset by an increase of \$13 million in start up costs for our new 300-millimeter wafer fabrication facility in Dresden, Germany, which we refer to as Fab 36.

Computation Products operating income of \$92 million in the first quarter of 2005 improved by \$25 million compared to operating income of \$67 million in the first quarter of 2004, primarily as a result of improving market conditions across all geographic regions, which contributed to the 28 percent increase in unit shipments referenced above.

Memory Products

Memory Products net sales of \$447 million in the first quarter of 2005 decreased 11 percent compared to net sales of \$504 million in the fourth quarter of 2004. The decrease in net sales was primarily attributable to a decrease of 18 percent in average selling prices, partially offset by an increase of eight percent in unit shipments. Average selling prices decreased as a result of aggressive pricing by competitors due primarily to oversupply in the NOR Flash memory market.

Memory Products net sales of \$447 million in the first quarter of 2005 decreased 29 percent compared to net sales of \$628 million in the first quarter of 2004. The decrease in net sales was primarily attributable to a 29 percent decrease in average selling prices. Average selling prices decreased from the first quarter of 2004 as a result of aggressive pricing by competitors due primarily to oversupply in the NOR Flash memory market. Another factor was a delay in qualifying and introducing into the market a product based on our second-generation MirrorBit technology. In addition, in the first quarter of 2004, we were not able to meet demand for certain of our lower density embedded Flash memory products, which we believe adversely impacted our relationship with customers who received reduced or no allocations of these embedded products. We believe our competitors were able to take advantage of this situation in the second half of 2004 and in the first quarter of 2005.

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Memory Products operating loss of \$110 million in the first quarter of 2005 increased by \$71 million compared to operating loss of \$39 million in the fourth quarter of 2004. The increase in operating loss was due to a decrease of 18 percent in the average selling prices of Memory Products.

Memory Products operating loss in the first quarter of 2005 was \$110 million compared to operating income of \$14 million in the first quarter of 2004. The decline in operating results from the first quarter of 2004 was due to net sales decreasing by 29 percent while operating expenses remained relatively flat.

Personal Connectivity Solutions

Personal Connectivity Solutions net sales of \$30 million in the first quarter of 2005 were flat compared to the fourth quarter of 2004. A decrease in sales of networking products of approximately \$3 million was offset by an increase in sales of AMD Geode™ products.

Personal Connectivity Solutions net sales of \$30 million in the first quarter of 2005 decreased 21 percent compared to net sales of \$37 million in the first quarter of 2004. The decrease in net sales was primarily attributable to a decrease in sales of certain end-of-life embedded microprocessors.

Personal Connectivity Solutions operating loss of \$17 million in the first quarter of 2005 decreased by \$3 million compared to an operating loss of \$20 million in the fourth quarter of 2004. The decrease in operating loss was primarily due to sales of products that had been previously written off.

Personal Connectivity Solutions operating loss of \$17 million in the first quarter of 2005 increased by \$10 million compared to operating loss of \$7 million in the first quarter of 2004. The increase in the operating loss was primarily due to the decrease in net sales discussed above and an increase in marketing, sales and administration expenses of approximately \$4 million.

All Other Category

All Other operating loss of \$11 million in the first quarter of 2005 was relatively flat compared to the fourth quarter of 2004.

All Other operating loss of \$11 million in the first quarter of 2005 decreased by \$2 million compared to an operating loss of \$13 million in the first quarter of 2004, primarily due to the absence of corporate profit sharing expenses in the first quarter of 2005.

Comparison of Gross Margin; Expenses; Interest Income and Other, Net; Interest Expense and Taxes

The following is a summary of certain consolidated statement of operations data for the periods indicated:

	Quarter Ended		
	March 27, 2005	December 26, 2004	March 28, 2004
	(in millions except for percentages)		
Cost of sales	\$ 807	\$ 743	\$ 769
Gross margin percentage	34%	41%	38%
Research and development	\$ 253	\$ 253	\$ 226
Marketing, general and administrative	212	246	180
Restructuring and other special charges, net	—	3	—
Interest income and other, net	4	(42)	11
Interest expense	24	29	30
Income tax provision (benefit)	(2)	(5)	2

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Gross Margin

Gross margin of 34 percent in the first quarter of 2005 declined from 41 percent in the fourth quarter of 2004 and from 38 percent in the first quarter of 2004. The decline in gross margin from the fourth quarter of 2004 was primarily due to a decrease in average selling prices of 18 percent for our Flash memory products. The decline in gross margin from the first quarter of 2004 was primarily due to a decrease of 29 percent in average selling prices for our Flash memory products.

We record grants and allowances that we receive from the State of Saxony and the Federal Republic of Germany for Fab 30 or Fab 36, and we recorded the interest subsidies we received for Fab 30, as long-term liabilities on our financial statements. We amortize these amounts as they are earned as a reduction to operating expenses. We record the amortization of the production related grants and allowances as a credit to cost of sales. The credit to cost of sales totaled \$18 million in the first quarter of 2005, \$19 million in the fourth quarter of 2004 and \$14 million in the first quarter of 2004. The fluctuations in the recognition of these credits have not significantly impacted our gross margins.

Expenses

Research and development expenses of \$253 million in the first quarter of 2005 remained flat compared to the fourth quarter of 2004 and increased 12 percent compared to \$226 million in the first quarter of 2004. The increase from the first quarter of 2004 was primarily due to costs associated with the Fab 36 project.

From time to time, we also apply for and obtain subsidies from the State of Saxony, the Federal Republic of Germany and the European Union for certain research and development projects. We record the amortization of the research and development related grants and allowances as well as the research and development subsidies as a reduction of research and development expenses when all conditions and requirements set forth in the subsidy grant are met. The credit to research and development expenses totaled \$14 million in the first quarter of 2005, \$3 million in the fourth quarter of 2004 and \$5 million in the first quarter of 2004.

Marketing, general and administrative expenses of \$212 million in the first quarter of 2005 decreased 14 percent compared with \$246 million in the fourth quarter of 2004. This decrease was primarily due to our phasing-out of certain corporate advertising and branding efforts that were in effect during the fourth quarter of 2004, including those for our AMD Athlon™ 64 and AMD Opteron™ brands, as well as the absence of \$12 million in costs associated with compliance with Section 404 of the Sarbanes-Oxley Act. Marketing, general and administrative expenses of \$212 million in the first quarter of 2005 increased 17 percent compared to \$180 million in the first quarter of 2004. This increase was primarily due to additional marketing and branding efforts for our AMD Opteron and AMD Athlon 64 microprocessor products during first quarter of 2005 compared to first quarter of 2004.

Effects of Our 2002 Restructuring Plan

In December 2002, we began implementing the 2002 Restructuring Plan to further align our cost structure to the industry conditions at that time, including weak customer demand and industry-wide excess inventory

With the exception of the facility exit costs consisting primarily of remaining lease payments on abandoned facilities, net of estimated sublease income, which are payable through 2011, we have completed the activities associated with the 2002 Restructuring Plan. As a result of the 2002 Restructuring Plan, 1,786 employees had been terminated resulting in cumulative cash payments of approximately \$60 million in severance and employee benefit costs.

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The following table summarizes activities under the 2002 Restructuring Plan from December 26, 2004 through March 27, 2005:

	Exit Costs
	(In thousands)
Accruals at December 26, 2004	\$ 105,676
First quarter 2005 cash charges	(5,243)
Accruals at March 27, 2005	\$ 100,433

Interest Income and Other, Net

Interest income and other, net, of approximately \$4 million in the first quarter of 2005, improved from a net expense of \$42 million in the fourth quarter of 2004. Interest income and other, net, in the fourth quarter of 2004 included an inducement charge of approximately \$32 million related to a series of transactions pursuant to which we exchanged \$201 million of our 4.50% Convertible Senior Notes due 2007 for our common stock and a charge of approximately \$14 million in connection with the prepayment of the previously outstanding term loan associated with Fab 30 held by our subsidiary, AMD Saxony Limited Liability Company & Co. KG. Interest income and other, net, in the first quarter of 2005 decreased from \$11 million in the first quarter of 2004 primarily due to a gain of \$7 million in the first quarter of 2004 from sales of third-party securities that we held as equity investments.

Interest Expense

Interest expense of \$24 million in the first quarter of 2005 decreased from \$29 million in the fourth quarter of 2004 primarily due to an additional \$3 million of interest expense that was capitalized rather than recognized as expense in the first quarter of 2005 in connection with our Fab 36 project. Interest expense of \$24 million in the first quarter of 2005 decreased from \$30 million in the first quarter of 2004 for the following reasons: we capitalized an additional \$8 million of interest expense in the first quarter of 2005 in connection with our Fab 36 project, the absence of interest expense of approximately \$8 million for the Fab 30 term loan referenced above that we prepaid in November 2004, and the reduction of interest expense of approximately \$3 million because of the exchange of \$201 million of our 4.50% Notes for our common stock during the fourth quarter of 2004, offset by interest expense of \$12 million incurred on the 7.75% Senior Notes due 2012 that we sold in October 2004.

Income Taxes

We recorded income tax benefits of approximately \$2 million, or 9 percent of pre-tax loss, in the first quarter of 2005 and \$5 million, or 14 percent of pre-tax loss, in the fourth quarter of 2004 and an income tax provision of \$2 million, or 5 percent of pre-tax income, in the first quarter of 2004. The income tax benefits recorded in the first quarter of 2005 and fourth quarter of 2004 were primarily for foreign tax benefits on losses in certain foreign jurisdictions. The income tax provision recorded in the first quarter of 2004 was primarily for taxes due on income generated in certain foreign jurisdictions.

Other Items

International net sales as a percent of net sales were 78 percent in the first quarter of 2005 and the fourth quarter of 2004 and 82 percent in the first quarter of 2004. During the first quarter of 2005, approximately 17 percent of our net sales were denominated in currencies other than the U.S. dollar, primarily the Japanese yen, as compared to 16 percent during the fourth quarter of 2004 and 27 percent during the first quarter of 2004. Sales denominated in foreign currencies consist primarily of sales by Spansion to Fujitsu, which are denominated in yen.

As a result of our foreign operations, we have net sales, costs, assets and liabilities that are denominated in foreign currencies. For example:

- a significant portion of our manufacturing costs for our microprocessor products is denominated in euro while sales of those products are denominated primarily in U.S. dollars;

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- certain of our fixed asset purchases are denominated in euro and yen;
- sales of our Flash memory products in Japan are denominated in yen; and
- a significant amount of costs of our Fab 36 project is denominated in euro.

As a consequence, movements in exchange rates could cause our expenses to increase as a percentage of net sales, affecting our profitability and cash flows. We use foreign currency forward and option contracts to reduce our exposure to currency fluctuations. The objective of these contracts is to minimize the impact of foreign currency exchange rate movements on our operating results. The net impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been material, principally as a result of our foreign currency forward contracts and option contracts referenced above.

FINANCIAL CONDITION

We have a substantial amount of indebtedness. As of March 27, 2005, we had consolidated debt of approximately \$1.9 billion.

Our cash, cash equivalents and short-term investments at March 27, 2005 totaled approximately \$1.1 billion, which included approximately \$225 million in cash, cash equivalents and short-term investments held by Spansion. Spansion's operating agreement governs its ability to use this cash balance for operations or to distribute it to us and Fujitsu. Pursuant to the operating agreement, and subject to restrictions contained in third-party loan agreements, Spansion must first distribute any cash balance to us and Fujitsu in an amount sufficient to cover each party's estimated tax liability, if any, related to Spansion's taxable income for each fiscal year. Any remaining cash balance after the tax liability distribution would be used by Spansion to fund its operations in accordance with its budget. If any cash remains, it must be used to repay Spansion's outstanding debt to us and Fujitsu. Any remaining cash after these distributions is distributed at the discretion of Spansion's Board of Managers to us and Fujitsu, pro rata, based on each party's membership interest at the time of distribution, which currently is 60 percent for AMD and 40 percent for Fujitsu.

Net Cash Provided by Operating Activities

Net cash provided by operating activities in the first quarter of 2005 was approximately \$251 million. Our net loss for the period was adjusted for non-cash charges, which were primarily depreciation and amortization. The increase in prepaid and other current assets included an increase of approximately \$41 million in value added tax, or VAT, and receivables related to purchases of equipment for Fab 36. The net changes in other liabilities in the first quarter of 2005 included refunds to customers of deposits totaling \$17.5 million under long-term purchase agreements. Accounts payable and accrued liabilities increased in the first quarter of 2005 primarily due to purchases of equipment for Fab 36.

Net cash provided by operating activities in the first quarter of 2004 was approximately \$220 million. Our net income for the period was adjusted for non-cash charges, which were primarily depreciation and amortization. The net changes of other liabilities in the first quarter of 2004 included refunds to customers of deposits totaling \$21 million under long-term purchase agreements and \$16 million in royalty payments under a cross-license agreement.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$670 million in the first quarter of 2005. Cash was used primarily to purchase short-term investments and property, plant and equipment, including approximately \$356 million for completing the construction and continuing with the facilitization of Fab 36.

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Net cash used in investing activities was \$208 million in the first quarter of 2004. Cash was used primarily to purchase property, plant and equipment, including approximately \$53 million related to our continuing construction of Fab 36.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was \$158 million in the first quarter of 2005, primarily from proceeds from an equipment sale leaseback transaction, capital investment grants and allowances from the Federal Republic of Germany and the State of Saxony for the Fab 36 project, purchases of stock under our Employee Stock Purchase Plan and upon employee stock option exercises, partially offset by payments on outstanding debt and capital lease obligations.

Net cash used in financing activities was \$21 million in the first quarter of 2004, primarily for payments on debt and capital lease obligations, offset by proceeds from an equipment sale and leaseback transaction, purchases of stock under our Employee Stock Purchase Plan and upon employee stock option exercises.

Liquidity

We believe that cash flows from operations and current cash balances, together with currently available credit facilities (see "Revolving Credit Facilities," below) and external financing, will be sufficient to fund operations and capital investments in the short-term and long-term. We also believe we have sufficient financing arrangements in place to fund the Fab 36 project through 2007. See "Fab 36 Term Loan and Guarantee and Fab 36 Partnership Agreements," below. Should additional funding be required, such as to meet payment obligations of our long term debt when due, we may need to raise the required funds through borrowings or public or private sales of debt or equity securities. Such funding may be obtained through bank borrowings, or from issuances of additional debt or equity securities, which may be issued from time to time under an effective registration statement, through the issuance of securities in a transaction exempt from registration under the Securities Act of 1933 or a combination of one or more of the foregoing. We believe that, in the event of such requirements, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. However, given the possibility of changes in market conditions or other occurrences, there can be no certainty that such funding will be available in quantities or on terms favorable to us.

Revolving Credit Facilities

AMD Revolving Credit Facility

Our revolving credit facility provides for a secured revolving line of credit of up to \$100 million that expires in July 2007. We can borrow, subject to amounts set aside by the lenders, up to 85 percent of our eligible accounts receivable from OEMs and 50 percent of our eligible accounts receivable from distributors. As of March 27, 2005, no borrowings were outstanding under our revolving credit facility.

Pursuant to the terms of our revolving credit facility, we have to comply with, among other things, the following financial covenants if our net domestic cash (as defined in our revolving credit facility) declines below \$125 million:

- restrictions on our ability to pay cash dividends on our common stock;
- maintain an adjusted tangible net worth (as defined in our revolving credit facility) as follows:

<u>Measurement Date</u>	<u>Amount</u>
	(in millions)
Last day of each fiscal quarter in 2005	\$ 1,850
Last day of each fiscal quarter thereafter	\$ 2,000

- achieve EBITDA (earnings before interest, taxes, depreciation and amortization) according to the following schedule:

<u>Period</u>	<u>Amount</u>
	(in millions)
Four fiscal quarters ending March 31, 2005 and four fiscal quarters ending each fiscal quarter thereafter	\$ 1,050

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As of March 27, 2005, net domestic cash, as defined, totaled \$774 million and the preceding financial covenants were not applicable. Our obligations under our revolving credit facility are secured by all of our accounts receivable, inventory, general intangibles (excluding intellectual property) and the related proceeds, excluding Spansion's accounts receivable, inventory and general intangibles.

Spansion Japan Revolving Loan Agreement

In March 2004, Spansion Japan, a subsidiary of Spansion, entered into a revolving credit facility agreement with certain Japanese financial institutions. On March 25, 2005, Spansion Japan amended this agreement and renewed it for an additional one-year period under substantially the same terms. The amended and extended revolving facility credit agreement, which is comprised of two tranches, provides for an aggregate loan amount of up to 15 billion yen (approximately \$141 million as of March 27, 2005). Tranche A provides for an aggregate amount of up to six billion yen (approximately \$56 million as of March 27, 2005) and tranche B provides for an aggregate amount of up to nine billion yen (approximately \$85 million as of March 27, 2005). Spansion Japan can draw under the facility until March 24, 2006. However, as described in more detail below, the total amount that Spansion Japan can draw is limited based on the value of Spansion Japan's accounts receivable from Fujitsu, which are pledged as security to the lenders. As of March 27, 2005, there were no borrowings outstanding under this facility.

Amounts borrowed under tranche A bear interest at a rate equal to the Tokyo Interbank Offered Rate, or TIBOR, plus 0.55 percent. Amounts borrowed under tranche B bear interest at a rate of TIBOR plus 1.2 percent. Spansion Japan must first fully draw under tranche A prior to drawing amounts under tranche B. Borrowings must be used for working capital purposes and must be repaid no later than April 24, 2006. As of March 27, 2005, TIBOR was 0.09 percent.

Pursuant to the terms of the revolving facility credit agreement, Spansion Japan is not permitted to make distributions, including declaring any dividends other than those to be declared after the end of each fiscal quarter and is required to comply with the following financial covenants under accounting principles generally accepted in Japan:

- ensure that assets exceed liabilities as of the end of each fiscal year and each six-month (mid-year) period;
- maintain an adjusted tangible net worth (as defined in the agreement) at an amount not less than 60 billion yen (approximately \$564 million as of March 27, 2005) as of the last day of each fiscal quarter;
- maintain total net income plus depreciation of 21.125 billion yen (approximately \$199 million as of March 27, 2005) as of the last day of fiscal year 2005; and
- ensure that as of each of the last day of the third and fourth quarter of fiscal 2005, the ratio of (a) net income plus depreciation to (b) the sum of interest expenses plus the amount of scheduled debt repayments plus maintenance capital expenditures for its facilities located in Aizu-Wakamatsu, Japan, for such period, is not less than 120 percent.

In addition, Spansion Japan cannot, without the consent of the majority lenders (as defined in the agreement), enter into any consolidation or merger, or transfer, lease or otherwise dispose of all or substantially all of its assets or business, or remove any equipment from its Aizu-Wakamatsu facilities or transfer or otherwise dispose of these facilities, in a manner that may substantially affect Spansion Japan's ability to make repayments under this agreement. Spansion Japan cannot obtain any loans from a third party or provide a guarantee or any loans to a third party that may substantially affect Spansion Japan's ability to make repayments under this agreement.

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As of March 27, 2005, Spansion Japan was in compliance with these covenants.

In addition, if Spansion Japan's minimum cash balance is less than one billion yen (approximately \$9.4 million as of March 27, 2005), Spansion Japan is prohibited from:

- subject to ordinary course of business and certain other exceptions, entering into any merger, reorganization or consolidation, or transferring, leasing or otherwise disposing of all or any part of its assets, or entering into any agreement concerning such transactions;
- making certain distributions, including declaring any dividends other than those to be declared after the end of each fiscal quarter, and redeeming, repurchasing, retiring or otherwise acquiring its capital stock or any option for such capital stock; or
- changing its capital structure (including capital reduction) in a way that may substantially affect Spansion Japan's ability to meet its obligations under the agreement.

Because during the term of this agreement Spansion Japan has maintained a cash balance that has been greater than one billion yen, these covenants have not been applicable.

As security for amounts outstanding under the revolving facility, Spansion Japan pledged its accounts receivable from Fujitsu. The accounts receivable are held in trust pursuant to the terms of a trust agreement. Under the trust agreement, Spansion Japan is required to maintain the value of its accounts receivable at specified thresholds (as defined by the trust agreement), based upon the amounts outstanding under tranche A and tranche B. In addition, the trustee collects payments from Fujitsu into a separate trust account and releases these amounts to Spansion Japan, subject to the calculated thresholds, upon instruction from the agent for the lenders. At any time when the accounts receivable balance in the trust account is less than the required thresholds, Spansion Japan is required to do one of the following to cure the shortfall:

- provide additional cash to the trust; or
- repay a specified portion of the outstanding loans.

Amounts outstanding under the revolving credit facility may be accelerated and become due and payable on demand upon the occurrence of specified events with respect to Spansion Japan, including: filings or proceedings in bankruptcy, failure to pay any obligations under the revolving credit facility that have become due, failure to pay other third-party indebtedness where such debt exceeds 200 million yen (approximately \$1.9 million as of March 27, 2005), or if the value of the accounts receivable from Fujitsu held in trust is below the required thresholds and such shortfall is not remedied within three business days. In addition, amounts outstanding under the revolving credit facility may become automatically due and payable upon the occurrence of specified events with respect to Fujitsu including: suspension of any payment by Fujitsu, filings or proceedings in bankruptcy or corporate reorganization, failure of any check or note issued by Fujitsu to clear for payment, default by Fujitsu with respect to payments to Spansion Japan or other obligations under the distribution agreement with us, and default by Fujitsu with respect to other third-party indebtedness where such debt exceeds 1.0 billion yen (approximately \$9.4 million as of March 27, 2005). As of March 27, 2005, the amount of accounts receivable held in trust was approximately \$163 million.

Because borrowings under the Spansion Japan revolving loan agreement are denominated in yen, the U.S. dollar amounts stated above are subject to change based on applicable exchange rates. We used the exchange rate as of March 27, 2005 of 106.315 yen to one U.S. dollar to translate the amounts denominated in yen into U.S. dollars.

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Contractual Cash Obligations and Guarantees

The following table summarizes our principal contractual cash obligations at March 27, 2005, and is supplemented by the discussion following the table.

Principal contractual cash obligations at March 27, 2005 were:

	Total	2005	2006	2007	2008	2009	2010 and beyond
	(in thousands)						
4.75% Debentures	\$ 500,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 500,000
4.50% Notes	201,500	—	—	201,500	—	—	—
7.75% Notes	600,000	—	—	—	—	—	600,000
Repurchase Obligations to Fab 36 Partners ⁽¹⁾	116,271	15,261	25,218	25,264	25,264	25,264	—
July 2003 Spansion Term Loan	37,724	20,625	17,099	—	—	—	—
Spansion Japan Term Loan	112,873	33,862	45,149	33,862	—	—	—
Fujitsu Cash Note	40,000	10,000	30,000	—	—	—	—
AMD Penang Term Loan	5,946	1,139	1,518	1,518	1,518	253	—
Spansion China Loan	31,774	31,774	—	—	—	—	—
Capital Lease Obligations	224,043	80,834	99,011	43,986	212	—	—
Operating Leases ⁽²⁾	428,704	57,457	66,418	54,833	46,772	39,109	164,115
Unconditional Purchase Commitments ⁽²⁾⁽³⁾	1,354,187	170,197	305,315	300,284	181,023	43,470	353,898
Total principal contractual cash obligations	\$ 3,653,022	\$ 421,149	\$ 589,728	\$ 661,247	\$ 254,789	\$ 108,096	\$ 1,618,013

⁽¹⁾ This amount represents the silent partnership contributions received by our subsidiary AMD Fab 36 Limited Liability Company & Co. KG, or AMD Fab 36 KG, as of March 27, 2005 from the unaffiliated limited partners, Fab 36 Beteiligungs and Leipziger Messe, under the Fab 36 partnership agreements. AMD Fab 36 Holding GmbH, a German company and wholly owned subsidiary of AMD that owns substantially all of our limited partnership interest in AMD Fab 36 KG, and AMD Fab 36 Admin GmbH, a German company and wholly owned subsidiary of AMD Fab 36 Holding that owns the remainder of our limited partnership interest in AMD Fab 36 KG are required to repurchase up to \$181 million of the unaffiliated limited partners' silent partnership contributions in annual installments beginning one year after the partner has contributed the full amount required under the partnership agreements. As of March 27, 2005, Fab 36 Beteiligungs had contributed the full amount required under the partnership agreements, but Leipziger Messe had not contributed the full amount in accordance with the partnership agreements. Therefore, the condition precedent to our repurchase obligations with respect to Leipziger Messe's silent partnership contribution had not been met. For purposes of this table, we assumed that Leipziger Messe will have contributed the full amount by December 2005. See "Fab 36 Term Loan and Guarantee and Fab 36 Partnership Agreements," below.

⁽²⁾ Lease obligations and commitments that are cancelable upon notice and without significant penalties are not included in the amounts above.

⁽³⁾ We have unconditional purchase commitments for goods and services where payments are based, in part, on the volume or the types of services we require. In those cases, we only included the minimum volume or purchase commitment in the table above.

4.75% Convertible Senior Debentures Due 2022

On January 29, 2002 we issued \$500 million of our 4.75% Convertible Senior Debentures due 2022 (the 4.75% Debentures) in a private offering pursuant to Rule 144A and Regulation S of the Securities Act.

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The interest rate payable on the 4.75% Debentures will reset on August 1, 2008, August 1, 2011 and August 1, 2016 to a rate equal to the interest rate payable 120 days prior to the reset dates on 5-year U.S. Treasury Notes, plus 43 basis points. The interest rate will not be less than 4.75 percent and will not exceed 6.75 percent. Holders have the right to require us to repurchase all or a portion of our 4.75% Debentures on February 1, 2009, February 1, 2012, and February 1, 2017. The holders of the 4.75% Debentures also have the ability to require us to repurchase the 4.75% Debentures in the event that we undergo specified fundamental changes, including a change of control. In each such case, the redemption or repurchase price would be 100 percent of the principal amount of the 4.75% Debentures plus accrued and unpaid interest. The 4.75% Debentures are convertible by the holders into our common stock at a conversion price of \$23.38 per share at any time. At this conversion price, each \$1,000 principal amount of the 4.75% Debentures will be convertible into approximately 43 shares of our common stock. Issuance costs incurred in the amount of approximately \$14 million are amortized ratably, which approximates the effective interest method, over the term of the 4.75% Debentures, as interest expense.

Beginning on February 5, 2005, the 4.75% Debentures are redeemable by us for cash at our option at specified prices expressed as a percentage of the outstanding principal amount plus accrued and unpaid interest, provided that we may not redeem the 4.75% Debentures prior to February 5, 2006, unless the last reported sale price of our common stock is at least 130 percent of the then-effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice. As of March 27, 2005, we would not have been able to redeem the 4.75% Debentures because the requirement set forth above was not met.

The redemption prices for the specified periods are as follows:

<u>Period</u>	<u>Price as a Percentage of Principal Amount</u>
Beginning on February 5, 2005 through February 4, 2006	102.375%
Beginning on February 5, 2006 through February 4, 2007	101.583%
Beginning on February 5, 2007 through February 4, 2008	100.792%
Beginning on February 5, 2008	100.000%

We may elect to purchase or otherwise retire our 4.75% Debentures with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer when we believe that market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

4.50% Convertible Senior Notes Due 2007

On November 25, 2002, we issued \$402.5 million of 4.50% Convertible Senior Notes due 2007 (the 4.50% Notes) in a registered offering. During the fourth quarter of 2004, we exchanged an aggregate of \$201 million of these 4.50% Notes for 29,391,261 shares of our common stock. Accordingly, as of March 27, 2005, \$201.5 million of our 4.50% Notes were outstanding. Interest on the 4.50% Notes is payable semiannually in arrears on June 1 and December 1 of each year, beginning June 1, 2003. Beginning on December 4, 2005, the remaining 4.50% Notes are redeemable by us at our option for cash at specified prices expressed as a percentage of the outstanding principal amount plus accrued and unpaid interest, provided that we may not redeem the 4.50% Notes unless the last reported sale price of our common stock is at least 150 percent of the then-effective conversion price for at least 20 trading days within a period of 30 trading days ending within five trading days of the date of the redemption notice.

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The redemption prices for the specified periods are as follows:

<u>Period</u>	<u>Price as Percentage of Principal Amount</u>
Beginning on December 4, 2005 through November 30, 2006	101.800%
Beginning on December 1, 2006 through November 30, 2007	100.900%
On December 1, 2007	100.000%

The remaining 4.50% Notes are convertible at the option of the holder at any time prior to the close of business on the business day immediately preceding the maturity date of December 1, 2007, unless previously redeemed or repurchased, into shares of common stock at a conversion price of \$7.37 per share, subject to adjustment in certain circumstances. At this conversion price, each \$1,000 principal amount of the remaining 4.50% Notes will be convertible into approximately 135 shares of our common stock. Approximately \$6 million of the original issuance costs associated with the remaining 4.50% Notes continue to be amortized ratably over the term of the 4.50% Notes, as interest expense, approximating the effective interest method.

Holders have the right to require us to repurchase all or a portion of our remaining 4.50% Notes in the event that we undergo specified fundamental changes, including a change of control. In each such case, the redemption or repurchase price would be 100 percent of the principal amount of the 4.50% Notes plus accrued and unpaid interest.

We may elect to purchase or otherwise retire the remainder of our 4.50% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer when we believe that market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

7.75% Senior Notes Due 2012

On October 29, 2004, we issued \$600 million of 7.75% Senior Notes due 2012 (the 7.75% Notes) in a private offering pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended.

The 7.75% Notes mature on November 1, 2012. Interest on the 7.75% Notes is payable semiannually in arrears on May 1 and November 1, beginning May 1, 2005. Prior to November 1, 2008, we may redeem some or all of the 7.75% Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest plus a “make-whole” premium, as defined in the agreement. Thereafter, we may redeem the 7.75% Notes for cash at the following specified prices plus accrued and unpaid interest:

<u>Period</u>	<u>Price as Percentage of Principal Amount</u>
Beginning on November 1, 2008 through October 31, 2009	103.875%
Beginning on November 1, 2009 through October 31, 2010	101.938%
Beginning on November 1, 2010	100.000%

In addition, on or prior to November 1, 2007, we may redeem up to 35 percent of the 7.75% Notes with the proceeds of certain sales of our equity securities at 107.75 percent of the principal amount thereof, plus accrued and unpaid interest.

Holders have the right to require us to repurchase all or a portion of our 7.75% Notes in the event that we undergo a change of control, as defined in the indenture governing the 7.75% Notes at a repurchase price of 101% of the principal amount plus accrued and unpaid interest.

The indenture governing the 7.75% Notes contains certain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries, which include all of our subsidiaries except Spansion and its subsidiaries, from:

- incurring additional indebtedness;

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- paying dividends and making other restricted payments;
- making certain investments, including investments in our unrestricted subsidiaries;
- creating or permitting certain liens;
- creating or permitting restrictions on the ability of the restricted subsidiaries to pay dividends or make other distributions to us;
- using the proceeds from sales of assets;
- entering into certain types of transactions with affiliates; and
- consolidating or merging or selling our assets as an entirety or substantially as an entirety.

On March 23, 2005, our registration statement on Form S-4 with respect to the 7.75% Notes was declared effective by the Securities and Exchange Commission. This Registration Statement enabled holders to exchange the outstanding 7.75% Notes, or the old notes, for publicly registered notes, the new notes, with substantially identical terms. The exchange offer commenced on March 23, 2005 and was consummated on April 22, 2005. One hundred percent of the old notes were tendered in exchange for the new notes and the old notes were cancelled. The new notes have substantially identical terms as the old notes except that the new notes are registered under the Securities Act of 1933 and, therefore, do not contain legends restricting their transfer.

Issuance costs incurred in connection with this transaction in the amount of approximately \$13 million are being amortized ratably over the term of the 7.75% Notes as interest expense, approximating the effective interest method.

We may elect to purchase or otherwise retire our 7.75% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer when we believe that market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

Fab 36 Term Loan and Guarantee and Fab 36 Partnership Agreements

We are facilitating Fab 36, which is located adjacent to Fab 30. Fab 36 is owned by a German limited partnership named AMD Fab 36 Limited Liability Company & Co. KG, or AMD Fab 36 KG. We control the management of AMD Fab 36 KG through a wholly owned Delaware subsidiary, AMD Fab 36 LLC, which is a general partner of AMD Fab 36 KG. Accordingly, AMD Fab 36 KG is our indirect consolidated subsidiary. We expect that Fab 36 will produce future generations of our microprocessor products, and that it will be in volume production in 2006.

AMD, Leipziger Messe GmbH, a nominee of the State of Saxony, Fab 36 Beteiligungs GmbH & Co. KG, an investment consortium arranged by M+W Zander Facility Engineering GmbH, the general contractor for the project, and a consortium of banks are providing financing for the project. Leipziger Messe and Fab 36 Beteiligungs are limited partners in AMD Fab 36 KG. We also anticipate receiving up to approximately \$703 million in grants and allowances from federal and state German authorities for the Fab 36 project. We expect that capital expenditures for Fab 36, from commencement of the project through 2007, will be approximately \$2.5 billion in the aggregate.

The funding to construct and facilitate Fab 36 consists of:

- equity contributions from us of approximately \$758 million under the partnership agreements, revolving loans from us of up to approximately \$972 million, and guarantees from us for amounts owed by AMD Fab 36 KG and its affiliates to the lenders and unaffiliated limited partners;

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- investments of up to approximately \$415 million from Leipziger Messe and Fab 36 Beteiligungs;
- loans of up to approximately \$907 million from a consortium of banks;
- up to approximately \$703 million of subsidies consisting of grants and allowances, from the Federal Republic of Germany and the State of Saxony; and
- a loan guarantee from the Federal Republic of Germany and the State of Saxony of 80 percent of the losses sustained by the lenders referenced above after foreclosure on all other security.

As of March 27, 2005, we had contributed \$248 million of equity in AMD Fab 36 KG and \$238 million of revolving loans were outstanding. These amounts have been eliminated in our consolidated financial statements.

On April 21, 2004, AMD, AMD Fab 36 KG, AMD Fab 36 LLC, AMD Fab 36 Holding GmbH, a German company and wholly owned subsidiary of AMD that owns substantially all of our limited partnership interest in AMD Fab 36 KG, and AMD Fab 36 Admin GmbH, a German company and wholly owned subsidiary of AMD Fab 36 Holding that owns the remainder of our limited partnership interest in AMD Fab 36 KG, (collectively referred to as the AMD companies) entered into a series of agreements (the partnership agreements) with the unaffiliated limited partners of AMD Fab 36 KG, Leipziger Messe and Fab 36 Beteiligungs, relating to the rights and obligations with respect to their capital contributions in AMD Fab 36 KG. The partnership has been established for an indefinite period of time. A partner may terminate its participation in the partnership by giving twelve months advance notice to the other partners. The termination becomes effective at the end of the year following the year during which the notice is given. However, other than for good cause, a partner's termination will not be effective before December 31, 2015.

Also on April 21, 2004, AMD Fab 36 KG entered into a term loan agreement and other related agreements (the Fab 36 Loan Agreements) with a consortium of banks led by Dresdner Bank AG, a German financial institution, to finance the purchase of equipment and tools required to operate Fab 36. The consortium of banks agreed to make available up to \$907 million in loans to AMD Fab 36 KG upon its achievement of specified milestones, including attainment of "technical completion" at Fab 36, which requires certification by the banks' technical advisor that AMD Fab 36 KG has a wafer fabrication process suitable for high-volume production of advanced microprocessors and has achieved specified levels of average wafer starts per week and average wafer yields, as well as cumulative capital expenditures of approximately \$1.3 billion. We currently anticipate that AMD Fab 36 KG will attain these milestones and first be able to draw on the loans in 2006. The amounts borrowed under the Fab 36 Loan Agreements are repayable in quarterly installments commencing in September 2007 and terminating in March 2011.

AMD Fab 36 KG pledged substantially all of its current and future assets as security under the Fab 36 Loan Agreements, we pledged our equity interest in AMD Fab 36 Holding and AMD Fab 36 LLC, AMD Fab 36 Holding pledged its equity interest in AMD Fab 36 Admin and its partnership interest in AMD Fab 36 KG, and AMD Fab 36 Admin and AMD Fab 36 LLC pledged all of their partnership interests in AMD Fab 36 KG. We guaranteed the obligations of AMD Fab 36 KG to the lenders under the Fab 36 Loan Agreements. We also guaranteed repayment of grants and allowances by AMD Fab 36 KG, should such repayment be required pursuant to the terms of the subsidies provided by the federal and state German authorities.

Pursuant to the terms of the guarantee between us and the lenders, we have to comply with specified adjusted tangible net worth and EBITDA financial covenants if the sum of our and our subsidiaries' cash, cash equivalents and short-term investments, less the amount outstanding under any third-party revolving credit facility or term loan agreement with an original maturity date for amounts borrowed of up to one year (group consolidated cash), declines below the following amounts:

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<u>Amount (in thousands)</u>	<u>if Moody's Rating is at least</u>		<u>if Standard & Poor's Rating is at least</u>
\$500,000	B1 or lower	and	B+ or lower
425,000	Ba3	and	BB-
400,000	Ba2	and	BB
350,000	Ba1	and	BB+
300,000	Baa3 or better	and	BBB-or better

As of March 27, 2005, group consolidated cash was greater than \$500 million, and therefore, the preceding financial covenants were not applicable.

The partnership agreements set forth each limited partner's aggregate capital contribution to AMD Fab 36 KG and the milestones for such contributions. Pursuant to the terms of the partnership agreements, AMD, through AMD Fab 36 Holding and AMD Fab 36 Admin, agreed to provide an aggregate of \$758 million, Leipziger Messe agreed to provide an aggregate of \$259 million and Fab 36 Beteiligungs agreed to provide an aggregate of \$155 million. The capital contributions of Leipziger Messe and Fab 36 Beteiligungs are comprised of limited partnership contributions and silent partnership contributions, collectively referred to as the partnership contributions or interests. These contributions are due at various dates upon the achievement of milestones relating to the construction and operation of Fab 36.

The partnership agreements also specify that the unaffiliated limited partners will receive a guaranteed rate of return of between 11 percent and 13 percent per annum on their total partnership contributions depending upon the monthly wafer output of Fab 36. We guaranteed these payments by AMD Fab 36 KG.

In April 2005, we amended the partnership agreements in order to restructure the proportion of Leipziger Messe's silent partnership and limited partnership contributions. Although the total aggregate amount that Leipziger Messe has agreed to provide remained unchanged, the portion of its contribution that constitutes limited partnership interests was reduced by approximately \$65 million while the portion of its contribution that constitutes silent partnership interests was increased by a corresponding amount. In this report, we refer to this additional silent partnership contribution as the New Silent Partnership Amount.

Pursuant to the terms of the partnership agreements and subject to the prior consent of the Federal Republic of Germany and the State of Saxony, AMD Fab 36 Holding and AMD Fab 36 Admin have a call option over the partnership interests held by Leipziger Messe and Fab 36 Beteiligungs, first exercisable three and one-half years after the relevant partner has completed its capital contribution and every three years thereafter. Also, commencing five years after completion of the relevant partner's capital contribution, Leipziger Messe and Fab 36 Beteiligungs each have the right to sell their partnership interest to third parties (other than competitors), subject to a right of first refusal held by AMD Fab 36 Holding and AMD Fab 36 Admin, or to put their partnership interest to AMD Fab 36 Holding and AMD Fab 36 Admin. The put option is thereafter exercisable every three years. Leipziger Messe and Fab 36 Beteiligungs also have a put option in the event they are outvoted at AMD Fab 36 KG partners' meetings with respect to certain specified matters such as increases in the partners' capital contributions beyond those required by the partnership agreements, investments significantly in excess of the business plan, or certain dispositions of the limited partnership interests of AMD Fab 36 Holding and AMD Fab 36 Admin. The purchase price under the put option is the partner's capital account balance plus accumulated or accrued profits due to such limited partner. The purchase price under the call option is the same amount, plus a premium of \$4.5 million to Leipziger Messe and a premium of \$2.7 million to Fab 36 Beteiligungs. The right of first refusal price is the lower of the put option price or the price offered by the third party that triggered the right. We guaranteed the payments under the put options.

In addition, AMD Fab 36 Holding and AMD Fab 36 Admin are obligated to repurchase Leipziger Messe's and Fab 36 Beteiligungs' silent partnership contributions over time. However, this mandatory repurchase obligation does not apply to the New Silent Partnership Amount. Specifically, AMD Fab 36 Holding and AMD Fab 36 Admin are required to repurchase \$104 million of Leipziger Messe's silent partnership contributions in four installments of approximately \$26 million each, commencing one year after Leipziger Messe has completed its aggregate partnership contributions, and Fab 36 Beteiligungs' silent partnership contributions of \$77 million in annual 20 percent installments commencing in October 2005.

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For accounting and financial reporting purposes under United States generally accepted accounting principles, we classified the portion of the silent partnership contribution that is mandatorily redeemable as debt, based on its fair value because of the mandatory redemption features described in the prior paragraph. Each accounting period, we increase the carrying value of this debt towards our ultimate redemption value of the silent partnership contributions by the guaranteed annual rate of return of between 11 percent to 13 percent. We classify this periodic accretion to redemption value as interest expense.

The limited partnership contributions that AMD Fab 36 KG expects to receive from Leipziger Messe and Fab 36 Beteiligungs plus the New Silent Partnership Portion described above are not mandatorily redeemable, but rather are subject to redemption outside of the control of AMD Fab 36 Holding and AMD Fab 36 Admin. Upon consolidation, we initially record these contributions as minority interest, based on their fair value. Each accounting period, we increase the carrying value of this minority interest toward our ultimate redemption value of these contributions by the guaranteed rate of return of between 11 percent and 13 percent. We classify this periodic accretion of redemption value as an additional minority interest allocation. No separate accounting is required for the put and call options because they are not freestanding instruments and not considered derivatives under SFAS 133, Accounting for Derivative Instruments and Hedging Activities.

As of March 27, 2005, AMD Fab 36 KG received \$116 million of silent partnership contributions and \$128 million of limited partnership contributions from the unaffiliated limited partners. These contributions were recorded as debt and minority interest, respectively, in the accompanying consolidated balance sheet.

In addition to support from us and the consortium of banks referred to above, the Federal Republic of Germany and the State of Saxony have agreed to support the Fab 36 project in the form of:

- a loan guarantee equal to 80 percent of the losses sustained by the lenders after foreclosure on all other security; and
- subsidies consisting of grants and allowances totaling up to approximately \$703 million.

In connection with the receipt of subsidies for the Fab 36 project, AMD Fab 36 KG is required to attain a certain employee headcount by December 2007 and maintain this headcount through December 2012. We record the subsidies as long-term liabilities on our financial statements and amortize them to operations ratably starting from December 2004 through December 2012. Currently, we amortize these amounts as a reduction to research and development expenses. At such time as Fab 36 begins to manufacture products, which we expect to be in 2006, we will amortize these amounts as a reduction to cost of sales. Noncompliance with the covenants contained in the subsidy grant documents could result in forfeiture of all or a portion of the future amounts to be received, as well as the repayment of all or a portion of amounts received to date.

As of March 27, 2005, AMD Fab 36 KG received cash allowances of \$5 million for investments made in 2003 and cash grants of \$130 million consisting of both grants for investments made in 2003 and 2004 and a prepayment for investments planned in 2005 and the first half of 2006.

The Fab 36 Loan Agreements also require that we:

- provide funding to AMD Fab 36 KG if cash shortfalls occur, including funding shortfalls in government subsidies resulting from any defaults caused by AMD Fab 36 KG or its affiliates; and
- guarantee 100 percent of AMD Fab 36 KG's obligations under the Fab 36 Loan Agreements until the loans are repaid in full.

Under the Fab 36 Loan Agreements, AMD Fab 36 KG, AMD Fab 36 Holding and AMD Fab 36 Admin are generally prevented from paying dividends or making other payments to us. In addition, AMD

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Fab 36 KG would be in default under the Fab 36 Loan Agreements if we or any of the AMD companies fail to comply with certain obligations thereunder or upon the occurrence of certain events and if, after the occurrence of the event, the lenders determine that their legal or risk position is adversely affected. Circumstances that could result in a default include:

- failure of any limited partner to make contributions to AMD Fab 36 KG as required under the partnership agreements or our failure to provide loans to AMD Fab 36 KG as required under the Fab 36 Loan Agreements;
- failure to pay any amount due under the Fab 36 Loan Agreements within five days of the due date;
- occurrence of any event which the lenders reasonably believe has had or is likely to have a material adverse effect on the business, assets or condition of AMD Fab 36 KG or AMD or their ability to perform under the Fab 36 Loan Agreements;
- filings or proceedings in bankruptcy or insolvency with respect to us, AMD Fab 36 KG or any limited partner;
- occurrence of a change in control (as defined in the Fab 36 Loan Agreements) of AMD;
- AMD Fab 36 KG's noncompliance with certain affirmative and negative covenants, including restrictions on payment of profits, dividends or other distributions except in limited circumstances and restrictions on incurring additional indebtedness, disposing of assets and repaying subordinated debt; and
- AMD Fab 36 KG's noncompliance with certain financial covenants, including minimum tangible net worth, minimum interest cover ratio, loan to fixed asset value ratio and a minimum cash covenant.

In general, any default with respect to other indebtedness of AMD or AMD Fab 36 KG that is not cured, would result in a cross-default under the Fab 36 Loan Agreements.

The occurrence of a default under the Fab 36 Loan Agreements would permit the lenders to accelerate the repayment of all amounts outstanding under the Fab 36 Loan Agreements. In addition, the occurrence of a default under these agreements could result in a cross-default under our loan agreements, including the indentures governing our 4.75% Debentures, 4.50% Notes and 7.75% Notes. We cannot assure you that we would be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on us.

Generally, the amounts under the Fab 36 Loan Agreements and the partnership agreements are denominated in euros. However, we report these amounts in U.S. dollars, which are subject to change based on applicable exchange rates. We used the exchange rate at March 27, 2005, of 0.772 euro to one U.S. dollar, to translate the amounts denominated in euros into U.S. dollars. However, with respect to amounts of limited partnership and other equity contributions, investment grants, allowances and subsidies received by AMD Fab 36 KG through March 27, 2005, we used the historical exchange rates that were in effect at the time AMD Fab 36 KG received these amounts to convert amounts denominated in euros into U.S. dollars.

July 2003 Spansion Term Loan and Guarantee

Under the July 2003 Spansion Term Loan, as amended, amounts borrowed bear interest at a variable rate of LIBOR plus four percent, which was 6.56 percent at March 27, 2005. Repayment occurs in consecutive, quarterly principal and interest installments ending in June 2006. As of March 27, 2005, approximately \$38 million was outstanding under the July 2003 Spansion Term Loan, of which 60 percent is guaranteed by us and 40 percent is guaranteed by Fujitsu. Spansion granted a security interest in certain property, plant and equipment as security under the July 2003 Spansion Term Loan. In addition, as security for our guarantee obligations, we granted a security interest in certain of our assets, including our accounts receivable, inventory, general intangibles (excluding intellectual property) and the related proceeds.

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Under the terms of the July 2003 Spansion Term Loan, Spansion enters into an enhanced covenant period if either its net domestic cash balance (as defined in the July 2003 Spansion Term Loan) as of the last day of any fiscal quarter is below \$60 million or if its net worldwide cash balance (as defined in the March 2004 amendment) as of the last day of any fiscal quarter is below \$130 million.

During an enhanced covenant period, Spansion is, among other things, restricted in its ability to pay cash dividends. In addition, during an enhanced covenant period, Spansion is also required to comply with the following financial covenants:

- refrain from entering into any merger transaction, reorganization or consolidation;
- refrain from the transfer, sale, assignment, lease or disposition of our property except for sales of certain inventory and equipment in the ordinary course of business and the sale of certain assets that do not exceed certain threshold amounts;
- maintain an adjusted tangible net worth (as defined in the July 2003 Spansion Term Loan) of not less than \$850 million;
- achieve EBITDA according to the following schedule:

<u>Period</u>	<u>Amount</u>
	(in thousands)
For each of the four quarters ending in 2005	\$ 640,000
For each of the four quarters ending in 2006	\$ 800,000

- maintain a fixed charge coverage ratio (as defined in the July 2003 Spansion Term Loan) according to the following schedule:

<u>Period</u>	<u>Ratio</u>
Fiscal 2005	1.0 to 1.00
Fiscal 2006	0.9 to 1.00

Amounts outstanding under the July 2003 Spansion Term Loan may be accelerated and become due and payable upon the occurrence of an event of default. An event of default would occur if Spansion does not meet various obligations or if various events occur. These include, among other things, any failure to pay loan amounts when due, a breach of any representation or warranty made under the agreement, the filing of voluntary bankruptcy proceedings, the dissolution, winding-up or liquidation of Spansion, and the expropriation or condemnation of our property by any legal authority.

As of March 27, 2005, Spansion's net domestic cash balance was \$156 million and its net worldwide cash balance was \$225 million. Because Spansion was not in an enhanced covenant period, the preceding financial covenants were not applicable.

Spansion Japan Term Loan and Guarantee

In September 2003, the third-party loans of Fujitsu AMD Semiconductor Limited, the previous manufacturing venture between us and Fujitsu which we refer to as the Manufacturing Joint Venture, were refinanced from the proceeds of a term loan entered into between Spansion Japan, which owns the assets of the Manufacturing Joint Venture, and a Japanese financial institution. Under the agreement, the amounts borrowed bear an interest rate of TIBOR plus a spread that is determined by Fujitsu's current debt rating and Spansion Japan's non-consolidated net asset value as of the last day of its fiscal year. The interest rate was 0.99 percent as of March 27, 2005. Repayment occurs in equal, consecutive, quarterly principal installments ending in June 2007. As of March 27, 2005, \$113 million was outstanding under this term loan agreement. Fujitsu guaranteed 100 percent of the amounts outstanding under this facility. We agreed to reimburse Fujitsu up to 60 percent of amounts paid by Fujitsu under its guarantee. In addition, Spansion Japan's assets are pledged to Fujitsu as security for AMD's reimbursement obligation.

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Under this loan agreement, Spansion Japan is prevented from making distributions or dividends in certain situations. In addition, Spansion Japan is required to comply with the following financial covenants under accounting principles generally accepted in Japan:

- ensure that assets exceed liabilities as of the end of each fiscal year and each six-month period during such fiscal year;
- maintain an adjusted tangible net worth (as defined in the loan agreement), as of the last day of each fiscal quarter, of not less than 60 billion yen (approximately \$564 million based on the exchange rate as of March 27, 2005);
- maintain total net income plus depreciation, as of the last day of each fiscal period, as follows:

<u>Period</u>	<u>Amount</u>
Fiscal 2005	(in thousands) \$ 204,000
Fiscal 2006	\$ 188,000

- ensure that as of the last day of any fiscal quarter, the ratio of (a) net income plus depreciation to (b) the sum of (i) interest expense for such period plus (ii) scheduled amortization of debt for borrowed money (as defined in the loan agreement) for such period, including lease rentals plus (iii) maintenance capital expenditures for Spansion Japan's existing and after acquired real property and improvements at its manufacturing facilities located in Aizu-Wakamatsu, Japan, is not less than 120 percent.

In addition, Spansion Japan is subject to other covenants, including those that are applicable when Spansion Japan's minimum cash balance is less than one billion yen and events of default that would cause all of the amounts outstanding under this agreement to become immediately due and payable that are substantially similar to the covenants and events of default in the Spansion Japan Revolving Loan Agreement described above.

As of March 27, 2005, Spansion Japan was in compliance with these covenants.

Because most amounts under the Spansion Japan Term Loan are denominated in yen, the U.S. dollar amounts are subject to change based on applicable exchange rates. We used the exchange rate as of March 27, 2005 of 106.315 yen to one U.S. dollar to translate the amounts denominated in yen into U.S. dollars.

Fujitsu Cash Note

In connection with the Spansion reorganization in June 2003, Fujitsu loaned Spansion \$40 million pursuant to the terms of an unsecured promissory note. Payments are comprised of four equal principal payments due on September 30, 2005, December 31, 2005, March 31, 2006 and June 30, 2006. The note bears interest at LIBOR plus four percent, to be paid quarterly. The interest rate cannot exceed seven percent. The interest rate adjusts each calendar quarter based on the LIBOR rate. All amounts outstanding under this note become due and payable upon the occurrence of a payment default. As of March 27, 2005, the interest rate was 6.56 percent and the remaining principal balance on this note was \$40 million. The proceeds from this note were used to fund Spansion's working capital needs.

AMD Penang Term Loan

On January 29, 2004, our subsidiary in Malaysia, AMD Export Sdn. Bhd., or AMD Penang, entered into a term loan agreement with a local financial institution. Under the terms of the loan agreement, AMD Penang was eligible to borrow up to 30 million Malaysian Ringgit (approximately \$8 million as of March 27, 2005). The loan bears a fixed annual interest rate of 5.9 percent and is payable in equal, consecutive, monthly principal and interest installments through February 2009. The total amount outstanding as of March 27, 2005 was approximately \$6 million. However, the undrawn amount was cancelled.

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Spansion China Loan

During the second quarter of 2004, Spansion (China) Limited, a subsidiary of Spansion, entered into two revolving loan agreements with a local financial institution. Under the terms of the revolving foreign exchange loan agreement, Spansion China can borrow in U.S. dollars up to an amount of \$18 million. Under the terms of the revolving Renminbi (RMB) loan agreement, Spansion China can borrow up to RMB 120 million (approximately \$14.5 million as of March 27, 2005). The interest rate on the U.S. dollar denominated loans is LIBOR plus one percent and the interest rate on the RMB denominated loans is fixed at 4.779 percent. The maximum term of each loan is 12 months from the date of each draw-down. As of March 27, 2005, Spansion China had fully drawn on the loans. These loans are secured by Spansion China's assembly and test facility and its land use rights.

Capital Lease Obligations

As of March 27, 2005, we had aggregate outstanding capital lease obligations of approximately \$224 million. Obligations under these lease agreements are collateralized by the assets leased and are payable through 2008. Leased assets consist principally of machinery and equipment. We guaranteed approximately \$75 million of Spansion's and its subsidiaries' aggregate outstanding capital lease obligations as of March 27, 2005.

Operating Leases

We lease certain of our facilities, including our executive offices in Sunnyvale, California, and in some jurisdictions we lease the land on which these facilities are built, under non-cancelable lease agreements that expire at various dates through 2021. We lease certain of our manufacturing and office equipment for terms ranging from one to five years. Total future non-cancelable lease obligations as of March 27, 2005, were approximately \$429 million, of which \$103 million was recorded as a liability for certain facilities that were included in our 2002 Restructuring Plan.

Unconditional Purchase Commitments

Total non-cancelable purchase commitments as of March 27, 2005, were approximately \$1.4 billion for periods through 2020. These purchase commitments include approximately \$524 million related to contractual obligations to purchase energy and gas for Fab 30 and Fab 36 and \$240 million representing future payments to IBM pursuant to our joint development agreement. As IBM's services are being performed ratably over the life of the agreement, we expense the payments as incurred. Our non-cancelable purchase commitments also include approximately \$17 million to M+W Zander for the design and construction of Fab 36 and other related services. These payments will be made to M+W Zander as services are performed. In addition, unconditional purchase commitments also include approximately \$61 million for software maintenance agreements that require periodic payments through 2009. As a result, we have not recorded any liabilities relating to these agreements. The remaining commitments primarily consist of non-cancelable contractual obligations to purchase raw materials, natural resources and office supplies. Purchase orders for goods and services that are cancelable without significant penalties are not included in the amount set forth in the table above.

Other Long-Term Liabilities

The only component of Other Long-Term Liabilities that requires us to make cash payments is a net restructuring accrual of approximately \$81 million relating to the net future operating lease payments on certain facilities that were included in our 2002 Restructuring Plan. We will make these payments through 2011. We included these amounts in the operating lease total in the table above. The other components of Other Long-Term Liabilities do not require us to make cash payments and primarily consist of approximately \$342 million of deferred grants and subsidies related to the Fab 30 and Fab 36 projects and a \$21 million deferred gain as a result of the sale and leaseback of our corporate marketing, general and administrative facility in Sunnyvale, California in 1998.

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Guarantees of Indebtedness Recorded on Our Unaudited Condensed Consolidated Balance Sheet

The following table summarizes the principal guarantees issued as of March 27, 2005 related to underlying liabilities that are already recorded on our unaudited condensed consolidated balance sheet as of March 27, 2005 and their expected expiration dates by year. No incremental liabilities are recorded on our unaudited condensed consolidated balance sheet for these guarantees. For more information on these guarantees, see “Contractual Cash Obligations and Guarantees,” above.

	Amounts Guaranteed ⁽¹⁾	2005	2006	2007	2008	2009	2010 and Beyond
				(in thousands)			
July 2003 Spansion term loan guarantee	\$ 22,634	\$ 12,375	\$ 10,259	\$ —	\$ —	\$ —	\$ —
Spansion Japan term loan guarantee	67,723	20,317	27,089	20,317	—	—	—
Spansion capital lease guarantees	74,642	37,186	34,168	3,288	—	—	—
Repurchase Obligations to Fab 36 partners ⁽²⁾	116,271	15,261	25,218	25,264	25,264	25,264	—
Total guarantees	\$ 281,270	\$ 85,139	\$ 96,734	\$ 48,869	\$ 25,264	\$ 25,264	\$ —

⁽¹⁾ Amounts represent the principal amount of the underlying obligations guaranteed and are exclusive of obligations for interest, fees and expenses.

⁽²⁾ This amount represents the silent partnership contributions received by AMD Fab 36 KG, as of March 27, 2005 from the unaffiliated limited partners under the Fab 36 partnership agreements. AMD Fab 36 Holding and AMD Fab 36 Admin are required to repurchase up to \$181 million of the partners’ silent partnership contributions in annual installments beginning one year after the partner has contributed the full amount required under the partnership agreements. We guaranteed these obligations. As of March 27, 2005, Fab 36 Beteiligungs had contributed the full amount required under the partnership agreements, but Leipziger Messe had not contributed the full amount. Therefore, the condition precedent to our repurchase obligations with respect to Leipziger Messe’s silent partnership contribution had not been met. For purposes of this table, we assumed that Leipziger Messe will have contributed the full amount by December 2005.

Guarantees of Indebtedness Not Recorded on Our Unaudited Condensed Consolidated Balance Sheet

The following table summarizes the principal guarantees issued as of March 27, 2005 for which the related underlying liabilities are not recorded on our unaudited condensed consolidated balance sheet as of March 27, 2005 and their expected expiration dates:

	Amounts Guaranteed ⁽¹⁾	2005	2006	2007	2008	2009	2010 and Beyond
				(in thousands)			
Spansion LLC operating lease guarantees	\$ 18,579	\$ 7,495	\$ 8,009	\$ 2,050	\$ 1,025	\$ —	\$ —
AMTC revolving loan guarantee	41,459	—	—	41,459	—	—	—
AMTC rental guarantee ⁽²⁾	142,129	—	—	—	—	—	142,129
Other	5,032	1,360	3,672	—	—	—	—
Total guarantees	\$ 207,199	\$ 8,855	\$ 11,681	\$ 43,509	\$ 1,025	\$ —	\$ 142,129

⁽¹⁾ Amounts represent the principal amount of the underlying obligations guaranteed and are exclusive of obligations for interest, fees and expenses.

⁽²⁾ Amount of the guarantee diminishes as the rent is paid.

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Spansion LLC Operating Lease Guarantees

We guaranteed certain operating leases entered into by Spansion and its subsidiaries totaling approximately \$19 million as of March 27, 2005. The amounts guaranteed are reduced by the actual amount of lease payments paid by Spansion over the lease terms. No liability has been recognized for this guarantee under the provisions of FIN 45 because the guarantee is for a subsidiary's performance obligations.

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co., KG (BAC) are joint ventures formed by us, Infineon Technologies AG and DuPont Photomasks, Inc. for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. To finance the project, BAC and AMTC entered into a \$155 million revolving credit facility and a \$97 million term loan in December 2002. Also in December 2002, in order to occupy the photomask facility, AMTC entered into a rental agreement with BAC. With regard to these commitments by BAC and AMTC, as of March 27, 2005, we guaranteed up to approximately \$41 million plus interest and expenses under the revolving loan, and up to approximately \$19 million, initially, under the rental agreement. The obligations under the rental agreement guarantee diminish over time through 2011 as the term loan is repaid. However, under certain circumstances of default by the other tenant of the photomask facility under its rental agreement with BAC and certain circumstances of default by more than one joint venture partner under its rental agreement guarantee obligations, the maximum potential amount of our obligations under the rental agreement guarantee is approximately \$142 million. As of March 27, 2005, \$89 million was drawn under the revolving credit facility, and \$72 million was drawn under the term loan. We have not recorded any liability in our consolidated financial statements associated with the guarantees because they were issued prior to December 31, 2002, the effective date of FIN 45.

Other Financial Matters

Spansion LLC

During the four-year period commencing on June 30, 2003, we are obligated to provide Spansion with additional funding to finance operations shortfalls, if any. Generally, Spansion is first required to seek any required financing from external sources, either on a non-recourse basis to us or with guarantees based on our pro-rata ownership interest. However, if such third-party financing is not available, we must provide funding to Spansion equal to our pro-rata ownership interest in Spansion, which is currently 60 percent. At this time, we believe that Spansion will be able to obtain external financing when needed. However, there is no assurance that external financing will be available when needed and currently we cannot estimate the amount of additional funding, if any, that we will be required to provide during this four-year period.

In the event the initial public offering of Spansion is consummated, AMD and Fujitsu will no longer be obligated to provide Spansion with additional funding.

Outlook

For the second quarter of 2005, we expect Computation Products net sales to be flat or down slightly compared with the first quarter of 2005.

In addition, for the second quarter of 2005, we expect marketing, general and administrative expenses and research and development expenses to increase by approximately five percent, primarily due to additional start up costs related to Fab 36.

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We currently expect that capital expenditures for fiscal 2005 will be approximately \$1.5 billion. A significant portion of these expenditures will be in connection with the Fab 36 project.

Supplementary Stock-Based Incentive Compensation Disclosures

Section I. Option Program Description

Our stock option programs are intended to attract, retain and motivate highly qualified employees. On April 29, 2004, our stockholders approved the 2004 Equity Incentive Plan (the 2004 Plan), which had previously been approved by our Board of Directors. Stock options available for grant under our equity compensation plans that were in effect before April 29, 2004, (the Prior Plans), including those that were not approved by our stockholders, were consolidated into the 2004 Plan. As of April 29, 2004, equity awards are made only from the 2004 Plan. Under our Prior Plans key employees generally were, and under the 2004 Plan key employees generally are, granted nonqualified stock options (NSOs) to purchase our common stock. Generally, options vest and become exercisable over a four-year period from the date of grant and expire five to ten years after the date of grant. Any incentive stock options (ISOs) granted under the Prior Plans or the 2004 Plan have exercise prices of not less than 100 percent of the fair market value of the common stock on the date of grant. Exercise prices of NSOs range from \$0.01 to the fair market value of the common stock on the date of grant. Under the 2004 Plan, we have also granted awards of restricted stock. The purchase price for an award of restricted stock is \$0.01 per share. Restricted stock can be granted to any employee or consultant. Restricted stock that vests based on continued service does not fully vest for three years from the date of grant. Restricted stock that vests based on performance does not vest for at least one year from the date of grant.

Section II. General Option and Award Information

The following is a summary of stock option activity for the quarter ended March 27, 2005 and fiscal year ended December 26, 2004:

	Quarter Ended March 27, 2005		Year Ended December 26, 2004	
	Number of Shares	Weighted- Average Exercise Price	Number of Shares	Weighted- Average Exercise Price
	(in thousands except exercise price)			
Options:				
Outstanding at beginning of period	53,684	\$ 13.58	40,969	\$ 12.92
Granted	2,661	\$ 16.85	26,121	\$ 14.54
Canceled	(349)	\$ 13.44	(3,425)	\$ 23.20
Exercised	(2,496)	\$ 8.35	(9,981)	\$ 10.08
Outstanding at end of period	53,500	\$ 13.99	53,684	\$ 13.58
Exercisable at end of period	31,732	\$ 14.05	32,250	\$ 13.72
Available for grant at beginning of period	23,901		29,613	
Available for grant at end of period	21,320		23,901	

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In-the-money and out-of-the-money stock option and award information as of March 27, 2005, was as follows:

As of End of Quarter	Exercisable		Unexercisable		Total	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
In-the-Money	25,604	\$11.54	18,262	N/A ⁽³⁾	43,866	\$ 12.19
Out-of-the-Money ⁽¹⁾	6,128	\$24.57	3,506	N/A ⁽³⁾	9,634	\$ 22.19
Total Options Outstanding	31,732	\$14.05	21,768	N/A ⁽³⁾	53,500⁽²⁾	\$ 13.99

⁽¹⁾ Out-of-the-money stock options have an exercise price equal to or above \$16.12, the closing price of AMD's common stock, on March 24, 2005, the last trading day of the first quarter of 2005.

⁽²⁾ Includes options for 208,083 shares outstanding from treasury stock, which were issued as non-plan grants.

⁽³⁾ Weighted average exercise price information is not available.

Section III. Distribution and Dilutive Effect of Options and Awards

Options and awards granted to employees, including officers, and non-employee directors were as follows:

	YTD 2005	2004	2003
Net grants ⁽¹⁾ during the period as % of outstanding shares ⁽²⁾	0.59%	5.79%	-4.87%
Grants to listed officers ⁽³⁾ during the period as % of total options granted	8.93%	3.59%	11.77%
Grants to listed officers during the period as % of outstanding shares	0.06%	0.24%	0.19%
Cumulative options and awards held by listed officers as % of total options and awards outstanding	12.08%	11.94%	22.90%

⁽¹⁾ Options grants are net of options canceled.

⁽²⁾ Outstanding shares as of March 27, 2005, December 26, 2004 and December 28, 2003.

⁽³⁾ The "listed officers" are those executive officers listed in the summary compensation table in our proxy statements for our annual meeting of stockholders held in 2005, 2004 and 2003.

Section IV. Executive Options and Awards

Options and awards granted to listed officers for the quarter ended March 27, 2005 were as follows:

Name ⁽¹⁾	2005 Option and Award Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Per Grant	Percent of Total Options Granted to Employees as of March 27, 2005	Exercise Price Per Share	Expiration Date	5%	10%
Hector de J. Ruiz	125,000	4.70 %	\$ 16.60	2/3/2012	\$ 847,787	\$ 1,975,703
Henri Richard	31,250	1.17 %	\$ 16.60	2/3/2012	\$ 211,947	\$ 493,926
Robert Rivet	31,250	1.17 %	\$ 16.60	2/3/2012	\$ 211,947	\$ 493,926
Derrick R. Meyer	37,500	1.41 %	\$ 16.60	2/3/2012	\$ 254,336	\$ 592,711
Iain Morris	12,500	0.47 %	\$ 16.60	2/3/2012	\$ 84,779	\$ 197,570

⁽¹⁾ The "listed officers" are those executive officers listed in the summary compensation table in our proxy statement for our annual meeting of stockholders held on April 28, 2005.

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Option exercises during the quarter ended March 27, 2005 and option values for listed officers for this period were as follows:

Name ⁽¹⁾	Shares Acquired on Exercise	Value Realized ⁽²⁾	Number of Securities Underlying Unexercised Options at March 27, 2005		Values of Unexercised In-the-Money Options at March 27, 2005	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Hector de J. Ruiz	145,837	\$ 1,557,540	2,559,731	1,994,432	\$ 272,876	\$ 3,158,508
Henri Richard	—	\$ —	112,966	187,034	\$ 301,329	\$ 441,359
Robert Rivet	25,000	\$ 204,800	548,611	276,389	\$ 1,702,162	\$ 1,081,525
Derrick R. Meyer	—	\$ —	462,250	223,700	\$ 1,674,631	\$ 646,222
Iain Morris	—	\$ —	20,000	80,000	\$ 35,200	\$ 144,175

⁽¹⁾ The “listed officers” are those executive officers listed in the summary compensation table in our proxy statement for our annual meeting of stockholders held on April 28, 2005.

⁽²⁾ Value for these purposes is based solely on the difference between market value of underlying shares on the applicable date, which is either the date of exercise or fiscal year-end, and exercise price of options.

Section V. Equity Compensation Plan Information

The number of shares issuable upon exercise of outstanding options granted to employees and non-employee directors, as well as the number of shares remaining available for future issuance under our 2004 Plan as of March 27, 2005, are summarized in the following table:

Plan category	Quarter Ended March 27, 2005		
	Number of Securities to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders	33,250	(in thousands except exercise price) \$ 15.28	21,320
Equity compensation plans not approved by stockholders	20,250 ⁽¹⁾	\$ 11.87	—
TOTAL	53,500		21,320

⁽¹⁾ Includes 208,803 shares granted from treasury stock as non-plan grants.

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On April 27, 2005, we accelerated the vesting of all stock options outstanding under our 2004 Equity Incentive Plan and our prior equity compensation plans that have exercise prices per share higher than the closing price of our common stock on April 27, 2005, which was \$14.51. Options to purchase approximately 12 million shares of our common stock became exercisable immediately. Options held by non-employee directors were not included in the vesting acceleration.

The primary purpose of the accelerated vesting was to eliminate future compensation expense we would otherwise recognize in our statement of operations with respect to these accelerated options upon the adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment ("SFAS 123R"). SFAS 123R is effective for us beginning in the first quarter of 2006 and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as a footnote disclosure in our consolidated financial statements. The estimated future compensation expense associated with these accelerated options that would have been recognized in our statement of operations upon implementation of SFAS 123R is approximately \$33 million. The acceleration of the vesting of these options did not result in a charge based on generally accepted accounting principles.

Risk Factors

If we cannot generate sufficient operating cash flow or obtain external financing, we may be unable to make all of our planned capital expenditures or fulfill our obligations to Fab 36 or Spansion.

In fiscal 2005, we plan to make approximately \$1.5 billion in capital expenditures. Our ability to fund capital expenditures in accordance with our business plan depends on generating sufficient cash flow from operations and the availability of external financing.

Moreover, under the partnership agreement for AMD Fab 36 KG, our German subsidiaries, AMD Fab 36 Holding and AMD Fab 36 Admin are obligated to invest approximately \$758 million into AMD Fab 36 KG. In addition, under the revolving credit agreement among AMD, AMD Fab 36 Holding and AMD Fab 36 KG, we or AMD Fab 36 Holding are required to provide up to approximately \$972 million to AMD Fab 36 KG. Loans provided to AMD Fab 36 KG under this revolving credit agreement are unsecured and subordinated to the rights of the consortium of banks that will also be providing financing to AMD Fab 36 KG.

We are also obligated through June 30, 2007 to provide Spansion with additional funding to finance operational cash flow needs. Generally, Spansion must seek any required financing from external sources. However, if third-party financing is not available, either on a non-recourse basis to us or with guarantees based on our pro rata ownership interest, we must provide funding to Spansion equal to our pro rata ownership interest in Spansion, which is currently 60 percent. An inability to meet our funding obligations for Spansion could, among other things, result in additional equity in Spansion being issued to Fujitsu or third parties, which would reduce our ownership in and control over Spansion.

Our capital expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may decrease our cash balances. The timing and amount of our capital requirements cannot be precisely determined at this time and will depend on a number of factors, including demand for products, product mix, changes in semiconductor industry conditions and market competition. We regularly assess markets for external financing opportunities, including debt and equity. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain needed debt and/ or equity financing or to generate sufficient cash from operations may require us to abandon projects or curtail capital expenditures. If we curtail capital expenditures or abandon projects, we could be materially adversely affected. For example, if we abandon the Fab 36 project, we will have to write off related costs that we capitalized and we will be required to continue to make payments or otherwise be liable pursuant to then-existing contracts that we cannot terminate at will or without significant penalties.

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We have a substantial amount of indebtedness that could adversely affect our financial position.

As of March 27, 2005, we had consolidated debt of approximately \$1.9 billion. In addition, we guaranteed approximately \$207 million of obligations, which are not reflected on our balance sheet. Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

We and our subsidiaries may be able to incur substantially more debt, including secured debt, in the future.

Subject to the restrictions in the agreements governing our existing indebtedness, we and our subsidiaries may incur significant additional debt, including secured debt, in the future. In particular, as of March 27, 2005, we and our subsidiaries would have had the following additional borrowings available:

- Up to \$100 million under our revolving credit facility. Amounts borrowed under this facility are secured by all of our accounts receivable, inventory, general intangibles (excluding intellectual property) and the related proceeds, excluding Spansion's accounts receivable, inventory and general intangibles.
- Spansion Japan had up to 15 billion yen (approximately \$141 million as of March 27, 2005) available under a revolving credit facility.
- AMD Fab 36 KG will have the ability, subject to achieving certain milestones, to borrow up to \$907 million (based on an exchange rate of 0.772 euro to one U.S. dollar as of March 27, 2005) from a consortium of banks under the Fab 36 Loan Agreements during 2006 and 2007.

Although the terms of the agreements governing our existing indebtedness contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of important exceptions, and debt incurred in compliance with these restrictions could be substantial.

We may not be able to generate sufficient cash to service our debt obligations.

Our ability to make payments on and to refinance our debt, or our guarantees of other parties' debts, will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter, and is subject to prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We cannot assure you that we will continue to generate sufficient cash flow or that we will be able to borrow funds in amounts sufficient to enable us to service our debt, or to meet our working capital and capital expenditure requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt due to borrowing base restrictions or otherwise, we may be required to sell assets or equity, reduce capital expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or equity or borrow more funds on terms acceptable to us, if at all.

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Our debt instruments impose restrictions on us that may adversely affect our ability to operate our business.

The indenture governing our 7.75% Notes contains various covenants that limit our ability to:

- incur additional indebtedness;
- pay dividends and make other restricted payments;
- make certain investments, including investments in our unrestricted subsidiaries;
- create or permit certain liens;
- create or permit restrictions on the ability of certain restricted subsidiaries to pay dividends or make other distributions to us;
- use the proceeds from sales of assets;
- enter into certain types of transactions with affiliates; and
- consolidate or merge or sell our assets as an entirety or substantially as an entirety.

In addition:

- The guarantees associated with the Fab 36 Loan Agreements contain restrictive covenants, including a prohibition on the ability of AMD Fab 36 KG and its affiliated limited partners to pay us dividends and other payments, and also require us to maintain specified financial ratios when group consolidated cash is below specified amounts.
- Our revolving credit facility contains restrictive covenants, including a prohibition on our ability to pay dividends, and also requires us to maintain specified financial ratios and satisfy other financial condition tests when our net domestic cash is below specified amounts.
- The July 2003 Spansion Term Loan, as amended, contains restrictive covenants, including a prohibition on Spansion's ability to pay dividends and also requires Spansion to maintain specified financial ratios and satisfy other financial condition tests when its net domestic cash or its net worldwide cash is below specified amounts.

Our ability to satisfy the covenants, financial ratios and tests of our debt instruments can be affected by events beyond our control. We cannot assure you that we will meet those requirements. A breach of any of these covenants, financial ratios or tests could result in a default under the applicable agreement.

In addition, our agreements contain cross-default provisions whereby a default under one agreement would likely result in cross default under agreements covering other borrowings. For example, the occurrence of a default with respect to any indebtedness that results in acceleration of the maturity date or any failure to repay debt when due in an amount in excess of \$50 million would cause a cross default under the indenture governing our 7.75% Notes. Similarly, a default with respect to any indebtedness in excess of \$25 million would cause a cross-default under the indentures governing our 4.75% Debentures and 4.50% Notes. The occurrence of a default under any of these borrowing arrangements would permit the applicable lenders or note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable and would permit the lenders to terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against any collateral granted to them to secure that indebtedness. For example, we have granted a security interest in substantially all of our inventory and accounts receivable under our revolving credit facility, and in certain property, plant and equipment under the July 2003 Spansion Term Loan Agreement. If the lenders under any of the credit facilities or the note holders or the trustee under the indentures governing our 4.75% Debentures, 4.50% Notes and 7.75% Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings and our other indebtedness.

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We must achieve further market acceptance of our 64-bit technology, AMD64, or we will be materially adversely affected.

We designed our AMD64-based processors to provide users with the ability to take advantage of 64-bit applications while preserving their ability to run existing 32-bit applications on servers and workstations and on desktop and mobile PCs. Market acceptance of these processors is subject to risks and uncertainties including:

- the support of operating system and application program providers for our 64-bit instruction set, including timely development of 64-bit applications;
- the willingness of users to purchase products with 64-bit capability prior to the availability of software applications that take full advantage of our AMD64 technology;
- our ability to produce these processors in a timely manner on advanced process technologies, in the volume and with the performance and feature set required by customers; and
- the availability, performance and feature set of motherboards, memory and chipsets designed for these processors.

If we are unable to achieve further market acceptance of our AMD64 technology, we would be materially adversely affected.

We cannot be certain that our substantial investments in research and development of process technologies will lead to timely improvements in technology and equipment used to fabricate our products or that we will have sufficient resources to invest in the level of research and development that is required to remain competitive.

We make substantial investments in research and development for process technologies in an effort to design and manufacture leading-edge microprocessors. We cannot be certain that we will be able to develop, or obtain or successfully implement leading-edge process technologies needed to manufacture future generations of our products profitably or on a timely basis. Furthermore, we cannot assure you that we will have sufficient resources to maintain the level of investment in research and development that is required for us to remain competitive.

For example, we have a joint development agreement with IBM, pursuant to which we work together to develop new process technologies. We anticipate that from March 27, 2005 through December 2008, we would pay fees to IBM of between approximately \$210 million and \$240 million in connection with joint development projects. In addition, from the beginning of 2002 through March 27, 2005, we paid approximately \$275 million to IBM in connection with agreements and services related to license grants and research and development activities.

If this agreement were to be terminated, we would either have to resume research and development activities for microprocessors internally or find an alternative partner. In either case, our research and development costs could increase, and we could experience delays or other setbacks in the development of new process technologies, any of which would materially adversely affect us. Moreover, the successful and timely development and implementation of silicon-on-insulator technology and the achievement of other milestones set forth in the joint development agreement are critical to our AMD64-based processors and to our ability to commence operations at Fab 36 in accordance with our planned schedule.

The semiconductor industry is highly cyclical and has experienced severe downturns that materially adversely affected, and may in the future materially adversely affect, our business.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in connection with constant and rapid technological change, wide fluctuations in supply and demand, continuous new product introductions, price erosion and declines in general economic conditions. Our historical financial results have also been subject to substantial fluctuations. Our financial performance has been, and may in the future be, negatively affected by these downturns. We incurred substantial losses in recent downturns, due to:

- the cyclical nature of supply/demand imbalances in the semiconductor industry;

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- a decline in demand for end-user products that incorporate our semiconductors;
- excess inventory levels in the channels of distribution, including our customers;
- excess production capacity; and
- substantial declines in average selling prices, most recently for our Spansion Flash memory products due to aggressive pricing by competitors.

For example, in 2001 and 2002, we implemented restructuring plans due to weak customer demand associated with the downturn in the semiconductor industry. Similarly, in the fourth quarter of 2004 and the first quarter of 2005, declining average selling prices contributed to a decline in our Memory Products net sales. If these conditions in the semiconductor industry occur, we would be materially adversely affected.

The demand for our products depends in part on continued growth in the industries into which they are sold. A market decline in any of these industries would have a material adverse effect on our results of operations.

The Computation Products segment of our business is dependent upon the market for computers, including mobile and desktop PCs, and servers. Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. Depending on the growth rate of computers sold, sales of our microprocessors may not grow and may even decrease. If demand for computers is below our expectations, we could be materially adversely affected. In addition, potential market share increases by customers who exclusively purchase microprocessors from Intel Corporation, such as Dell, Inc., could further materially adversely affect us.

The Memory Products segment of our business is dependent to a large degree upon demand for mobile telephones, consumer electronics such as set top boxes and DVD players, automotive electronics, industrial electronics such as networking equipment, and PC peripheral equipment such as printers. Sales of Spansion products are also dependent upon the inclusion of increasing amounts of NOR Flash memory content in some of these products. In fiscal 2004, demand from the wireless category of the Flash memory market drove a substantial portion of sales for the Memory Products segment. If demand for these products, or NOR Flash memory content in these products, is below our expectations, or if the functionality of successive generations of these products does not require increasing NOR Flash memory density, we would be materially adversely affected.

Intense competition in the microprocessor and Flash memory markets could materially adversely affect us.

The semiconductor industry is intensely competitive. With respect to our microprocessor products, our competitor is Intel Corporation. Microprocessor products compete on performance, quality, reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition and availability. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency improves, and successive generations of products are developed and introduced for sale. We may not be able to compete effectively if we fail to reduce our costs on existing products or fail to develop and introduce, on a cost-effective and timely basis, new products or enhanced versions of existing products with higher margins.

Our principal competitors in the Flash memory market are Intel Corporation, Samsung Electronics Co., Ltd., STMicroelectronics, Silicon Storage Technology, Inc., Macronix International Co., Ltd., Toshiba Corporation, Sharp Electronics Corp. and Renesas Technology Corp. The basis of competition in the Flash memory market is cost, selling price, performance, quality and customer relationships. In particular, in the past, our competitors have aggressively priced their products in order to increase market share, which

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resulted in decreased average selling prices for our products in the second half of 2004 and the first quarter of 2005 and adversely impacted our results of operations. In addition, recent capital investments by competitors have resulted in substantial industry manufacturing capacity, which may further contribute to a competitive pricing environment.

Also, we and certain of our competitors have licensed Flash memory technology called NROM technology from a third party. NROM technology has similar characteristics to our MirrorBit technology which may allow these competitors to develop new Flash memory technology that is competitive with our MirrorBit technology. To compete successfully, we must decrease our manufacturing costs and develop, introduce and sell products that meet the increasing demand for greater Flash memory content in mobile phones, consumer electronics and automotive applications, among other markets, at competitive prices. We expect competition in the Flash memory market to increase as existing manufacturers introduce new products and process technologies, new manufacturers enter the market, industry-wide production capacity increases and competitors aggressively price their Flash memory products to increase market share.

Intel Corporation's dominance of the microprocessor market, its position in the Flash memory market and its business practices may limit our ability to compete effectively.

Intel has dominated the market for microprocessors used in desktop and mobile PCs for many years. Intel is also a dominant competitor in the server segment of the microprocessor market and a significant competitor in the Flash memory market. Intel's significant financial resources enable it to market its products aggressively, to target our customers and our channel partners with special incentives, and to discipline customers who do business with us. These aggressive activities can result in lower unit sales and average selling prices for our products, particularly microprocessors and Flash memory products, and adversely affect our margins and profitability. As long as Intel remains in this dominant position, we may be materially adversely affected by Intel's:

- pricing and allocation strategies and actions, including aggressive pricing for Flash memory products and microprocessors to increase market share;
- anti-competitive business practices, including those recently identified in the Fair Trade Commission of Japan's March 8, 2005 ruling, which found, among other things, that Intel conditioned its pricing based on customers not doing business with competitors;
- product mix and introduction schedules;
- product bundling, marketing and merchandising strategies;
- exclusivity payments to its current and potential customers;
- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, memory, chipset and basic input/output system, or BIOS, suppliers; and
- strong brand, and marketing and advertising expenditures in support of the brand.

For example, with respect to the microprocessor market, Intel exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand program and other marketing programs. Because of its dominant position in the microprocessor market, Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the microprocessor market requires of Intel's competitors. Intel also dominates the PC system platform, which includes core logic chipsets, graphics chips, motherboards and other components necessary to assemble a PC system. As a result, PC OEMs are highly dependent on Intel, less innovative on their own and, to a large extent, are distributors of Intel technology. Additionally, Intel is able to drive de facto standards for x86 microprocessors that could cause us and other companies to have delayed access to such standards. In marketing our microprocessors to OEMs, we depend on third-party companies other than Intel for the design and manufacture of core-logic chipsets, graphics chips, motherboards, BIOS software and other components. In recent years, many of these third-party designers and manufacturers have lost significant market share to Intel or exited the business. In addition, Intel has significant leverage over these companies because they support each new generation of Intel's microprocessors.

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We do not currently plan to develop microprocessors that are bus interface protocol compatible with Intel microprocessors because our patent-cross license agreement with Intel does not extend to Intel's proprietary bus interface protocol. Thus, our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for microprocessors will depend on our continued success in developing and maintaining relationships with infrastructure providers in order to ensure that these third-party designers and manufacturers of motherboards, chipsets and other system components support our microprocessor offerings, particularly AMD64-based microprocessors. A failure of the designers and manufacturers of motherboards, chipsets and other system components to support our microprocessor offerings, particularly our AMD64-based microprocessors, could have a material adverse effect on us.

We expect Intel to maintain its dominant position in the microprocessor market, to continue to be a significant competitor in the Flash memory market and to continue to invest heavily in research and development, new manufacturing facilities and other technology companies. Intel has substantially greater financial resources than we do and accordingly spends substantially greater amounts on research and development and production capacity than we do. We also expect competition from Intel to increase to the extent Intel reduces prices on its microprocessor and/or Flash memory products and introduces new competitive products. For example, in 2004 Intel introduced a 64-bit processor for servers and workstations that runs existing 32-bit software applications. This processor competes with our AMD Opteron microprocessor. In addition, in April 2005 Intel introduced dual-core 64-bit processors for the desktop market. We plan to introduce competitive products in the second half of 2005. Moreover, Intel currently manufactures certain of its microprocessor products on 300-millimeter wafers using 90-nanometer process technology, which can result in products that are higher performing, use less power and cost less to manufacture. We are currently completing our transition to 90-nanometer process technology for microprocessor manufacturing, and we expect to transition to 300-millimeter wafers in 2006. To the extent Intel manufactures its microprocessor products on larger wafers and smaller process technologies earlier than we do, we may be more vulnerable to Intel's aggressive marketing and pricing strategies for microprocessor products. Intel's dominant position in the microprocessor market, its existing relationships with top-tier OEMs and its aggressive marketing and pricing strategies could result in lower unit sales and average selling prices for our products, which could have a material adverse effect on us.

The loss of a significant customer may have a material adverse effect on us.

Collectively, our top five OEM and distributor customers (including Fujitsu) accounted for approximately 46 percent of our total gross revenues in the first quarter of 2005. In addition, our Flash memory product sales growth is dependent to a large extent on demand for mobile telephones and our sales in the wireless market have been concentrated in a limited group of customers. If one of these customers decided to stop buying our products, or if one of these customers were materially to reduce its operations or its demand for our products, we would be materially adversely affected.

If Spansion's cost reduction efforts are not effective, we could be materially adversely affected.

The operating loss for our Memory Products segment was \$110 million for the first quarter of 2005. As a result, Spansion is undertaking a number of actions in an effort to significantly reduce its expenses. These actions include streamlining operations and continuing to align manufacturing utilization to the level of demand for Spansion Flash memory products. We cannot assure you that any of these actions will occur as anticipated or at all, or that Spansion will be able to achieve significant cost reductions. If Spansion's cost reduction efforts are unsuccessful, we could be materially adversely affected.

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If we fail to keep pace with new product designs and improvements or if we pursue technologies that do not become commercially accepted, customers may not buy our products and we may be adversely affected.

Our success depends to a significant extent on the development, qualification, implementation and acceptance of new product designs and improvements that provide value to our customers. Our ability to develop and qualify new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. If we are delayed in developing or qualifying new products or technologies, we could be materially adversely affected. For example, during the second half of 2004 we experienced a delay in qualifying and introducing a new Spansion Flash memory product based on MirrorBit technology for wireless applications. Although we introduced this product in the first quarter of 2005, the delay contributed to lower than anticipated Flash memory product revenues and caused us to lose market share in the wireless category of the Flash memory market. We are also in the process of transitioning a majority of our Flash memory products from floating gate technology to MirrorBit technology. If we experience any substantial difficulty with this transition, we would be materially adversely affected.

In addition, we expect to introduce our dual-processors for PCs in the second half of 2005. If we are not able to introduce these dual-core processors on a timely basis or if our dual-core processors do not achieve market acceptance, we would be materially adversely affected.

A lack of market acceptance of MirrorBit technology could have a material adverse effect on us.

Market acceptance of products based on our MirrorBit technology is a critical factor impacting our ability to increase revenues and market share as well as to enter new markets. MirrorBit technology is a memory cell architecture that enables Flash memory products to store two bits of data in a single memory cell thereby doubling the density or storage capacity of each memory cell. If adoption of our MirrorBit technology occurs at a slower rate than we anticipate, our ability to compete will be reduced, and we would be materially adversely affected. For example, in the first quarter of 2005 we introduced a new Spansion Flash memory product based on MirrorBit technology for wireless applications. If we do not achieve market acceptance of this product, we would be materially adversely affected.

Spansion Flash memory products are based on NOR architecture, and a significant market shift to NAND architecture could materially adversely affect us.

Flash memory products are generally based either on NOR architecture, or “Not And,” or NAND, architecture. To date, our Flash memory products have been based on NOR architecture, which are typically produced at a higher cost-per-bit than NAND-based products. We do not currently manufacture products based on NAND architecture. During 2003 and 2004, industry sales of NAND-based products grew at higher rates than sales of NOR-based products, resulting in NAND vendors in aggregate gaining a greater share of the overall Flash memory market and NOR vendors in aggregate losing overall market share. Moreover, the removable storage category of the Flash memory market, which is currently the second largest category after wireless, and is predominantly served by NAND vendors, is expected to be the fastest growing portion of the Flash memory market for the foreseeable future. As mobile phones and other consumer electronics become more advanced, they will require higher density Flash memory to meet the increased data storage requirements associated with music downloads, photos and videos. Because storage requirements will increase to accommodate data-intensive applications, OEMs may increasingly choose NAND-based products over NOR-based products for their applications. Moreover, some NAND vendors are manufacturing on 300-millimeter wafers or are utilizing more advanced manufacturing process technologies than we are today, which result in an ability to offer products with a lower cost-per bit at a given product density. If NAND vendors continue to increase their share of the Flash memory market, our market share may decrease, which would materially adversely affect us.

If we fail to successfully develop products based on our new ORNAND architecture, or if there is a lack of market acceptance of products based on our ORNAND architecture, our future operating results would be materially adversely affected.

As mobile phones become more advanced, they will require higher density Flash memory to meet increased data storage requirements. We intend to position ourselves to address the increasing demand for higher density Flash memory within the wireless category of the Flash memory market by offering products

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based on our ORNAND architecture, which we are currently developing. The success of our ORNAND architecture requires that we timely and cost effectively develop, manufacture and market ORNAND-based products that are competitive with NAND-based Flash memory products in the wireless category of the Flash memory market. We expect to begin commercial shipments of ORNAND-based products to customers in 2006. However, if we fail to develop and commercialize our ORNAND architecture on a timely basis or if our ORNAND-based products fail to achieve acceptance in the wireless market, our future operating results would be materially adversely affected.

If we are unable to timely and efficiently implement 300-millimeter wafer capacity for the manufacture of our Spansion Flash memory products, our business, results of operations or financial condition could be materially adversely affected.

We intend to develop manufacturing capacity on 300-millimeter wafers for our Spansion Flash memory products. Our goal is to have this capacity in place in 2007. The timing for developing 300-millimeter capacity will depend in part on the demand for our Flash memory products. If we are delayed in developing this capability or are unable to timely and efficiently ramp production on 300-millimeter wafers, we would not achieve anticipated cost savings associated with this technology and we could be materially adversely affected.

We are required to reach agreement with Fujitsu regarding certain actions of Spansion, and our interests may not be aligned.

We own 60 percent of the equity interest in Spansion while Fujitsu owns the remaining 40 percent. Although we are entitled to appoint a majority of the board of managers, which generally manages the affairs of Spansion, certain actions by Spansion require Fujitsu's consent for as long as Fujitsu maintains specific levels of equity ownership in Spansion. In addition, based upon designated thresholds of Fujitsu's percentage interest in Spansion, certain actions require the affirmative vote of at least a majority of the managers appointed by Fujitsu. These actions, which primarily represent protective rights for Fujitsu as a minority member, include:

- major investments, acquisitions and dispositions of assets;
- a merger or consolidation resulting in the transfer of more than 50% of the equity interests;
- settlement of major legal proceedings and other actions;
- approval of certain material contracts between us and Spansion;
- changes to the equity capital structure of the Spansion, including the potential initial public offering of Spansion common stock; and
- winding-up Spansion or one of its material subsidiaries.

There can be no guarantee that our interests and those of Fujitsu will be aligned with respect to such decisions and we may be unable to take steps that we believe are desirable. In addition, a reduction in our percentage interest may result in our inability to appoint a majority of Spansion's board of managers, which could result in the loss of effective control of Spansion, although the results of operations of Spansion may continue to impact significantly our results of operations and we still may be required to make loans to, and guarantee indebtedness of, Spansion.

Our operating results are subject to quarterly and seasonal sales patterns.

A substantial portion of our quarterly sales have historically been made in the last month of the quarter. This uneven sales pattern makes prediction of net sales for each financial period difficult and increases the risk of unanticipated variations in quarterly results and financial condition. In addition, our operating results tend to vary seasonally. For example, demand in the retail sector of the PC market is often stronger during the fourth quarter as a result of the winter holiday season. European sales are often weaker during the summer months. Many of the factors that create and affect seasonal trends are beyond our control.

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Manufacturing capacity constraints and manufacturing capacity utilization rates may have a material adverse effect on us.

There may be situations in which our manufacturing facilities are inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacity to meet demand, either in our own facilities or through foundry or similar arrangements with third parties, could have a material adverse effect on us. For example, in the first half of fiscal 2004, we were not able to meet demand for certain of our lower density embedded Spansion Flash memory products. We believe this adversely impacted our relationships with customers who received reduced or no allocations of our embedded products and we believe our competitors were able to take advantage of this situation to increase their market share. If we cannot meet demand for our products in the future, we would be materially adversely affected.

Industry overcapacity could cause us to under-utilize our manufacturing facilities and have a material adverse effect on us.

Semiconductor companies with their own manufacturing facilities and specialist semiconductor foundries, which are subcontractors that manufacture semiconductors designed by others, have added significant capacity in recent years and are expected to continue to do so. In the past, capacity additions sometimes exceeded demand requirements leading to oversupply situations and downturns in the industry. Fluctuations in the growth rate of industry capacity relative to the growth rate in demand for our products contribute to cyclicalities in the semiconductor market, which may in the future put pressure on our average selling prices and materially adversely affect us.

It is difficult to predict future growth or decline in the markets we serve, making it very difficult to estimate requirements for production capacity. If our target markets do not grow as we anticipate, we may under-utilize our manufacturing facilities. This may result in write-downs or write-offs of inventories and losses on products whose demand is lower than we anticipate. In addition, during periods of industry overcapacity, such as was recently experienced by our Memory Products business, customers do not generally order products as far in advance of the scheduled shipment date as they do during periods when our industry is operating closer to capacity, which can exacerbate the difficulty in forecasting capacity requirements. Many of our costs are fixed. Accordingly, during periods in which we under-utilize our manufacturing facilities as a result of reduced demand for certain of our products, our costs cannot be reduced in proportion to the reduced revenues for such a period. When this occurs, our operating results are materially adversely affected. We are substantially increasing our manufacturing capacity by facilitating Fab 36, transitioning to smaller manufacturing process technologies and making significant capital investments in our existing manufacturing facilities. If the increase in demand for our products is not consistent with our expectations, we may underutilize manufacturing facilities. This has in the past had, and in the future may have, a material adverse effect on us.

Unless we maintain manufacturing efficiency, our future profitability could be materially adversely affected.

Manufacturing our products involves highly complex processes that require advanced equipment. Our manufacturing efficiency is an important factor in our profitability, and we cannot be sure that we will be able to maintain or increase our manufacturing efficiency to the same extent as our competitors. We continuously modify manufacturing processes in an effort to improve yields and product performance and decrease costs. We may fail to achieve acceptable yields or experience product delivery delays as a result of, among other things, capacity constraints, construction delays, delays in the development of new process technologies, changes in our process technologies, upgrades or expansion of existing facilities, or impurities or other difficulties in the manufacturing process.

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Improving our manufacturing efficiency in future periods is dependent on our ability to:

- develop advanced product and process technologies;
- successfully transition to advanced process technologies;
- ramp product and process technology improvements rapidly and effectively to commercial volumes across our facilities; and
- achieve acceptable levels of manufacturing wafer output and yields, which may decrease as we implement more advanced technologies.

We are currently transitioning the manufacture of certain Flash memory products to 90-nanometer process technology. During periods when we are implementing new process technologies, manufacturing facilities may not be fully productive. A substantial delay in the technology transitions to smaller process technologies could have a material adverse effect on us, particularly if our competitors transition to more cost effective technologies earlier than we do. Our results of operations would also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

If we lose Microsoft Corporation's support for our products, our ability to sell our microprocessors could be materially adversely affected.

Our ability to innovate beyond the x86 instruction set controlled by Intel depends partially on Microsoft designing and developing its operating systems to run on or support our microprocessor products. If Microsoft does not continue to design and develop its operating systems so that they work with our x86 instruction sets, independent software providers may forego designing their software applications to take advantage of our innovations and customers may not purchase PCs with our microprocessors. If we fail to retain the support of Microsoft, our ability to market our microprocessors would be materially adversely affected.

If our microprocessors are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected.

Our microprocessors may not be fully compatible with some or all industry-standard software and hardware. Further, we may be unsuccessful in correcting any such compatibility problems in a timely manner. If our customers are unable to achieve compatibility with software or hardware after our products are shipped in volume, we could be materially adversely affected. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on us.

Costs related to defective products could have a material adverse effect on us.

One or more of our products may be found to be defective after the product has been shipped to customers in volume. The cost of product replacements or product returns may be substantial, and our reputation with our customers would be damaged. In addition, we could incur substantial costs to implement modifications to fix defects. Any of these problems could materially adversely affect us.

If essential equipment or materials are not available to manufacture our products, we could be materially adversely affected.

Our manufacturing operations depend upon obtaining deliveries of equipment and adequate supplies of materials on a timely basis. We purchase equipment and materials from a number of suppliers. From time to time, suppliers may extend lead times, limit supply to us or increase prices due to capacity constraints or other factors. Because the equipment that we purchase is complex, it is difficult for us to substitute one supplier for another or one piece of equipment for another. Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers.

For example, we are largely dependent on one supplier for our 200-millimeter and 300-millimeter silicon-on-insulator (SOI) wafers. Although there are alternative sources available, we have not qualified these sources and we do not believe that they currently have sufficient capacity to meet our requirements for SOI wafers. We are also dependent on key chemicals from a limited number of suppliers and rely on a limited number of foreign companies to supply the majority of certain types of IC packages we purchase. Similarly, we purchase commercial non-Flash memory die, such as SRAM and pSRAM, from third-party

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suppliers and incorporate these die into Spansion MCP products. Our production was constrained in first half of fiscal 2004 because of difficulties in procuring adequate supply of pSRAM. Some of these suppliers are also our competitors in the Flash memory market. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we are unable to procure certain of these materials, we may have to reduce our manufacturing operations. Such a reduction has in the past and could in the future have a material adverse effect on us.

Our inability to continue to attract and retain qualified personnel may hinder our product development programs.

Our future success depends upon the continued service of numerous qualified engineering, manufacturing, marketing, sales and executive personnel. If we are not able to continue to attract, retain and motivate qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected.

We outsource to third parties certain supply-chain logistics functions, including physical distribution of our products, and co-source some information technology services.

We rely on a third-party provider to deliver our products to our customers and to distribute materials for our manufacturing facilities. In addition, we rely on a third-party provider in India to provide certain information technology services to us, including helpdesk support, desktop application services, business and software support applications, server and storage administration, data center operations, database administration, and voice, video and remote access. Our relationships with these providers are governed by fixed term contracts. We cannot guarantee that these providers will fulfill their respective responsibilities in a timely manner in accordance with the contract terms, in which case our internal operations, the distribution of our products to our customers and the distribution of materials for our facilities could be materially adversely affected. Also, we cannot guarantee that our contracts with these third-party providers will be renewed, in which case we would have to transition these functions in-house or secure new providers, which could have a material adverse effect on us.

In addition, we decided to outsource or co-source these functions to third parties primarily to lower our operating expenses and to create a more variable cost structure. However, if the costs related to administration, communication and coordination of these third-party providers are greater than we expect, then we will not realize our anticipated cost savings.

Uncertainties involving the ordering and shipment of, and payment for, our products could materially adversely affect us.

Sales of our products are typically made pursuant to individual purchase orders. We generally do not have long-term supply arrangements with our customers. Generally, our customers may cancel orders 30 days prior to shipment without incurring a significant penalty. We base our inventory levels on customers' estimates of demand for their products, which are difficult to predict. This difficulty may be compounded when we sell to OEMs indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products or overproduction due to failure of anticipated orders to materialize could result in excess or obsolete inventory, which could result in write-downs of inventory. Because market conditions are uncertain, these and other factors could materially adversely affect us.

Our reliance on third-party distributors subjects us to certain risks.

We market and sell our products directly and through third-party distributors pursuant to agreements that can generally be terminated for convenience by either party upon prior notice to the other party. These agreements are non-exclusive and permit our distributors to offer our competitors' products. In addition, we currently rely on Fujitsu to act as the sole distributor of our Flash memory products in Japan. Accordingly, we are dependent on our distributors to supplement our direct marketing and sales efforts. If any significant distributor or a substantial number of our distributors terminated their relationship with us or decided to market our competitors' products over our products, our ability to bring our products to market would be impacted and we would be materially adversely affected.

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Additionally, distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as provide return rights for any product that we have removed from our price book or that is not more than twelve months older than the manufacturing code date. In addition, some agreements with our distributors contain standard stock rotation provisions permitting limited levels of product returns. We defer the gross margins on our sales to distributors, resulting from both our deferral of revenue and related product costs, until the applicable products are re-sold by the distributors. However, in the event of an unexpected significant decline in the price of our products, the price protection rights we offer to our distributors would materially adversely affect us because our revenue would decline.

Our operations in foreign countries are subject to political and economic risks, which could have a material adverse effect on us.

All of our wafer fabrication capacity for microprocessors is located in Germany and a majority of our wafer fabrication capacity for Spansion Flash memory is located in Japan. Nearly all product assembly and final testing of our products is performed at manufacturing facilities in China, Malaysia, Singapore and Thailand and by third parties in Taiwan and Japan. We also depend on foreign foundry suppliers for the production of certain of our embedded microprocessors for personal connectivity devices and we depend on an international joint venture for the manufacture of optical photomasks that we intend to use in the manufacture of our microprocessors. In addition, we have international sales operations and as part of our business strategy, we are continuing to seek expansion of product sales in high growth markets. Our international sales as a percentage of our total consolidated net sales were approximately 78 percent in the first quarter of 2005 and the fourth quarter of 2004 and 82 percent in the first quarter of 2004.

The political and economic risks associated with our operations in foreign countries include, without limitation:

- expropriation;
- changes in a specific country's or region's political or economic conditions;
- changes in tax laws; trade protection measures and import or export licensing requirements;
- difficulties in protecting our intellectual property;
- difficulties in achieving headcount reductions
- changes in foreign currency exchange rates;
- restrictions on transfers of funds and other assets of our subsidiaries between jurisdictions;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities; and
- loss or modification of exemptions for taxes and tariffs.

Any conflict or uncertainty in the countries in which we operate, including public health or safety concerns, natural disasters or general economic factors, could have a material adverse effect on our business. Any of the above risks, should they occur, could have a material adverse effect on us.

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Worldwide economic and political conditions may adversely affect demand for our products.

Worldwide economic conditions may adversely affect demand for our products. For example, China's economy has been growing at a fast pace over the past several years, and the Chinese government has recently introduced various measures to slow down the pace of economic growth. We believe some of these measures negatively impacted demand for our Flash memory products in the second half of 2004. If Chinese authorities are not able to stage an orderly slowdown of the economic growth, China's economy may suffer. If economic conditions decline, whether in China or worldwide, we could be materially adversely affected.

The occurrence and threat of terrorist attacks and the consequences of sustained military action in the Middle East have in the past, and may in the future, adversely affect demand for our products. Terrorist attacks may negatively affect our operations, directly or indirectly, and such attacks or related armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our products more difficult and more expensive, which could materially adversely affect us.

The United States has been and may continue to be involved in armed conflicts that could have a further impact on our sales, and our supply chain. Political and economic instability in some regions of the world may also result and could negatively impact our business. The consequences of armed conflicts are unpredictable, and we may not be able to foresee events that could have a material adverse effect on us.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States economy and worldwide financial markets. Any of these occurrences could have a material adverse effect on us and also may result in volatility of the market price for our securities.

Unfavorable currency exchange rate fluctuations could adversely affect us.

As a result of our foreign operations, we have sales, costs, assets and liabilities that are denominated in foreign currencies, primarily the European Union euro and the Japanese yen. For example:

- a significant portion of our manufacturing costs for our microprocessor products is denominated in euro while sales of those products are denominated primarily in U.S. dollars;
- certain manufacturing costs for our Spansion Flash memory products are denominated in yen;
- some fixed asset purchases are denominated in euro and yen;
- sales of our Flash memory products in Japan are denominated in yen; and
- certain costs of our Fab 36 project are denominated in euro.

As a consequence, movements in exchange rates could cause our U.S. dollar-denominated expenses to increase as a percentage of net sales, affecting our profitability and cash flows. Whenever we believe appropriate, we cover a portion of our foreign currency exchange exposure to protect against fluctuations in currency exchange rates. We determine our total foreign currency exchange exposure using projections of long-term expenditures for items such as equipment and materials used in manufacturing. We cannot assure you that these activities will eliminate foreign exchange rate exposure. Failure to do so could have an adverse effect on our business, financial condition, results of operations and cash flow.

In addition, even where revenues and expenses are matched, we must translate euro and yen denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar versus the euro or yen will affect our reported results of operations and the value of our assets and liabilities in our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in their original currency. These transactions could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.

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Our inability to effectively control the sales of our products on the gray market could have a material adverse effect on us.

We market and sell our products directly to OEMs and through authorized third-party distributors. From time to time, our products are diverted from our authorized distribution channels and are sold on the “gray market.” Gray market products entering the market result in shadow inventory that is not visible to us, thus making it difficult to forecast demand accurately. Also, when gray market products enter the market, we and our distribution channel compete with heavily discounted products, which adversely affects demand for our products. In addition, our inability to control gray marketing activities could result in customer satisfaction issues, because any time products are purchased outside our authorized distribution channel, there is a risk that our customers are buying counterfeit or substandard products, including products that may have been altered, mishandled or damaged, or used products represented as new. Our inability to control sales of our products on the gray market could have a material adverse effect on us.

If we cannot adequately protect our technology or other intellectual property in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, we may lose a competitive advantage and incur significant expenses.

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted thereunder may not provide a competitive advantage to us. Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property on a worldwide basis in a cost-effective manner. Foreign laws may provide less intellectual property protection than afforded in the United States. If we cannot adequately protect our technology or other intellectual property in the United States and abroad, we would be materially adversely affected.

We may become a party to intellectual property claims or litigation that could cause us to incur substantial costs or pay substantial damages or prohibit us from selling our products.

From time to time, we have been notified that we may be infringing intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party’s intellectual property rights. We cannot assure you that we will be able to obtain all necessary licenses on satisfactory terms, if at all. In the event we cannot obtain a license, we may be prevented from using some technology, which could result in our having to stop the sale of some of our products, increase the costs of selling some of our products, or damage our reputation. We could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could have a material adverse effect on us. We cannot assure you that litigation related to the intellectual property rights of us and others will always be avoided or successfully concluded.

We are subject to a variety of environmental laws that could result in liabilities.

Our operations and properties are subject to various U.S. and foreign environmental laws and regulations, including those relating to materials used in our products and manufacturing processes, discharge of pollutants into the environment, the treatment, transport, storage and disposal of solid and hazardous wastes, and remediation of contamination. These laws and regulations require us to obtain permits for our operations, including the discharge of air pollutants and wastewater. From time to time, our facilities are subject to investigation by governmental regulators. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with any of them, a range of consequences could result, including fines, suspension of production, alteration of manufacturing processes, sales limitations, criminal and civil liabilities or other sanctions. We could also be held liable for any and all consequences arising out of exposure to hazardous materials used, stored, released, disposed of by us or located at or under our facilities or other environmental or natural resource damage.

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Certain environmental laws, including the U.S. Comprehensive, Environmental Response, Compensation and Liability Act of 1980, or the Superfund Act, impose strict, joint and several liability on current and previous owners or operators of real property for the cost of removal or remediation of hazardous substances and impose liability for damages to natural resources. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Such persons can be responsible for cleanup costs even if they never owned or operated the contaminated facility. Two of our manufacturing sites are, or are located within, a federal Superfund site. Although we have not yet been, we could be named a potentially responsible party at these or other Superfund or other contaminated sites in the future. The costs associated with such sites could be material. In addition, contamination that has not yet been identified could exist at our other facilities.

Environmental laws are complex, change frequently and have tended to become more stringent over time. For example, the European Union recently began imposing stricter requirements regarding reduced lead content in semiconductor packaging. While we have budgeted for foreseeable environmental expenditures, we cannot assure you that environmental laws will not change or become more stringent in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past and future releases of, or exposure to, hazardous substances will not have a material adverse effect on us.

Future litigation proceedings may materially adversely affect us.

From time to time we are a defendant or plaintiff in various legal actions. Litigation can involve complex factual and legal questions and its outcome is uncertain. Any claim that is successfully asserted against us may cause us to pay substantial damages. In addition, future litigation may result in injunctions against future product sales. Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations, which could have a material adverse effect on us.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could harm our future revenue and financial condition and increase our costs and expenses.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could harm our future revenue and financial condition and increase our costs and expenses. For example, our corporate headquarters are located near major earthquake fault lines in California and three of our four wafer fabrication facilities for Spansion Flash memory products are located near major earthquake fault lines in Japan. Our assembly and test facilities are located in China, Malaysia, Singapore and Thailand. In the event of a major earthquake, or other natural or manmade disaster, we could experience loss of life of our employees, destruction of facilities or business interruptions, any of which could materially adversely affect us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in our Annual Report on Form 10-K for the fiscal year ended December 26, 2004. We experienced no significant changes in market risk during the first quarter of 2005. However, we cannot give any assurance as to the effect that future changes in foreign currency rates will have on our consolidated financial position, results of operations or cash flows.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated

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and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 27, 2005, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibits

**10.49(a)	Revolving Line Agreement (A), dated March 25, 2005, among Spansion Japan Limited, Mizuho Corporate Bank, Ltd. and the banks party thereto.
**10.49(b)	Revolving Line Agreement (B), dated March 25, 2005, among Spansion Japan Limited, Mizuho Corporate Bank, Ltd. and the banks party thereto.
10.49(d)	Floating Pledge Agreement, dated March 25, 2005, among Spansion Japan Limited and Mizuho Corporate Bank, Ltd. and the financial institutions specified therein.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

** Confidential treatment has been requested as to certain portions of this Exhibit.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 6, 2005

ADVANCED MICRO DEVICES, INC.

By: /s/ ROBERT J. RIVET

Robert J. Rivet
Executive Vice President,
Chief Financial Officer

Signing on behalf of the registrant and
as the principal accounting officer

(Translation)

JPY6,000,000,000

REVOLVING LINE AGREEMENT (A)

Spansion Japan Limited
as Borrower

MIZUHO CORPORATE BANK, LTD.
as Arranger and Agent

MIZUHO CORPORATE BANK, LTD.

SHINKIN CENTRAL BANK

THE BANK OF YOKOHAMA, LTD.

THE TOHO BANK, LTD.

THE NORINCHUKIN BANK

as Lender

March 25, 2005

*** Confidential treatment has been requested as to certain portions of this agreement. Such omitted confidential information has been designated by asterisks and has been filed separately with the Securities and Exchange Commission pursuant to Rule 25b-2 under the Securities Exchange Act of 1934, as amended, and the Commission's rules and regulations promulgated under the Freedom of Information Act, pursuant to a request for confidential treatment.***

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REVOLVING LINE AGREEMENT (A)

Spancion Japan Limited (the "Borrower") and the financial institutions set forth as Lender A under Section 3 of Schedule 1 attached to this Agreement (respectively referred to as a "Lender A," and collectively referred to as "All Lenders A") enter into the following agreement (this "Agreement") as of March 25, 2005 (the "Execution Date"), with MIZUHO CORPORATE BANK, LTD. (the "Agent") acting as the agent.

1. DEFINITIONS

In this Agreement, the following terms shall have the meanings set forth below, unless it is apparent that such terms mean otherwise in the context hereof.

- 1.1 "Accounts Receivables Trust Agreement" means the Accounts Receivables Trust Agreement (as amended or renewed) attached hereto as Schedule 3, executed on March 25, 2004 by and between the Borrower and MIZUHO TRUST & BANKING CO., LTD.
- 1.2 "Accrued Interest" has the meaning given in Clause 14.2.
- 1.3 "Adjusted Tangible Assets" means all of the Borrower's assets, determined on a consolidated basis (provided that if the Borrower does not prepare its financial statements on a consolidated basis, the stand-alone basis financial statements shall apply) in accordance with generally accepted accounting standards in Japan, other than (a) deferred assets, other than prepaid insurance and prepaid taxes, (b) patents, copyright, trademarks, trade names, franchises, goodwill, and other similar intangibles and (c) unamortized debt discounts and expenses.
- 1.4 "Adjusted Tangible Net Worth" means, at any time, the amount calculated as (a) the book value (after deducting the related depreciation, obsolescence, amortization, valuation, and other proper reserves as determined in accordance with generally accepted accounting standards in Japan) of the Adjusted Tangible Assets shown on the Borrower's consolidated balance sheet (or the stand-alone basis balance sheet if the Borrower does not prepare its balance sheet on a consolidated basis) as of such time, prepared in accordance with that generally accepted accounting standards in Japan, less (b) the amount of the Borrower's liabilities (including all contingencies and other potential liabilities required to be shown on such balance sheet) shown on such consolidated balance sheet (or the stand-alone basis balance sheet if the Borrower does not prepare its balance sheet on a consolidated basis).
- 1.5 "Affiliate" means any party that, directly or indirectly, is in control of, is controlled by, or is under common control with, another party, or who owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interest of another party. A party shall be deemed to be in control of another party if the controlling party possesses, directly or indirectly, the power to direct the management and policies of the other party for any reason, whether through the ownership of voting securities, by contract, or otherwise.

- 1.6 “**Agency Fee**” means the fees that the Borrower shall pay to the Agent in consideration of the Agent Services, as separately agreed upon between the Borrower and the Agent.
- 1.7 “**Agent Services**” means collectively, the Agent Services A and Agent Services B.
- 1.8 “**Agent’s Account**” means the checking deposit account (Account No. ****, Account Holder: SPANSION JAPAN LIMITED Agent Account C) held by the Agent at the Head Office of MIZUHO CORPORATE BANK, LTD.
- 1.9 “**Agent Services A**” means the services set forth in the provisions of this Agreement that the Agent is entrusted by All Lenders A to perform for the benefit of All Lenders A.
- 1.10 “**Agent Services B**” means the services set forth in the provisions of the Loan Agreement B that the Agent is entrusted by All Lenders B to perform for the benefit of All Lenders B.
- 1.11 “**Aizu Facility**” means the real estate and the incidental facilities currently held, or to be acquired hereafter, by the Borrower at its Aizu manufacturing facilities and incidental facilities located in Aizu-Wakamatsu-shi, Fukushima, Japan.
- 1.12 “**Applicable Interest Rate A**” means the interest rate equal to the Base Rate plus the Spread A.
- 1.13 “**Assignable Loan Receivables A**” has the meaning given in Clause 31.2(ii).
- 1.14 “**Assignee**” means the party that accepts assignment of the Loan Receivables A in accordance with Clause 32.1.
- 1.15 “**Assigning Lender**” has the meaning given in Clause 31.2.
- 1.16 “**Assignor**” means the party that assigns the Loan Receivables A in accordance with Clause 32.1.
- 1.17 “**Base Rate**” means the interest rate for the relevant Loan Term according to the Japanese Yen TIBOR (page 17,097 of the Telerate) published by the Japanese Bankers Association at 11 a.m. or at the nearest possible time after 11 a.m. on the second (2nd) Business Day prior to the Drawdown Date. Provided, however, that in cases where such interest rate is not published for some reason, the Base Rate shall be the interest rate (indicated as an annual rate) that is reasonably decided upon by the Agent as the offered rate applicable for a drawdown in yen for the relevant Loan Term in the Tokyo Interbank Market as of 11 a.m. on the second (2nd) Business Day prior to the commencement date of the Loan Term or the nearest time prior thereto.
- 1.18 “**Borrower’s Settlement Account**” means the ordinary deposit account (Account No. ****, Account Holder: Spansion Japan Limited) held by the Borrower at the Uchisaiwaicho Corporate Banking Division of MIZUHO CORPORATE BANK, LTD.
- 1.19 “**Break Funding Cost**” means, in cases where the principal is repaid or set off on a

* Confidential treatment has been requested pursuant to the Confidential Treatment Request dated May 6, 2005.

day other than the Due Date of the Individual Loan A, and where the Reinvestment Rate in such case falls below the Applicable Interest Rate A, the amount calculated as the principal amount with respect to which such repayment or set-off was made, multiplied by the difference between the Reinvestment Rate and the Applicable Interest Rate A, and calculated on a per diem basis in accordance with the actual number of days of the Remaining Period. “**Remaining Period**” in this item means the period commencing on the day (inclusive) the repayment or set-off was made and ending on the Repayment Date (exclusive), and the “**Reinvestment Rate**” in this item means the interest rate reasonably determined by the Lenders A as the interest rate to be applied on the assumption that the prepaid or off-set principal amount will be reinvested in the Tokyo Interbank Market during the Remaining Period. The calculation method for such Break Funding Cost shall be on a per diem basis, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

- 1.20 “**Business Day**” means any day other than those that are bank holidays in Japan.
- 1.21 “**Collection Calculation Date**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.22 “**Commitment Amount A**” means the total of the amounts set forth as the commitment amounts in Schedule 1, and the Commitment Amount A with respect to each Lender A means, respectively, the Commitment Amount A in relation to the amount set forth for each Lender A in Schedule 1; provided, however, that the Commitment Amount A with respect to each Lender A is subject to change in accordance with Clause 31 in the case of partial assignment of the status of the parties hereunder pursuant to Clause 31.
- 1.23 “**Commitment Fee A**” means the fees that the Borrower shall pay to the Lender A pursuant to the provisions of Clause 11.
- 1.24 “**Commitment Fee A Calculation Period**” means collectively, each of the periods commencing on the commencement date (inclusive) of the Commitment Fee A Calculation Period below and ending on the final date (inclusive) of the Commitment Fee A Calculation Period below.

	<u>Commencement Date of Commitment Fee A Calculation Period</u>	<u>Final Date of Commitment Fee A Calculation Period</u>
First	March 25, 2005	June 24, 2005
Second	June 25, 2005	September 24, 2005
Third	September 25, 2005	December 24, 2005
Fourth	December 25, 2005	March 24, 2006

- 1.25 “**Commitment Fee A Rate**” means 0.175% per annum.
- 1.26 “**Commitment Ratio A**” means the percentage of the Commitment Amount A of each Lender A to the Total Commitment Amount A.
- 1.27 “**Compulsory Execution**” has the meaning given in Clause 26.4.

- 1.28 “**Costs Increased Lender A**” means a Lender A that has incurred Increased Costs.
- 1.29 “**Counter-Performed Trust Receivables**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.30 “**Counter-Performed Trust Receivables Amount (Goods’ Value Equivalent)**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.31 “**Creditors’ Agreement**” means the Creditors’ Agreement (as amended or renewed) attached hereto as Schedule 4, executed on March 25, 2005 by and among the Lender A, the Lender B, the Agent and the Borrower.
- 1.32 “**Damages**” has the meaning given in Clause 19.2(a)(i).
- 1.33 “**Defaulted Obligations**” has the meaning given in Clause 15.1.
- 1.34 “**Defaulting Lender A**” has the meaning given in Clause 11.2.
- 1.35 “**Desired Drawdown Amount**” has the meaning given in Clause 6.1.
- 1.36 “**Desired Drawdown Date A**” has the meaning given in Clause 6.1.
- 1.37 “**Desired Prepayment Date**” has the meaning given in Clause 14.2.
- 1.38 “**Discovery Date**” has the meanings given in Clause 7.4 or Clause 14.4, respectively.
- 1.39 “**Distribution**” has the meaning given in Clause 21.3(v).
- 1.40 “**Drawdown Application**” has the meaning given in Clause 6.1.
- 1.41 “**Drawdown Application Period**” means the period commencing on the Execution Date (inclusive) and ending on the Drawdown Application Period Final Date (inclusive).
- 1.42 “**Drawdown Application Period Final Date**” means March 18, 2006.
- 1.43 “**Drawdown Date**” means the date of the drawdown of a Loan A.
- 1.44 “**Drawdown Period**” means the period commencing on the Execution Date (inclusive) and ending on the Drawdown Period Termination Date (inclusive).
- 1.45 “**Drawdown Period Termination Date**” means March 24, 2006.
- 1.46 “**Due Date**” means, with respect to the principal and interest in relation to the Loans A, the Repayment Date; and with respect to other amounts, the date set forth as the date on which payments shall be made in accordance with this Agreement.
- 1.47 “**Due Time**” means, if any Due Dates are provided for herein, 11 a.m. on such Due Date.

- 1.48 “**Enhanced Covenant Period**” means any period during which the Borrower fails to maintain a minimum cash balance of 1 billion yen.
- 1.49 “**Exemption Event**” means (i) the occurrence of a natural disaster or war, (ii) an interruption in or damage to electrical, communications or any settlement systems, (iii) any event that occurs within the Tokyo Interbank Market that disables loans in yen, and (iv) any other event not attributable to the Lenders A that results in the Majority Lenders A (if it is difficult for the Majority Lenders A to make a decision, the Agent) determining that it is impossible to make the Loan A.
- 1.50 “**Exemption Period**” means the period during which any Exemption Event has occurred and continues.
- 1.51 “**Exercise of Floating Security**” has the meaning given in Clause 25.3.
- 1.52 “**Extraordinary Collection Calculation Date**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.53 “**Fixed Trust Property Value**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.54 “**Fixed Trust Receivables**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.55 “**Fixed Trust Receivables Amount (Goods’ Value Equivalent)**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.56 “**Floating Pledge Agreement**” means the Floating Pledge Agreement (as amended or renewed) attached hereto as Schedule 5, executed on March 25, 2005 by and among the Lender A, the Lender B and the Borrower.
- 1.57 “**FMH**” means Fujitsu Microelectronics Holding, Inc.
- 1.58 “**Increased Costs**” means the increased portion (the amount reasonably calculated by such Lender A) of lending expenses, in cases where the Lender A’s lending expenses under this Agreement are substantially increased (excluding any increase caused by a change in tax rates on taxable incomes of such Lender A) due to, among other things, (i) any enactment or amendment of Laws and Ordinances, or any change in the interpretation or application thereof, or (ii) any establishment or increase in capital reserves.
- 1.59 “**Individual Loan A**” means a loan made by a Lender A respectively pursuant to the same Drawdown Application.
- 1.60 “**Individual Loan A Money**” means the money lent (or to be lent) by a Lender A to the Borrower as an Individual Loan A, and the “**Individual Loan A Amount**” means the amount of the Individual Loan Money A (the amount calculated by multiplying the aggregate amount of Loan A in relation to the relevant Drawdown Application by the Commitment Ratio A of that Lender A).

- 1.61 “**Intended Distribution Amount A**” has the meaning given in Clause 26.1(i).
- 1.62 “**Interim Interest Payment Date**” has the meaning given in Clause 10.1.
- 1.63 “**Inventory**” means all kinds, nature and description of inventory, goods and merchandise, returned goods, raw materials, and other materials and supplies, regardless of location, to be furnished under any agreement of service or held for assignment or lease, that are currently owned or acquired hereafter by the Borrower (limited to those to be consumed in the Borrower’s business or used in connection with the packing, shipping, advertising, selling or processing of such goods, merchandise and such other articles), and all documents of title or other documents representing title thereto.
- 1.64 “**Investment**” means any acquisition of property in exchange for cash or other assets, whether in the form of an acquisition of stock, liabilities, or other obligations, or the purchase or acquisition of any other property, or a Loan A, capital contribution, subscription or otherwise.
- 1.65 “**Item Not Fully Covered**” has the meaning given in Clause 18.4.
- 1.66 “**Laws and Ordinances**” means any treaties, laws, cabinet orders, ministerial ordinances, rules, announcements, judgments, decisions, arbitral awards, directives, and policies of relevant authorities that apply to this Agreement, the transactions pursuant hereto or the parties hereto.
- 1.67 “**Lease**” means the lease of assets reflected as a lease on the Borrower’s consolidated balance sheet in accordance with generally accepted accounting standards in Japan.
- 1.68 “**Lender**” means collectively, the Lender A and the Lender B.
- 1.69 “**Lender B**” means MIZUHO CORPORATE BANK, LTD., Shinkin Central Bank, The Bank of Yokohama, Ltd. and The Norinchukin Bank (including its successors).
- 1.70 “**Lending Obligation A**” means a Lender A’s obligation to make Individual Loans A to the Borrower upon the condition that the requirements set forth under each item of Clause 5 are satisfied.
- 1.71 “**Loan Agreement B**” means the Revolving Line Agreement (B) (as amended or renewed) executed on March 25, 2005 by and between the Lender B and the Borrower, with MIZUHO CORPORATE BANK, LTD. acting as the agent.
- 1.72 “**Loan Receivables A**” means loan claims in relation to each Individual Loan A.
- 1.73 “**Loan Term**” means, with respect to each Individual Loan A, the period commencing on the Drawdown Date (inclusive) and ending on the Repayment Date (exclusive) in relation to such Individual Loan A.
- 1.74 “**Loan(s) A**” means the aggregate of the Individual Loans A made pursuant to this Agreement.

- 1.75 “**Majority Lenders A**” means more than one Lender A whose Commitment Ratio(s) A amount to 51% or more in total as of the Decision-Making Time (provided, however, that, for the period after All Lenders A’s Lending Obligations A are extinguished, and where the repayment of all obligations pursuant to this Agreement in relation to the Loan A have not been completed, the percentage shall be that of the total principal amount of the Outstanding Individual Loan A Money per each Lender A to the Total Outstanding Balance A as of the Decision-Making Time). “**Decision-Making Time**” means, in cases where the Lender A determines that any event requiring instructions by the Majority Lenders A has occurred, the point in time when the Agent receives notice under Clause 29.1(i), and in cases where the Agent determines that the decision of the Majority Lenders A is necessary, the point in time when the Agent gives notice under Clause 29.2.
- 1.76 “**Non-Drawdown Lender A**” has the meaning given in Clause 8.1.
- 1.77 “**Outstanding Individual Loan A Money**” means the principal, the interest, default interest, Break Funding Costs and any other payment obligation in relation to an Individual Loan A that the Borrower owes pursuant to this Agreement with respect to the Individual Loan A, and the “**Outstanding Individual Loan A Amount**” means the amount of such Outstanding Individual Loan A Money.
- 1.78 “**Pre-assignment Commitment Amount A**” has the meaning given in Clause 31.2(ii).
- 1.79 “**Pre-assignment Loan Receivables A**” has the meaning given in Clause 31.2(ii).
- 1.80 “**Prepayment**” has the meaning given in Clause 14.1.
- 1.81 “**Purchase and Sale Agreement**” means the “PURCHASE AND SALE AGREEMENT” dated February 23, 2004(as amended or renewed) between the Borrower and FUJITSU LIMITED.
- 1.82 “**Purchase and Sale Related Agreements**” means the Purchase and Sale Agreement and each of the individual agreements pursuant thereto.
- 1.83 “**Reduced Amount**” has the meaning given in Clause 31.2(ii).
- 1.84 “**Reduced Drawdown**” has the meaning given in Clause 7.4.
- 1.85 “**Reduced Drawdown Amount**” has the meaning given in Clause 7.4.
- 1.86 “**Reduced Drawdown Break Funding Cost**” means, in cases where a Reduced Drawdown is made and the Reinvestment Rate in such case falls below the Applicable Interest Rate A, the amount calculated as the difference between the Desired Drawdown Amount and the Reduced Drawdown Amount, multiplied by the difference between the Reinvestment Rate and the Applicable Interest Rate A, and calculated on a per diem basis in accordance with the actual number of days of the Remaining Period. “**Remaining Period**” in this item means the period commencing on the Drawdown Date (inclusive) and ending on the Repayment Date (exclusive), and the

- “**Reinvestment Rate**” in this item means the interest rate reasonably determined by the Lenders A as the interest rate to be applied on the assumption that the difference between the Desired Drawdown Amount and the Reduced Drawdown Amount will be reinvested in the Tokyo Interbank Market during the Remaining Period. The calculation method for such Reduced Drawdown Break Funding Cost shall be on a per diem basis, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.
- 1.87 “**Reduced Ratio**” has the meaning given in Clause 31.2(ii).
- 1.88 “**Refinanced Loan A**” means a Loan A that has already been made and the Due Date of which shall be the Desired Drawdown Date A of a Refinancing Loan A.
- 1.89 “**Refinancing Loan A**” means a Loan A with the Desired Drawdown Date A being the Due Date of a Loan A already made.
- 1.90 “**Regular Collection Calculation Date**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.91 “**Relevant Agreements**” means this Agreement, the Loan Agreement B, the Accounts Receivables Trust Agreement, the Floating Pledge Agreement, the Creditors’ Agreement and the documents related thereto.
- 1.92 “**Relevant Lender A**” has the meaning given in Clause 14.1.
- 1.93 “**Remaining Individual Loan A**” has the meaning given in Clause 26.1(i).
- 1.94 “**Remaining Lender A**” has the meaning given in Clause 26.1(i).
- 1.95 “**Repayment Date**” has the meaning given in Clause 6.1(iii).
- 1.96 “**Reports**” means (i) the audited annual report (*eigyō hōkokushyō*) prepared by the Borrower on a stand-alone basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto; and if any consolidated Subsidiary or Affiliate of the Borrower has been established, including the consolidated annual report (*eigyō hōkokushyō*)) within ninety (90) days from the end of the fiscal year, (ii) the unaudited annual report (*eigyō hōkokushyō*) prepared by the Borrower on a stand-alone basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto; and if any consolidated Subsidiary or Affiliate of the Borrower has been established, including the consolidated annual report (*eigyō hōkokushyō*)) within forty-five (45) days from the end of a fiscal quarter, (iii) the audited financial statements prepared by Spansion LLC on a consolidated basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto) within ninety (90) days from the end of the fiscal year, and (iv) the unaudited financial statements prepared by Spansion LLC on a consolidated basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto) within forty-five (45) days from the end of a fiscal quarter.
- 1.97 “**Set-off Initiating Lender A**” has the meaning given in Clause 26.1.

- 1.98 “**Set-off Receiving Lender A**” has the meaning given in Clause 26.2.
- 1.99 “**Settlor’s Extraordinary Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.100 “**Settlor’s Regular Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.101 “**Settlor’s Regular Report Deadline**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.102 “**Spread A**” means 0.550% per annum.
- 1.103 “**Status of the Establishment of the Collateral**” described in Schedule 2 means the specifics of the assets offered as security under the Security Assignment Agreement (*Joto Tanpo Settei Keiyaku*) executed on June 30, 2003 by and between the Borrower and FUJITSU LIMITED, and the specifics of the assets offered as a first-priority mortgage under the Mortgage Agreement and the Letter Concerning the Establishment of Security Interests (*Tanpo Sashire Sho*) executed on June 30, 2003 by and between the Borrower and FUJITSU LIMITED.
- 1.104 “**Subsidiary**” means any corporation, association, partnership, joint venture or other business entity of which more than fifty percent (50%) of the voting stock or other equity interest (in the case of parties other than corporations) is owned or controlled directly or indirectly by a party, one or more of its Subsidiaries, or a combination thereof.
- 1.105 “**Successive Lender**” has the meaning given in Clause 31.2.
- 1.106 “**Taxes and Public Charges**” means all public taxes or public charges including income taxes, corporate taxes and other taxes, which are applicable in Japan.
- 1.107 “**Temporary Advancement**” means, with respect to the Borrower’s repayment on a Due Date, a payment made by the Agent to the Lenders A before the completion of the Borrower’s repayment of an amount equivalent to the amount to be distributed to the Lenders A in accordance with Clause 19; or with respect to the Individual Loans A made by the Lenders A on the Drawdown Date, a payment made by the Agent to the Borrower before the Lender A’s making the Individual Loan A of an amount equivalent to the amount of the Individual Loan A to be made to the Borrower.
- 1.108 “**Temporary Advancement Costs**” means, in cases where the Agent makes a Temporary Advancement, the amount calculated as the amount of Temporary Advancement, multiplied by (i) the Funding Rate, and (ii) the actual number of days of the Temporary Advancement Period. “**Temporary Advancement Period**” means the period commencing on the date (exclusive) that a Temporary Advancement is made and ending on the date (inclusive) that such Temporary Advancement is cleared, and the “**Funding Rate**” means the interest rate that the Agent reasonably determines as the interest rate to fund the amount of Temporary Advancement throughout the

Temporary Advancement Period. The calculation method for such Temporary Advancement Costs shall be on a per diem basis in accordance with the actual number of days of the Temporary Advancement Period, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

- 1.109 “**Total Commitment Amount A**” means the total of the Commitment Amounts A of All Lenders A.
- 1.110 “**Total Outstanding Balance A**” means the total principal amount of the Outstanding Individual Loan A Money owed to All Lenders A.
- 1.111 “**Trust Property Maintenance Standards**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.112 “**Trust Receivables**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.113 “**Trustee**” means MIZUHO TRUST & BANKING CO., LTD. (including its successor trustee), as the trustee pursuant to the Accounts Receivables Trust Agreement.
- 1.114 “**Trustee’s Extraordinary Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.115 “**Trustee’s Regular Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.116 “**Unused Commitment Amount A**” means the amount calculated as the Commitment Amount A less the total principal amount of the Outstanding Individual Loan A Money, and the Unused Commitment Amount A in relation to each Lender A shall mean the amount calculated as the Commitment Amount A in relation to such Lender A less the total principal amount of the Outstanding Individual Loan A Money in relation to such Lender A.

2. **RIGHTS AND OBLIGATIONS OF LENDERS A**

- 2.1 The Lenders A shall owe the Lending Obligations A.
- 2.2 Unless otherwise provided for in this Agreement, the obligations of each Lender A under this Agreement shall be independent, and a Lender A shall not be released from its obligations under this Agreement due to any other Lenders A failing to perform their obligations. A Lender A shall not be responsible for any failure of other Lenders A to perform their obligations under this Agreement.
- 2.3 If a Lender A, in breach of its Lending Obligation A, fails to make an Individual Loan A on the Desired Drawdown Date A, such Lender A shall, upon request by the Borrower, immediately compensate the Borrower for all damages, losses and expenses incurred by the Borrower as a result of such breach; provided, however, that the maximum amount of such compensation to the Borrower for the damages, losses and

expenses incurred shall be the difference between (i) the interest and other expenses that is required or would be required to be paid if the Borrower separately made a drawdown as a result of such Lender A's failure to make the Individual Loan A on the Desired Drawdown Date A, and (ii) the interest and other expenses that would have been required to be paid if the Individual Loan A were made on the Desired Drawdown Date A.

2.4 Unless otherwise provided for in this Agreement, each Lender A may exercise its rights under this Agreement separately and independently.

3. **USE OF PROCEEDS**

The Borrower shall use the money raised by the Loan A as working capital.

4. **CONDITIONS PRECEDENT FOR EFFECTIVENESS OF THIS AGREEMENT**

This Agreement shall take effect upon the condition that the Borrower submit all of the following documents to the Agent and All Lenders A, and the Agent and All Lenders A are satisfied with the details thereof:

- (i) the certificate of seal registration of the representative of the Borrower who signs and affixes his seal to this Agreement dated on or after December 25, 2004;
- (ii) a certified copy of the certificate of corporate registration (certificate of complete company resume or the certificate of complete present company resume) of the Borrower dated on or after December 25, 2004;
- (iii) a copy of the Articles of Incorporation of the Borrower with certification (dated on or after December 25, 2004) attached thereto certifying that it is a copy of the original; and
- (iv) a written confirmation prepared by the Borrower's Representative Director certifying that all internal procedures necessary for the execution of this Agreement and the drawdown pursuant to this Agreement have been completed.

5. **CONDITIONS PRECEDENT FOR LENDING OBLIGATIONS A**

5.1 The Lender A shall owe the Lending Obligations A upon the condition (irrespective of whether or not notice under Clause 8.1 was given) that all of the conditions set forth in each of the following items are satisfied at the time of making the Individual Loan A. The satisfaction of such conditions shall be determined individually by each Lender A, and no other Lender A or the Agent shall be responsible for a Lender A's determination or refusal to make a Loan A.

- (i) The application for a drawdown satisfies the requirements set forth under Clause 6.1.

- (ii) The Lending Obligations A of All Lenders A have not been exempted pursuant to Clause 12.1.
- (iii) The Accounts Receivables Trust Agreement, the Floating Pledge Agreement and the Creditors' Agreement have all been entered into and are validly existing.
- (iv) All the matters described in each item of Clause 20 hereof, Clause 7.1 of the Accounts Receivables Trust Agreement and Clause 4.1 of the Floating Pledge Agreement are true and correct.
- (v) The Borrower has not breached any provision of this Agreement, the Accounts Receivables Trust Agreement or the Floating Pledge Agreement, and there is no threat that such breach may occur on or after the relevant Desired Drawdown Date A.
- (vi) No consultation pursuant to the provisions of Clause 34.2 has been held.
- (vii) The Borrower has obtained approval from FUJITSU LIMITED with respect to the assignment of Trust Receivables pursuant to the Accounts Receivables Trust Agreement, in the form of a document bearing a certified date (*kakutei-hizuke*), as provided for in Clause 10.1 of the Accounts Receivables Trust Agreement. (Further, the original of such written approval has been delivered to the Trustee, and the Trustee has delivered a copy thereof to the Agent, attaching thereto a certification certifying that such copy is a true and accurate copy of the original and that the original is retained by the Trustee.)
- (viii) The Borrower has obtained the Trustee's approval without objection with respect to the creation of the floating pledge pursuant to the Floating Pledge Agreement, in the form of a document bearing a certified date (*kakutei-hizuke*), as provided for in Clauses 3.2 and 3.3 of the Floating Pledge Agreement. (Further, the original of such written approval has been delivered to the Agent.)
- (ix) An account in the name of the Trustee has been established at the Uchisaiwaicho Corporate Banking Division of MIZUHO CORPORATE BANK, LTD. as the account for receiving transfer of the amount of Trust Receivables collections with respect to the Fixed Trust Receivables.
- (x) The Fixed Trust Property Value on the Trustee's Regular Report or the Trustee's Extraordinary Report, whichever is the most recent as of 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date A set forth in the Drawdown Application, is maintained at an amount that is no less than the Total Outstanding Balance A after making such Loan A.
- (xi) The Fixed Trust Property Value on the most recent Trustee's Regular Report or the Trustee's Extraordinary Report, whichever is the most recent as of 11 a.m. on the Business Day immediately preceding the Desired Drawdown Date A set forth in the Drawdown Application, is maintained at an amount that is no less than the Total Outstanding Balance A after making such Loan A.

- 5.2 Even if the condition provided for under Clause 5.1(xi) is not satisfied, if all of the other conditions provided for under each of the other items of Clause 5.1 are satisfied, the Lender A shall, in accordance with the provisions of Clause 7.4, owe the Lending Obligations A with respect to amounts that are no less than 100 million yen and in increments of 100 million yen, to the extent that the Fixed Trust Property Value is maintained at an amount that is no less than the Total Outstanding Balance A.
6. **APPLICATION FOR DRAWDOWN**
- 6.1 The Borrower may apply for a drawdown pursuant to the terms of this Agreement during the Drawdown Application Period. If the Borrower desires to drawdown a Loan A pursuant to this Agreement, the Borrower shall submit to the Agent a document specifying the matters set forth under each of the following items, indicating its intention to apply for a drawdown (the "Drawdown Application"), by 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date A. In this case, the matters set forth under each of the following items shall satisfy the conditions provided for in the respective items.
- (i) The amount of Individual Loan A that the Borrower desires to drawdown (the "Desired Drawdown Amount"):
The Desired Drawdown Amount shall be no less than 100 million yen and in increments of 100 million yen, and, at the same time, an amount where the Lending Obligation A of each Lender A does not exceed the Unused Commitment Amount A in relation to the relevant Lender A as of the Desired Drawdown Date A.
 - (ii) The date that the Borrower desires the drawdown (the "Desired Drawdown Date A"):
The Desired Drawdown Date A shall be a Business Day during the Drawdown Period.
 - (iii) The repayment time of the principal and interest of the Individual Loan A in relation to such Drawdown Application (the "Repayment Date"):
The Repayment Date shall be a day corresponding to one (1) month, two (2) months, three (3) months, six (6) months, or twelve (12) months after the Desired Drawdown Date A (provided, however, that if such corresponding day falls on a day other than a Business Day, the following Business Day shall be the Repayment Date, and if such following Business Day occurs in the following month, the immediately preceding Business Day shall be the Repayment Date), but may not be after April 24, 2006.
- 6.2 The indication of intention to apply for a drawdown pursuant to Clause 6.1 shall be effective with respect to All Lenders A upon the Agent receiving the Drawdown Application. When the Agent receives a Drawdown Application from the Borrower, the Agent shall notify All Lenders A of the Borrower's application for a drawdown and

the details thereof, by sending a copy of the Drawdown Application to All Lenders A during the third (3rd) Business Day prior to the Desired Drawdown Date A. The Agent shall retain the original of the Drawdown Application on behalf of All Lenders A until the Outstanding Individual Loan A Money advanced in response to such application is fully repaid.

7. **MAKING OF LOANS A**

7.1 If a Lender A receives an application for a drawdown in accordance with Clause 6 and does not give notice pursuant to Clause 8.1, and all conditions set forth in Clause 5 are satisfied at the time of the drawdown of the Individual Loan A, the Lender A shall remit the Individual Loan A Amount to the Agent's Account by 11 a.m. on the Desired Drawdown Date A. The Individual Loan A shall be deemed to have been made by that Lender A as of the time that the Agent remits such money to the Borrower's Settlement Account from the Agent's Account. Provided, however, that with respect to the drawdown of the Individual Loan A in relation to a Refinancing Loan A, the Lender A shall offset (a) the principal amount of the Outstanding Individual Loan A Money in relation to the Refinanced Loan A as of the Desired Drawdown Date A, and (b) the Individual Loan A Amount in relation to the Refinancing Loan A, and according to the result thereof, shall treat the drawdown of such Individual Loan A as follows.

- (i) If the Individual Loan A Amount in relation to the Refinancing Loan A exceeds the amount equivalent to the principal of the Outstanding Individual Loan A Money in relation to the Refinanced Loan A:

If the Lender A receives an application for a drawdown in accordance with Clause 6 and does not give notice pursuant to Clause 8.1, and all conditions set forth in each item of Clause 5 are satisfied at the time of making the Individual Loan A, the Lender A shall remit to the Agent's Account the amount of the difference between the Individual Loan A Amount in relation to the Refinancing Loan A and the amount equivalent to the principal of the Outstanding Individual Loan A Money in relation to the Refinanced Loan A by 11 a.m. on the Desired Drawdown Date A. The Individual Loan A in relation to the Refinancing Loan A shall be deemed to have been made in the full Individual Loan A Amount in relation to the Refinancing Loan A as of the time that the Agent transfers such money to the Borrower's Settlement Account after withdrawing it from the Agent's Account. Provided, however, that even if the Lender A remits the amount of the difference between the Individual Loan A Amount and the amount equivalent to the principal of the Outstanding Individual Loan A Money to the Borrower's Settlement Account, if the interest on the Refinanced Loan A is not paid by the Due Time, the Individual Loan A in relation to the Refinancing Loan A shall be deemed not to have been made.

- (ii) If the Individual Loan A Amount in relation to the Refinancing Loan A is less than or equal to the amount equivalent to the principal of the Outstanding Individual Loan A Money in relation to the Refinanced Loan A:

If the Lender A receives an application for a drawdown in accordance with Clause 6 and does not give notice pursuant to Clause 8.1, and all conditions

set forth in each item of Clause 5 are satisfied, the Individual Loan A in relation to the Refinancing Loan A shall be deemed to have been made in the full Individual Loan A Amount in relation to the Refinancing Loan A as of the Due Time of the Refinanced Loan A. Provided, however, that if the Borrower does not pay the full amount of the difference between the Outstanding Individual Loan A Amount in relation to the Refinanced Loan A and the Individual Loan A Amount and the interest accrued on the Refinanced Loan A by the Due Time, the Individual Loan A in relation to the Refinancing Loan A shall be deemed not to have been made.

- 7.2 When the Loan A is made pursuant to Clause 7.1, the Borrower shall immediately send to the Agent a written receipt describing the amount of the Loan A and the specifics of the Individual Loan A. The Agent shall, upon receiving such receipt, promptly provide a copy thereof to the Lender A who made the Individual Loan A. The Agent shall retain the original receipt on behalf of that Lender A until the Outstanding Individual Loan A Money in relation to such Individual Loan A is repaid in full.
- 7.3 If notice under Clause 8.1 is not given, the Agent may make the Individual Loan A on behalf of a Lender A through Temporary Advancement (provided, however, that the Agent shall be under no obligation to make such Temporary Advancement). After such Temporary Advancement, the relevant Lender A shall remit the full equivalent amount of the Individual Loan A Money to the Agent's Account by 11 a.m. on the Desired Drawdown Date A, and if such remittance is not completed by that time, the Lender A shall, promptly upon the Agent's request, pay to the Agent the Temporary Advancement Costs required in making such Temporary Advancement.
- 7.4 If it is found, on or after 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date A, and before 11 a.m. on the Business Day immediately preceding the same Desired Drawdown Date A, that the Fixed Trust Property Value on the most recent Trustee's Regular Report or Trustee's Extraordinary Report made by 11 a.m. on the Business Day immediately preceding that Desired Drawdown Date A cannot be maintained at an amount that is not less than the Total Outstanding Balance A after making such Loan A (the date on which such fact is found shall hereinafter be referred to as the "Discovery Date"), the Individual Loan A shall be made in the maximum amount (the "Reduced Drawdown Amount") to the extent that such Fixed Trust Property Value can be maintained at an amount that is not less than the Total Outstanding Balance A after making such Loan A, provided that such amount is not less than 100 million yen and in increments of 100 million yen, and the loan amount in relation to the Lending Obligation A of each Lender A in this case shall be the amount calculated as the Reduced Drawdown Amount multiplied by the Commitment Ratio A of each Lender A (making such loan in the amount less than the Desired Drawdown Amount shall hereinafter be referred to as the "Reduced Drawdown"). The Borrower shall be responsible for any damages, losses or expenses incurred by the Lender A or the Agent as a result of the Reduced Drawdown.
- 7.5 The procedures in relation to a Reduced Drawdown shall be as follows.
- (i) The Agent shall, during the Discovery Date, notify the Borrower and the Lender A (a) that a Reduced Drawdown is required to be made, (b) the loan amount in relation to the Lending Obligation A of each Lender A, and (c) that

the Lender A is required to notify the Agent, by 12 p.m. on the second (2nd) Business Day after the Discovery Date of the amount of the Reduced Drawdown Break Funding Cost together with the calculation basis thereof.

- (ii) Each Lender A shall, by 12 p.m. on the second (2nd) Business Day after the Discovery Date, notify the Agent of the amount of the Reduced Drawdown Break Funding Cost in relation to such Lender A together with the calculation basis thereof.
- (iii) The Borrower shall, during the Business Day immediately preceding the Desired Drawdown Date A, submit to the Agent a written confirmation stating its approval of the Reduced Drawdown. If such written confirmation is not submitted during the Business Day immediately preceding the Desired Drawdown Date A, the Lender A may elect not to make the Reduced Drawdown.
- (iv) The Borrower shall pay the Reduced Drawdown Break Funding Cost in accordance with the provisions of Clause 18 on the third (3rd) Business Day after the Discovery Date.

8. **REFUSAL TO MAKE LOANS A**

8.1 A Lender A who decides not to make the Individual Loan A for the reason that all or part of the conditions under Clause 5 are not satisfied (the “Non-Drawdown Lender A”) may notify the Agent, the Borrower and all other Lenders A of the decision with the reason affixed thereto by 3 p.m. on one (1) Business Day prior to the Desired Drawdown Date A. Provided, however, that if, notwithstanding the satisfaction of all the conditions under Clause 5, such notice is given and the Individual Loan A is not made, the Non-Drawdown Lender A shall not be released from liabilities arising from a breach of its Lending Obligations A.

8.2 The Borrower shall be responsible for any damages, losses or expenses incurred by the Non-Drawdown Lender A or the Agent as a result of Non-Drawdown Lender A not being able to make the Individual Loan A. Provided, however, that the foregoing shall not apply if the failure to make the Individual Loan A constitutes a breach of such Non-Drawdown Lender A’s Lending Obligations A.

9. **REPAYMENT OF PRINCIPAL**

The Borrower shall pay the principal amount of each Individual Loan A on the Repayment Date in accordance with the provisions of Clause 18.

10. **INTEREST**

10.1 The Borrower shall, (a) with respect to those Individual Loans A for which the Loan Term is one (1) month, two (2) months, three (3) months or six (6) months, pay on the Repayment Date of such Individual Loan A, in accordance with the provisions of Clause 18, the amount of interest on such Individual Loan A calculated by multiplying the principal amount in relation to the Individual Loan A by the Applicable Interest Rate A, calculated on a per diem basis in accordance with the actual number of days of

the Loan Term, and (b) with respect to those Individual Loans A for which the Loan Term is twelve (12) months, pay on the corresponding day (or the following Business Day if such date is not a Business Day; the “Interim Interest Payment Date”) six (6) months after the Drawdown Date of such Individual Loan A, in accordance with the provisions of Clause 18, the amount of interest accrued on such Individual Loan A up to the Interim Interest Payment Date, calculated by multiplying the principal amount in relation to the Individual Loan A by the Applicable Interest Rate A, calculated on a per diem basis in accordance with the actual number of days from such Drawdown Date to the Interim Interest Payment Date, and, on the Repayment Date in relation to such Individual Loan A, pay in accordance with provisions of Clause 18, the amount of interest accrued on such Individual Loan A on and after the Interim Interest Payment Date, calculated by multiplying the principal amount in relation to the Individual Loan A by the Applicable Interest Rate A, calculated on a per diem basis in accordance with the actual number of days from the Interim Interest Payment Date to the Repayment Date.

- 10.2 The calculation method of interest under Clause 10.1 shall be on a per diem basis, inclusive of the first day and exclusive of the last day, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.
- 11 **COMMITMENT FEE A**
- 11.1 The Borrower shall pay on the fifth (5th) Business Day after the final date of each Commitment Fee A Calculation Period, in accordance with the provisions of Clause 18, a Commitment Fee A in the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount A with respect to each Lender A on each day during each Commitment Fee A Calculation Period (provided that the Unused Commitment Amount A on the Drawdown Date shall be the Unused Commitment Amount A after making the Individual Loan A on that Drawdown Date), multiplied by the Commitment Fee A Rate, and divided by 365.
- 11.2 The Borrower shall not be required to make payments with respect to the Commitment Fee A in relation to the Default Period to any Lender A who fails to perform its Lending Obligations A (the “Defaulting Lender A”). The Commitment Fee A in relation to the Default Period shall be the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount A with respect to such Defaulting Lender A on each day during such Default Period, multiplied by the Commitment Fee A Rate, and divided by 365. In this Clause 11.2, the “Default Period” shall mean the period commencing on the day (inclusive) on which an event of default occurs, and ending on the day (inclusive) before the day on which the default is remedied, and the day on which a default is remedied shall be determined as follows:
- (i) if the Defaulting Lender A offers to the Borrower via the Agent to make the Individual Loan A at a later date pursuant to the application for a drawdown in respect of which the Defaulting Lender A has failed to perform its Lending Obligation A, and the Borrower accepts such offer and such Individual Loan A is made, the date the Individual Loan A is made;

- (ii) if the Borrower refuses the offer in the preceding item, the date that the offer is refused; if the Agent does not receive notice from the Borrower of its acceptance or refusal of the offer within two (2) Business Days after the offer is made under the preceding item, the offer shall be deemed to have been refused by the Borrower; and
 - (iii) for those cases other than the cases of the preceding two items, the date determined by the Borrower, the Defaulting Lender A and the Agent upon consultation.
- 11.3 If an Exemption Event occurs, the Borrower shall not be required to make payments to All Lenders A, with respect to the Commitment Fee A in relation to the Exemption Period. The Commitment Fee A in relation to the Exemption Period shall be the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount A with respect to each Lender A on each day during such Exemption Period, multiplied by the Commitment Fee A Rate, and divided by 365.
- 11.4 If the Costs Increased Lender A ceases to owe its Lending Obligations A pursuant to the provisions of Clause 13.5, the Borrower shall not be required to pay to such Costs Increased Lender A, with respect to the Commitment Fee A in relation to the period after the termination of this Agreement with respect to that Costs Increased Lender A, the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount A with respect to such Costs Increased Lender A on each day during the period commencing on the day (inclusive) on which the Costs Increased Lender A ceases to owe its Lending Obligations A and ending on the Drawdown Application Period Final Date (inclusive), multiplied by the Commitment Fee A Rate, and divided by 365.
- 11.5 If this Agreement is terminated with respect to any Lender A or All Lenders A pursuant to the provisions of Clause 34, the Borrower shall not be required to pay to that Lender A, with respect to the Commitment Fee A in relation to the period after the termination of this Agreement with respect to that Lender A, the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount A with respect to each Lender A on each day during the period from the day (inclusive) of termination of this Agreement with respect to that Lender A and ending on the Drawdown Period Termination Date (inclusive) (provided that the related provisions of this Agreement shall remain effective with respect to the Lender A after the termination of this Agreement to the extent necessary in calculating the Commitment Fee A that is not required to be paid pursuant to this Clause 11.5; provided further, that with respect to the day repayment is made in relation to an Individual Loan A, the Unused Commitment Amount A after such repayment shall be used as the basis for such calculation), multiplied by the Commitment Fee A Rate, and divided by 365.
- 11.6 In calculating the Commitment Fee A pursuant to Clause 11.1, divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

12. **EXEMPTION OF LENDER A**

- 12.1 The Lender A shall not owe the Lending Obligations A during the Exemption Period.
- 12.2 If the Agent becomes aware that an Exemption Event has occurred, the Agent shall immediately notify the Borrower and All Lenders A of such event in writing.
- 12.3 After notice under Clause 12.2 is given, when the Majority Lenders A determine that the Exemption Event in relation to such notice has been resolved, the Agent shall immediately notify the Borrower and All Lenders A thereof.
13. **INCREASED COSTS**
- 13.1 A Costs Increased Lender A may, by notifying the Borrower in writing via the Agent, request the Borrower to elect either to bear the Increased Costs or to terminate this Agreement with respect to the Costs Increased Lender A. The Borrower shall respond to such request by giving written notice to the Costs Increased Lender A via the Agent.
- 13.2 If the Borrower elects to bear the Increased Costs in response to the Costs Increased Lender A's request under Clause 13.1, the Borrower shall pay, in accordance with the provisions of Clause 18, the Costs Increased Lender A the money equivalent to such Increased Costs.
- 13.3 If the Borrower elects to terminate this Agreement with respect to the Costs Increased Lender A in response to the request under Clause 13.1, the Borrower shall notify the Agent and All Lenders A in writing by ten (10) Business Days prior to the date the Borrower desires this Agreement to be terminated (the "Desired Termination Date"), of (a) the desire to terminate this Agreement with respect to the Costs Increased Lender A, and (b) the Desired Termination Date.
- 13.4 If there remains an Individual Loan A with a Repayment Date or Interim Interest Payment Date that arrives on or after the day following the Desired Termination Date, the Costs Increased Lender A shall notify the Agent of the Break Funding Cost by two (2) Business Days prior to the Desired Termination Date. After receiving such notice, the Agent shall notify the Borrower of the same by one (1) Business Day prior to the Desired Termination Date.
- 13.5 In the event that notice under Clause 13.3 is given, the Costs Increased Lender A's Lending Obligation A shall be extinguished, and thereupon this Agreement shall terminate only with respect to the Costs Increased Lender A. In this case, the Borrower shall pay to the Costs Increased Lender A on the Desired Termination Date, in accordance with the provisions of Clause 18, all obligations it owes to the Costs Increased Lender A pursuant to this Agreement. Until the Borrower completes the performance of all obligations it owes to the Costs Increased Lender A under this Agreement, the relevant provisions of this Agreement regarding the performance of such obligations shall remain in full force and effect with respect to the Costs Increased Lender A. Further, in this case, the Commitment Ratio A of the Lenders A other than the Costs Increased Lender A shall be modified as follows:
- (i) The Total Commitment Amount A will be modified to an amount calculated as the Total Commitment Amount A before modification less the Commitment Amount A of such Costs Increased Lender A.

- (ii) The Commitment Ratio A of the Lenders A other than the Costs Increased Lender A shall be modified to the ratio of the loan amount of each Lender A to the Total Commitment Amount A after the modification under the immediately preceding Item (i).

14. **PREPAYMENT**

- 14.1 The Borrower may not prepay all or any part of the principal of the Loan A before its Due Date (a "Prepayment"). Provided, however, that this shall not apply if the Prepayment is made pursuant to Clause 13 or Clause 34, or if the Borrower, in accordance with the procedures set forth below, obtains the prior written approval of all of the Lenders A who made the Individual Loan A in respect of which the Borrower gives notice of its desire to make a Prepayment (the "Relevant Prepayment Lenders A"), and the Agent.
- 14.2 If the Borrower desires to make a Prepayment, the Borrower shall give a written notice to the Agent no later than ten (10) Business Days prior to the date the Borrower desires to make the Prepayment (the "Desired Prepayment Date"), stating (a) the Drawdown Date, the Repayment Date and the principal amount of the Individual Loan A for which the Borrower desires to make a Prepayment, (b) the principal amount for which the Borrower desires to make a Prepayment (not less than 100 million yen, and in increments of 100 million yen), (c) that the Borrower will pay in full on the Desired Prepayment Date, the interest on the principal amount for which the Borrower desires to make a Prepayment that has accrued by the Desired Prepayment Date (inclusive) (the "Accrued Interest"), and (d) the Desired Prepayment Date. The Agent shall notify the Relevant Prepayment Lenders A of items (a) through (d) of this Clause 14.2 by the Business Day immediately following the day the Agent receives notice from the Borrower, whereupon the Relevant Prepayment Lenders A shall notify the Agent no later than five (5) Business Days prior to the Desired Prepayment Date of whether or not they approve such Prepayment. If such notice by any of the Relevant Prepayment Lenders A does not reach the Agent by five (5) Business Days prior to the Desired Prepayment Date, it shall be deemed that the Relevant Prepayment Lenders A did not approve such Prepayment. The Agent shall judge the acceptability of the Prepayment by four (4) Business Days prior to the Desired Prepayment Date, and notify the result to the Borrower and the Relevant Prepayment Lenders A.
- 14.3 The Relevant Prepayment Lenders A who approve the Prepayment in accordance with Clause 14.2 shall notify the Agent of the Break Funding Cost no later than 5 p.m. on two (2) Business Days prior to the Desired Prepayment Date. After receiving such notice, the Agent shall notify the Borrower of the same no later than one (1) Business Day prior to the Desired Prepayment Date. The Borrower shall pay on the Desired Prepayment Date to the Relevant Prepayment Lenders A who approve the Prepayment, in accordance with Clause 18, the total of the principal, the Accrued Interest and the Break Funding Cost in respect of the Loan A subject to such Prepayment.
- 14.4 If it is found that (i) the Fixed Trust Property Value as of each Regular Collection Calculation Date cannot be maintained at an amount that is not less than 101% of the Total Outstanding Balance A, or (ii) the Fixed Trust Property Value as of each Extraordinary Collection Calculation Date cannot be maintained at an amount that is

not less than the Total Outstanding Balance A, the Borrower shall make the Prepayment in accordance with the following procedures, no later than three (3) Business Days after the date such fact is found (if such fact is found at or after 11 a.m. on the Business Day immediately preceding the Drawdown Date to the Drawdown Date, including the Business Day immediately preceding the Drawdown Date; the “Discovery Date” in this Clause 14.4), with respect to all of the Loan Receivables A or a part sufficient to satisfy the Trust Property Maintenance Standards. Provided, however, that this shall not apply if the Borrower additionally entrusts the Trustee with monies sufficient to satisfy the Trust Property Maintenance Standards in accordance with the provisions of the Accounts Receivables Trust Agreement during the Business Day immediately following the Discovery Date, upon notifying the Trustee and the Agent of its intent to entrust additional funds (by submitting an Application for Additional Entrustment of Funds) no later than 11 a.m. on the Business Day immediately following the Discovery Date.

- (i) The Borrower shall notify the Agent of the principal amount subject to the Prepayment no later than 11 a.m. on the Business Day immediately following the Discovery Date (if it discovers such fact).
- (ii) The Agent shall notify the Relevant Prepayment Lenders A and the Borrower by the Business Day immediately following the Discovery Date, of (a) the principal amount subject to the Prepayment, (b) the interest on the principal amount subject to the Prepayment that has accrued by the date (inclusive) the Prepayment will be made (the “Accrued Interest”), and (c) the date the Prepayment will be made.
- (iii) Each of the Relevant Prepayment Lenders A receiving the notice pursuant to the preceding Item (i) shall notify the Agent of the Break Funding Cost in relation to such Relevant Prepayment Lender A no later than 12 p.m. on one (1) Business Day prior to the date the Prepayment will be made, and after receiving such notice, the Agent shall notify the Borrower of the same no later than one (1) Business Day prior to the date the Prepayment will be made.
- (iv) The Borrower shall pay the total amount of the principal of the Loan A subject to Prepayment, and the Accrued Interest and Break Funding Costs thereon on the third (3rd) Business Day after the Discovery Date, in accordance with the provisions of Clause 18.

- 14.5 The Borrower shall, in making the Prepayment of any parts of the Loan Receivables A pursuant to Clause 14.4, first repay the Loan Receivables A in relation to the Individual Loan A of which the Drawdown Date arrives last, in the whole or any part thereof in an amount not less than 100 million yen and in increments of 100 million yen sufficient to satisfy the Trust Property Maintenance Standards, and if the repayment of all of the Loan Receivables A in relation to the Individual Loan A of which the Drawdown Date arrives last is still not sufficient to satisfy the Trust Property Maintenance Standards, then the Borrower shall repay the Loan Receivables A in relation to the Individual Loan A of which the Drawdown Date arrives the next latest, in the whole or any part thereof in an amount not less than 100 million yen and in increments of 100 million yen sufficient to satisfy the Trust Property Maintenance Standards, and the same shall apply thereafter.

15. **DEFAULT INTEREST**

- 15.1 If the Borrower defaults in the performance of its obligations under this Agreement owing to a Lender A or the Agent, the Borrower shall, immediately upon the Agent's request and in accordance with Clause 18, for the period commencing on the Due Date (inclusive) of such defaulted obligation (the "Defaulted Obligations") and ending on the day (inclusive) the Borrower performs all Defaulted Obligations, pay default interest calculated by multiplying the amount of the Defaulted Obligations by the higher of either (to the extent permitted by Laws and Ordinances) (i) the rate obtained by adding the rate of 2% per annum to the reasonable cost (calculated at the interest rate that the creditor reasonably decides upon) incurred by the creditor of the Defaulted Obligations for raising the amount in default, or (ii) the rate of 14% per annum.
- 15.2 The calculation method for default interest under Clause 15.1 shall be on a per diem basis in accordance with the actual number of days from the Due Time (inclusive) of such obligations to the date (inclusive) such obligations are repaid, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

16. **AGENCY FEE**

The Borrower shall pay the Agency Fee to the Agent as separately agreed between the Borrower and the Agent, as consideration for the performance of the Agent Services.

17. **EXPENSES; TAXES AND PUBLIC CHARGES**

- 17.1 All expenses (including attorney's fees) incurred in connection with the preparation and any revision or amendment of this Agreement, and all expenses (including attorney's fees) incurred in relation to the maintenance and enforcement of the rights or the performance of the obligations by the Lender A and the Agent pursuant to this Agreement shall be borne by the Borrower to the extent permitted by Laws and Ordinances. If any Lender A or the Agent pays these expenses in the place of the Borrower, the Borrower shall, immediately upon the Agent's request, pay the same in accordance with the provisions of Clause 18.
- 17.2 All stamp duties and any other similar Taxes and Public Charges incurred in relation to the preparation, amendment and enforcement of this Agreement and any documents related hereto shall be borne by the Borrower. If any Lender A or the Agent pays these Taxes and Public Charges in the place of the Borrower, the Borrower shall, immediately upon the Agent's request, pay the same in accordance with the provisions of Clause 18.

18. **PERFORMANCE OF BORROWER'S OBLIGATIONS**

- 18.1 In order to repay the obligations under this Agreement, the Borrower shall remit the relevant amount to the Agent's Account (i) by the Due Time, for those obligations with a Due Date provided for herein, or (ii) immediately upon the Agent's request, for those obligations with a Due Date not provided for herein. In such cases, the Borrower's

obligations to the Agent or a Lender A shall be deemed to have been performed upon the time of the remittance of the relevant amount to the Agent's Account. Provided, however, that if the Refinancing Loan A is made in accordance with Clause 7.1(i), the Due Time for the principal of the Outstanding Individual Loan A Money in relation to the Refinanced Loan A shall be postponed to the time that the Refinancing Loan A is deemed to have been made pursuant to Clause 7.1(i), and the payment obligation for the principal of the Individual Loan A in relation to the Refinanced Loan A shall be deemed to have been performed upon the time that such Refinancing Loan A is made pursuant to Clause 7.1(i).

- 18.2 Unless otherwise provided for in this Agreement, a payment by the Borrower directly to a Lender A other than the Agent contrary to the provisions of Clause 18.1 of amounts owing under this Agreement shall not be deemed to constitute the due performance of obligations under this Agreement. In this case, the Lender A receiving such payment shall immediately pay the money it receives to the Agent, and the obligations with respect to such money shall be deemed to have been performed upon the Agent's receipt of such money. Provided, however, that in the case that the Borrower, upon giving prior written notice to the Agent, disposes (*nin-i-baikyaku*) of the assets subject to floating security interest (*ne-tanpoken*) (other than the floating pledge pursuant to the Floating Pledge Agreement) that have been granted in favor of a Lender A as the secured party of the floating security interest, and directly pays to that Lender A the proceeds it receives from such disposal in order to perform its obligations under this Agreement, such direct payment shall be considered to constitute the due performance of obligations under this Agreement. The Borrower may not perform its obligations under this Agreement by deed-in-lieu of performance (*daibutsu bensai*) unless the Agent and All Lenders A give their prior written approval.
- 18.3 The Borrower's payments pursuant to this Clause 18 shall be appropriated in the order set forth below; provided, however, that the provisions of Clause 19.4 shall apply if any obligation of the Borrower becomes immediately due and payable pursuant to Clause 24:
- (i) those expenses to be borne by the Borrower under this Agreement that the Agent has incurred in the place of the Borrower, and the Agency Fee;
 - (ii) those expenses to be borne by the Borrower under this Agreement that are payable to a third party;
 - (iii) those expenses to be borne by the Borrower under this Agreement that any Lender A has incurred in place of the Borrower;
 - (iv) the default interest and the Break Funding Cost in relation to the Loan A;
 - (v) the Commitment Fee A;
 - (vi) the interest on the Loan A; and
 - (vii) the principal of the Loan A.
- 18.4 If, in appropriating the Borrower's payments under Clause 18.3, the amount to be

appropriated falls short of the amount outlined in any of the items thereunder, with respect to the first item not fully covered (the “Item Not Fully Covered”), the amount remaining after appropriation to the item of the next highest order of priority shall be appropriated after prorating such remaining amount in proportion to the amount of the individual payment obligations owed by the Borrower regarding the Item Not Fully Covered that have become due and payable.

- 18.5 Unless otherwise required by Laws and Ordinances, the Borrower shall not deduct Taxes and Public Charges from the amount of obligations to be paid pursuant to this Agreement. If it is necessary to deduct Taxes and Public Charges from the amount payable by the Borrower, the Borrower shall additionally pay the amount necessary in order for the Lender A to be able to receive the amount that it would receive if no Taxes and Public Charges were imposed. In such cases, the Borrower shall, within thirty (30) days from the date of payment, directly send to the Lender A the certificate of tax payment in relation to withholding taxes issued by the tax authorities or other competent governmental authorities in Japan.
19. **DISTRIBUTION TO LENDERS A**
- 19.1 If any amounts remain after deducting an amount equivalent to the amounts described in Clause 18.3(i) and Clause 18.3(ii) from the amount paid by the Borrower pursuant to Clause 18, the Agent shall immediately distribute such remaining amount to the Lenders A in accordance with the provisions of this Clause 19. Provided, however, that if such money is paid by the Borrower pursuant to Clause 13.2 or Clause 13.5, notwithstanding the provisions of this Clause 19, the Agent shall promptly distribute such money to the Costs Increased Lender A.
- 19.2 If, prior to distribution by the Agent to the Lenders A pursuant to this Clause 19, (a) an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) in relation to the Loan Receivables A is served on the Borrower, or (b) an assignment in relation to the Loan Receivables A is made, the rights and obligations of the Borrower, the Agent and the Lenders A shall be regulated in accordance with the following provisions:
- (a) (i) If the Agent completes the distribution to the Lenders A pursuant to this Clause 19 before receiving notice from the Borrower pursuant to Clause 21.4 that the Borrower has been served an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to the Loan Receivables A:
- In this case, if the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*), the Borrower, the Lenders A or any other third party incurs damages, losses or expenses (the “Damages”) as a result of such distribution, the Agent shall not be liable in relation thereto, and the Borrower shall deal with the Damages at its own cost and liability. The Borrower shall compensate the Agent for any Damages incurred by the Agent due to such distribution.
- (ii) If the Agent receives notice from the Borrower pursuant to Clause 21.4 that it

has been served an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) on or after the remittance to the Agent's Account by the Borrower and before completion of the distribution to the Lenders A pursuant to this Clause 19, with respect to the Loan Receivables A in relation to such distribution:

In this case, (1) with respect to the money relating to such notice, the Agent may withhold the distributions pursuant to this Clause 19, and may take other measures in a manner that the Agent deems reasonable; and (2) the Agent shall distribute to All Lenders A other than the Lender A subject to such notice the money paid by the Borrower excluding that which is subject to such notice. If the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*), the Borrower, the Lenders A or any other third party incurs any Damages as a result of the distribution by the Agent pursuant to (1) of this Item (ii), the Agent shall not be liable in relation thereto, and the Borrower shall deal with such Damages at its own cost and liability. The Borrower shall compensate the Agent for any Damages incurred by the Agent due to such distribution.

- (b) If the Assignor and the Assignee, under joint names, or if the Borrower, under its single name, notifies the Agent of an assignment of the Loan Receivables A in accordance with Clause 32.1:

In this case, the Agent shall, after receiving either of these notices, immediately commence all administrative procedures necessary in order to treat such Assignee as the creditor of such Loan Receivables A, and the Agent shall be exempt insofar as the Agent treats the previous Lender A as the party in interest until the Agent notifies the Borrower, the Assignor and the Assignee that such procedures have been completed. If the Assignee or any other third party suffers Damages due to such treatment by the Agent, the Agent shall not be liable in relation thereto, and the Borrower and the Assignor of such Loan Receivables A shall deal with such Damages at their own cost and liability. The Borrower and the Assignor of such Loan Receivables A shall jointly compensate the Agent for any Damages incurred by the Agent arising out of this Item (b).

- 19.3 The distributions by the Agent to the Lenders A shall be made in order, starting from Clause 18.3(iii) to Clause 18.3(vii). If there is an Item Not Fully Covered regarding the amounts to be distributed, the appropriation and distribution with respect to such Item Not Fully Covered shall be made in accordance with the provisions of Clause 18.4.
- 19.4 Notwithstanding Clause 18.3, Clause 18.4 and Clause 19.3, if the Borrower's obligations hereunder become immediately due and payable pursuant to Clause 24, the Agent shall distribute the amount remaining after deducting the amounts described under Clause 18.3(i) and Clause 18.3(ii) from the amount paid by the Borrower, in proportion to the amount of the obligations that the Borrower owes to the Lenders A under this Agreement, in which case such remaining amount shall be appropriated in the order and method that the Agent deems appropriate.

- 19.5 If the remittance of money by the Borrower provided for in Clause 18.1 fails to be completed by the Due Time, the Agent shall be under no obligation to make the distributions set forth in Clause 19.1 on the same date. In such cases, the Agent shall make such distributions immediately after receiving the remittance from the Borrower, and the Borrower shall bear any damages, losses and expenses incurred by the Lender A or the Agent in connection therewith.
- 19.6 Upon request from the Agent, and if there are reasonable grounds for such request, the Lenders A receiving such request shall immediately notify the Agent of the amount (including specifics) of the receivables they hold against the Borrower under this Agreement. In this case, the obligation of the Agent to make distributions set forth in Clause 19.1 shall arise at the time all such notices reach the Agent. In the case where a Lender A delays this notice without reasonable cause, such Lender A shall bear all damages, losses or expenses incurred by any Lender A or the Agent due to such delay.
- 19.7 The Agent may, before the Due Time of any of the Borrower's obligations, make the distributions to Lenders A in relation to such obligation by Temporary Advancement (provided that the Agent shall be under no obligation to make such Temporary Advancement). If the Borrower's obligations in relation to such Temporary Advancement are not repaid by the Due Time in accordance with Clause 18, the Lender A who received the distribution pursuant to this Clause 19.7 shall, immediately upon the Agent's request, reimburse to the Agent for the amount of such Temporary Advancement that it received. The Lender A shall, immediately upon the Agent's request, pay to the Agent any Temporary Advancement Costs required in making such Temporary Advancement, corresponding to the amount of Temporary Advancement that it received.

20. **BORROWER'S REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to a Lender A and the Agent that each of the following matters is true and correct as of the Execution Date and the Drawdown Date. If any of the matters set forth under each of the following items is found to be untrue, the Borrower shall fully indemnify the Lender A and the Agent for all losses and expenses incurred thereby.

- (i) The Borrower is a stock company duly incorporated and validly existing under the laws of Japan.
- (ii) The Borrower has full legal competence necessary for the execution and performance of the Relevant Agreements, the execution and performance of the Relevant Agreements by the Borrower and any transactions associated therewith are within the corporate purposes of the Borrower and the Borrower has duly completed all procedures necessary therefor under Laws and Ordinances, the Articles of Incorporation and other internal company rules of the Borrower.
- (iii) The execution and performance of the Relevant Agreements by the Borrower and any transactions associated therewith will not result in (a) any violation of Laws and Ordinances that bind the Borrower, (b) any breach of the Articles

of Incorporation or other internal company rules of the Borrower, or (c) any breach in any material respect of a third-party contract to which the Borrower is a party or which binds the Borrower or the assets of the Borrower.

- (iv) The person who signs or attaches his or her name and seal to the Relevant Agreements is authorised to sign or attach his or her name and seal to the Relevant Agreements as the representative of the Borrower by all procedures necessary pursuant to Laws and Ordinances, the Articles of Incorporation and other internal company rules of the Borrower.
- (v) The Relevant Agreements constitute legal, valid and binding obligations of the Borrower, and are enforceable against the Borrower in accordance with the terms thereof.
- (vi) The Relevant Agreements (other than this Agreement) are validly formed and exist with the same content as the agreements disclosed to the Agent.
- (vii) All Reports prepared by the Borrower are accurately and duly prepared in accordance with generally accepted accounting standards in Japan.
- (viii) After the last day of the fiscal year ended in December 2004, there has been no material change that will cause a significant deterioration of the business, assets, or financial condition of the Borrower described in the audited fiscal statement of that fiscal year or that may materially affect the performance of the obligations of the Borrower under the Relevant Agreements.
- (ix) No lawsuit, arbitration, administrative procedure, or any other dispute has commenced, or is likely to commence to the best knowledge of the Borrower, with respect to the Borrower, that will or may materially cause adverse effects on the performance of its obligations under the Relevant Agreements.
- (x) No event described in the items of Clauses 24.1 and 24.2 has occurred or is likely to occur.
- (xi) FUJITSU LIMITED owns 100% of the equity contributions to FMH, FMH's equity contributions to Spansion LLC will not fall below 40%, and Spansion LLC owns 100% of the equity contributions to the Borrower.
- (xii) The Borrower has not offered any security other than that described in Schedule 2.
- (xiii) The assets required for the continuation of the Borrower's business have been offered as security to FUJITSU LIMITED as described in Schedule 2.
- (xiv) Except for the Accounts Receivables Trust Agreement, the Borrower has not entered into with a Lender or any third party any agreement creating a security interest on or assigning all of the accounts receivables either currently held by the Borrower against FUJITSU LIMITED or that will accrue in the future before the termination date of the Accounts Receivables Trust Agreement.

21. BORROWER'S COVENANTS

- 21.1 The Borrower covenants to perform, at its expense, the matters described in each of the following items on and after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender A and the Agent.
- (i) If any event (including any acceleration event arising from a failure to cure a breach within the relevant curing period) described in each item of Clause 24.1 or 24.2 has occurred whether in respect of obligations hereunder or otherwise, or is likely to occur, the Borrower will immediately notify the Agent and All Lenders A in writing thereof.
 - (ii) The Borrower will submit a copy of the unaudited Reports to All Lenders A through the Agent, within sixty (60) days from the end of the first fiscal quarter, second fiscal quarter and third fiscal quarter, respectively.
 - (iii) The Borrower will submit a copy of the audited Reports to All Lenders A through the Agent, within one hundred and five (105) days from the end of the fiscal year.
 - (iv) The Borrower will submit to the Agent the documents prescribed by the Agent, in the number of copies designated by the Agent, that can confirm Borrower's compliance with matters described in Clause 22 and Clause 23 below, within one hundred and five (105) days from the end of the prescribed fiscal year, and within sixty (60) days from the end of each six-month (mid-year) period and the end of each fiscal quarter, respectively.
 - (v) The Borrower will submit a copy of the unaudited Reports of Spansion LLC to All Lenders A through the Agent, within sixty (60) days from the end of the first fiscal quarter, second fiscal quarter and third fiscal quarter of Spansion LLC, respectively.
 - (vi) The Borrower will submit a copy of the audited Reports of Spansion LLC to All Lenders A through the Agent, within one hundred and five (105) days from the end of the fiscal year of Spansion LLC.
 - (vii) Upon request by the Agent or a Lender A through the Agent, the Borrower will immediately notify the Agent in writing of the condition of the assets, management, or businesses of the Borrower, its Subsidiaries and Spansion LLC, and shall provide any assistance necessary to facilitate investigations thereof.
 - (viii) If any material change has occurred, or is found to be likely to occur with the passage of time, to the condition of the assets, management, or businesses of the Borrower and its Affiliates, or if any lawsuit, arbitration, administrative procedure, or any other dispute that will materially affect, or is likely to materially affect, the performance of the obligations of the Borrower under this Agreement has commenced, or is found to be likely to commence, the

Borrower will immediately notify All Lenders A through the Agent in writing thereof.

- (ix) If any change has occurred to the Status of the Establishment of the Collateral described in Schedule 2, the Borrower will immediately notify the Agent in writing thereof.
 - (x) If any of the items described in Clause 20 is found to be untrue, the Borrower will immediately notify the Agent in writing thereof.
- 21.2 The Borrower shall not offer any security other than that which is pursuant to the Relevant Agreements to secure its obligations under this Agreement for the benefit of certain Lenders A on or after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender A and the Agent.
- 21.3 The Borrower shall, on and after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender A and the Agent, affirmatively covenant to comply with the following matters. Upon applying Items (iv) and (v) below, any action taken by the Borrower or any of its Subsidiaries and any event arising at any time that is not during an Enhanced Covenant Period and would not constitute a breach under this Agreement to the extent that such action or event is taken or occurs at such time, shall not constitute a breach during any subsequent Enhanced Covenant Period of the applicable covenant during such Enhanced Covenant Period, even if such action or event would be in violation of such covenant, had such action been taken by the Borrower or any of its Subsidiaries or such event occurred during such Enhanced Covenant Period.
- (i) The Borrower will maintain licenses and other similar permits that are necessary to conduct the Borrower's main business, and continue to carry out the business in compliance with all Laws and Ordinances.
 - (ii) The Borrower will not change its main business.
 - (iii) The Borrower will not, unless otherwise specified in Laws and Ordinances, subordinate the payment of any of its debts under this Agreement to the payment of any unsecured debts (including any secured debts that will not be fully collected after a foreclosure sale of the security), but will at least give its debts under this Agreement equal priority.
 - (iv) Neither the Borrower nor its Subsidiaries will, during the Enhanced Covenant Period, enter into any merger, reorganization or consolidation, or transfer, lease or otherwise dispose of all or any part of their assets, or enter into any agreement concerning such transactions; provided, however, that even if any of the foregoing occur during the Enhanced Covenant Period, the Borrower or its Subsidiaries may conduct such transactions if they constitute (a) a sale or other disposition of the Inventory in the ordinary course of their business; (b) a transfer or other disposition in the ordinary course of business of assets that have become obsolete, damaged or no longer useable in operation; (c) an

Investment by the Borrower or any of its Subsidiaries in the Borrower or any of its Subsidiaries (except for cases where the aggregate amount of such Investment made by the Borrower or any of its Japanese Subsidiaries on and after the Execution Date exceeds three billion (3,000,000,000) yen); (d) a case where the aggregate book value of assets transferred by the Borrower and its Subsidiaries on and after the Execution Date is less than six billion (6,000,000,000) yen; (e) a merger or consolidation between the Borrower and any of its Subsidiaries or among the Borrower's Subsidiaries (provided that, with respect to any such transaction to which the Borrower is a party, to the extent that the Borrower shall be the continuing or surviving entity); (f) a disposition of the Inventory between the Borrower and its Subsidiaries or among the Borrower's Subsidiaries, on terms no less favorable to the Borrower and its Subsidiaries than would be obtained in a similar arm's length transaction with a third party who is not an Affiliate; or (g) any transaction set forth in Item (v) below. Notwithstanding the foregoing or whether such transaction takes place during the Enhanced Covenant Period, except as permitted under the preceding Item (f), the Borrower will not, without the consent of the Majority Lenders A, (1) enter into any consolidation or merger, or transfer, lease or otherwise dispose of all or substantially all of its assets or business, or (2) remove any equipment from the Aizu Facility or transfer or otherwise dispose of the Aizu Facility, in a manner that may substantially affect the Borrower's repayment of its obligations under this Agreement.

- (v) The Borrower and its Subsidiaries will not, to the extent that any obligation under this Agreement or agreements (other than this Agreement) entered into between the Borrower and a third party would not become immediately due and payable as a result, declare any dividend other than those to be declared after the end of each fiscal quarter, or redeem, repurchase, retire or otherwise acquire the capital stock of the Borrower or its Subsidiaries or any option for such capital stock (the "Distribution"), or, during the Enhanced Covenant Period, (a) make any Distribution (except (1) Distribution to the Borrower by any of its Subsidiaries, (2) Distribution to the Borrower or any of its direct or indirect wholly-owned Subsidiaries by any of the Borrower's direct or indirect wholly-owned Subsidiaries or (3) redemption, repurchase, retirement or other acquisitions of equity interests of the Borrower in exchange for other equity interests of the Borrower or out of the proceeds of a substantially concurrent transfer (other than to its Subsidiaries) of other equity interests of the Borrower, in the conversion of the Borrower's equity interests and other equity interests), or (b) make any change in the Borrower's capital structure (including capital reduction) that may substantially affect the Borrower's repayment of its obligations under this Agreement.
- (vi) The Borrower will not change its accounting standards to accounting standards that are not generally accepted in Japan.
- (vii) The Borrower and its Subsidiaries will not obtain any loans from a third party (other than those pursuant to the Loan Agreement B) or provide a guarantee or provide any loans to a third party, that may substantially affect the Borrower's repayment of the Borrower's obligations under this Agreement.

- (viii) The Borrower and its Subsidiaries will not enter into any transaction that may substantially affect the Borrower's repayment of its obligations under this Agreement.
- 21.4 If the Borrower is served an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) with respect to the Loan Receivables A, the Borrower shall immediately notify All Lenders A through the Agent in writing, together with a copy of such order.
- 21.5 The Borrower shall perform its obligations concerning the Accounts Receivables Trust Agreement and the Floating Pledge Agreement in accordance with the provisions thereof and the Agent's instructions. Such obligations include the following matters:
- (i) The Borrower shall make the Settlor's Regular Report to the Trustee by each Settlor's Regular Report Deadline.
 - (ii) If any of the matters described in the Settlor's Regular Report is found to be mistaken the Borrower shall immediately make the Settlor's Extraordinary Report, except in cases where it is evident that even if the correct Fixed Trust Receivables Amount (Goods' Value Equivalent) and the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) were used, (1) the Fixed Trust Property Value would equal or exceed the Total Outstanding Balance A at the time such mistake is found, and (2) the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) would equal or exceed 120% of the amount calculated as the Total Outstanding Balance at the time such mistake is found, less the Fixed Trust Property Value.
 - (iii) The Borrower shall obtain approval from FUJITSU LIMITED with respect to the trust assignment to the Trustee of the accounts receivables, in the form of a document bearing a certified date (*kakutei-hizuke*).
- 21.6 The Borrower shall not amend or revise the Relevant Agreements or the Purchase and Sale Agreement, without the approval of the Lender A, and shall not cause any event to occur that will cause the termination of the Relevant Agreements.

22. **RESTRICTIONS ON COLLATERAL**

The Borrower shall not offer any security to secure its obligations or any third party's obligations (other than those under this Agreement) on or after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender A and the Agent, unless the Majority Lenders A and the Agent give prior written consent therefor. Provided, however, that this provision shall not apply in the cases described below and if the Borrower gives prior written notice to the Agent of such offering of security. For the purpose of this Clause 22, offering security shall mean creating security interests on any assets of the Borrower, promising in advance to create security interests on any specific assets of the Borrower, or promising not to offer any specific assets of the Borrower as security for obligations other than specific obligations, and does not include any security pursuant to Laws and Ordinances, such as liens or possessory liens.

- (i) Cases where the Borrower offers security for loans from the Japan Bank for International Cooperation, the Development Bank of Japan, the Government Pension Investment Fund, the Employment and Human Resources Development Organization of Japan or other similar institutions, and such offer of security is required by Laws and Ordinances.
- (ii) Cases where the Borrower offers, regarding loans obtained for the purpose of acquiring assets, such assets as security.
- (iii) Cases where the Borrower newly acquires assets on which security interests have already been established.
- (iv) Cases where the Borrower offers security in its financing activities through the securitization of assets (or so-called liquidation of assets (*shisan-no-ryudoka*) under Japanese law).
- (v) Cases where the Borrower offers any security to FUJITSU LIMITED.

23. **FINANCIAL RESTRICTIONS**

The Borrower shall, on and after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender A and the Agent, affirmatively covenant to comply with the following matters:

- (i) The Borrower will ensure its liabilities do not exceed its assets in its stand-alone basis balance sheets as of the close of each fiscal year and six-month (mid-year) period.
- (ii) The Borrower will maintain the Adjusted Tangible Net Worth at an amount not less than sixty billion (60,000,000,000) yen as of the last day of each fiscal quarter.
- (iii) The Borrower will maintain its total net income and depreciation at an amount not less than the amount set forth below as of the last day of each fiscal period set forth below:

Fiscal year 2005	21,125 million yen
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- (iv) The Borrower shall not cause, as of the last day of each period set forth below, the ratio of (a) the net income plus depreciation to (b) the sum of interest expenses, the amount of scheduled repayments of borrowings including Lease rentals, and maintenance capital expenditures for the Aizu Facility, for such period, to be less than the following percentages. Maintenance capital expenditures do not include capital expenditures for new facilities to enhance capacity, but instead are limited to the capital expenditures necessary to maintain and operate the existing facilities.

<u>Period</u>	<u>Percentage</u>
Third - fourth fiscal quarter 2005	120%

24. **ACCELERATION**

- 24.1 If any of the events described in the items below occurs with respect to the Borrower, all of the Borrower's debts under this Agreement payable to All Lenders A and the Agent shall automatically become due and payable without further notice or demand by any Lender A or the Agent, and the Borrower shall immediately pay the principal of the Loan A, and the interest and Break Funding Costs and any other payment obligation that the Borrower owes pursuant to this Agreement in accordance with the provisions of Clause 18, whereby All Lenders A's Lending Obligations A shall cease to be effective:
- (i) If any payment by the Borrower is suspended, or if a petition (including a similar petition filed outside Japan) of specific conciliation (*tokutei-chotei*), commencement of bankruptcy procedures (*hasantetuzuki-kaishi*), commencement of civil rehabilitation procedures (*minjisaiseituzuki-kaishi*), commencement of corporate reorganization procedures (*kaishakoseituzuki-kaishi*), commencement of corporate rearrangement (*kaishaseiri-kaishi*), commencement of special liquidation (*tokubetuseisan-kaishi*), or commencement of any other similar legal procedures is filed by or against the Borrower;
 - (ii) If a resolution for dissolution is adopted or the Borrower receives an order of dissolution;
 - (iii) If the Borrower abolishes its business;
 - (iv) If any transaction of the Borrower is suspended by a clearinghouse; or
 - (v) If any order or notice of provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) (including any similar procedure taken outside Japan) is issued, or any adjudication ordering the enforcement of a preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) is rendered, with respect to the deposit receivables or other receivables (including the various insurance claim receivables under insurance contracts) held by the Borrower against a Lender A. In this case, such Lender A shall immediately notify the Borrower, all other Lenders A, and the Agent of the occurrence of such event.
 - (vi) If the Borrower's obligations under the Loan Agreement B become immediately due and payable.
- 24.2 If any of the events described in the items below occurs with respect to the Borrower, all of the Borrower's debts under this Agreement payable to All Lenders A and the Agent shall become due and payable upon notice to the Borrower from the Agent, after a request by the Majority Lenders A, and the Borrower shall immediately pay the principal of the Loan A, and the interest and Break Funding Costs and any other payment obligation that the Borrower owes pursuant to this Agreement in accordance

with the provisions of Clause 18, whereby All Lenders A's Lending Obligations A shall cease to be effective:

- (i) If the Borrower defaults in its payment of all or a part of its obligations that have become due, and are payable to a Lender A or the Agent, whether under this Agreement or not;
- (ii) If any matters described in the items of Clause 20 is found to be untrue;
- (iii) Except for the cases described in the preceding two items, if the Borrower breaches any of its obligations under this Agreement, and such breach is not cured for five (5) or more Business Days therefrom; provided, however, that this shall not apply to any breach of obligations under Clause 21.3(i) that is not considered to substantially affect the Borrower's repayment of its obligations under this Agreement;
- (iv) If any order or notice of attachment (*sashiosae*), provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or provisional disposition (*kari-shobun*) (including any similar procedure taken outside Japan) is issued or auction procedures (*keibaitetuzuki*) commence with respect to any collateral offered by the Borrower to a Lender A;
- (v) If any of the Borrower's debts other than those under this Agreement (except for those under the Loan Agreement B) becomes immediately due and payable; or if any of the Borrower's guaranty obligations for the benefit of a third party becomes due and payable, and the Borrower is unable to perform such obligations; provided, however, that such debts exceed two hundred million (200,000,000) yen in total at the time of acceleration or impossibility of performance;
- (vi) If the Borrower suspends or resolves to abolish its business or is subject to a disposition such as a suspension of business by competent government authorities;
- (vii) If it is found that (1) the Fixed Trust Property Value as of each Regular Collection Calculation Date cannot be maintained at an amount that is not less than 101% of the Total Outstanding Balance A, or (2) the Fixed Trust Property Value as of each Extraordinary Collection Calculation Date cannot be maintained at an amount that is not less than the Total Outstanding Balance A, and such event remains unresolved after three (3) Business Days from the date such event is found, respectively;
- (viii) (ix) If the Borrower breaches any of its obligations under the Accounts Receivables Trust Agreement or the Floating Pledge Agreement, and such breach is not cured for five (5) or more Business Days therefrom;
- (ix) (x) If any of the events under (a) through (l) below occurs with respect to FUJITSU LIMITED:
 - (a) If any payment by FUJITSU LIMITED is suspended, or if a petition

(including similar petition filed outside Japan) of specific conciliation (*tokutei-chotei*), commencement of bankruptcy procedures (*hasantetuzuki-kaishi*), commencement of civil rehabilitation procedures (*minjisaiseituzuki-kaishi*), commencement of corporate reorganization procedures (*kaishakoseituzuki-kaishi*), commencement of corporate rearrangement (*kaishaseiri-kaishi*), commencement of special liquidation (*tokubetuseisan-kaishi*), or commencement of any other similar legal procedures is filed by or against FUJITSU LIMITED;

- (b) If a resolution for dissolution is adopted or FUJITSU LIMITED receives an order of dissolution;
- (c) If FUJITSU LIMITED suspends or abolishes its business or is subject to a disposition such as a suspension of business by competent government authorities;
- (d) If any check or note issued by FUJITSU LIMITED is dishonored;
- (e) If an application is made for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), attachment (*sashiosae*), provisional disposition (*kari-shobun*) compulsory execution or auction (*keibai*) with respect to any property held by FUJITSU LIMITED;
- (f) If FUJITSU LIMITED is subject to a demand or a disposition to collect tax delinquencies due to its nonpayment of taxes;
- (g) If FUJITSU LIMITED defaults in its payment of all or a part of obligations that have become due under the Purchase and Sale Related Agreements;
- (h) If FUJITSU LIMITED breaches any of its obligations under the Purchase and Sale Related Agreements;
- (i) If any event for termination or acceleration under the Purchase and Sale Related Agreements occurs;
- (j) If FUJITSU LIMITED fails, without justifiable reason, to perform any of its monetary obligations (only those amounting to one billion (1,000,000,000) yen or more) other than the obligations under the Purchase and Sale Related Agreements within five (5) Business Days after receiving notice requesting performance thereof;
- (k) If FUJITSU LIMITED is not in compliance with the ordinary credit standards adopted by the Settlor; or
- (l) If any other event acknowledged by the Trustee to affect the preservation of Trust Receivables occurs.

- (x) Notwithstanding any matters described in the foregoing items, if the business or financial condition of the Borrower deteriorates, or may deteriorate, and there are reasonable grounds to believe it is necessary to accelerate all of the Borrower's debts to preserve the receivables;
- 24.3 If a notice dispatched pursuant to Clause 24.2 is delayed or is not delivered to the Borrower due to fault of the Borrower, all of the Borrower's debts under this Agreement shall become due and payable at the time such request or notice should have been delivered, and the Borrower shall immediately pay the principal of the Loan A, and the interest and Break Funding Costs and any other payment obligations that the Borrower owes pursuant to this Agreement, in accordance with the provisions of Clause 18, whereby All Lenders A's Lending Obligations A shall cease to be effective.
- 24.4 If a Lender A becomes aware of the occurrence of any events described in the items of Clauses 24.1 or 24.2 with respect to the Borrower, the Lender A shall immediately notify the Agent of such occurrence, and the Agent shall notify all other Lenders A of the occurrence of such events.
25. **SET-OFF; EXERCISE OF FLOATING SECURITY**
- 25.1 When the Borrower is required to perform its obligations to a Lender A upon the due date thereof, acceleration or otherwise, (a) the Lender A may set off the receivables it has against the Borrower under this Agreement against its deposit obligations or other obligations (including the various insurance claim obligations under insurance contracts) it owes to the Borrower, whether or not such obligations are due and payable and regardless of Clause 18.2, and (b) the Lender A may also omit giving prior notice and following established procedures, may obtain the deposited amount on behalf of the Borrower, and may appropriate this amount for the payment of obligations. The interest, Break Funding Cost and default interest and other costs for the receivables and obligations involved in such a set-off or appropriation for payment shall be calculated up to the time of such calculation, and in such calculation, the interest rate and default interest rate shall be in accordance with each agreement, and the foreign exchange rate at the time such calculation is made, as reasonably determined by the Lender A, shall be applied. If the amount to be set-off or appropriated for payment is not sufficient to extinguish all of the Borrower's debts, the Lender A may appropriate such set-off amount in the order and method it deems appropriate, and the Borrower shall not object to such appropriation.
- 25.2 The Borrower may, upon the Due Date of payment of the Loan A and if it is necessary for the Borrower to preserve its deposit receivables or any other receivables (including the various insurance claim receivables under insurance contracts) that it has against a Lender A that have become due, set off such receivables against the obligations it owes to the Lender A under this Agreement, regardless of Clause 18.2. In this case, the Borrower shall give a written set-off notice to the Lender A and immediately submit to the Lender A the receivables certificates for the deposit receivables or other receivables being set-off and the passbook impressed with the seal of the seal impression submitted. The interest and default interest for the receivables and obligations involved in such set-off shall be calculated up to the day of receipt of such set-off notice, and in such calculation, the interest rate and default interest rate shall be calculated in accordance with each agreement, and the foreign exchange rate at the

time such calculation is made, as reasonably determined by the Lender A, shall be applied. If the Borrower's receivables to be set-off are not sufficient to extinguish all of its debts, the Borrower may appropriate such set-off amount in the order and method it deems appropriate. Provided, however, that if the Borrower does not instruct such order or method, any such amounts may be appropriated in the order and method deemed appropriate by each Lender A, and the Borrower shall not object to such appropriation.

25.3 When the Borrower is required to perform its obligations to a Lender A upon the due date thereof, acceleration or otherwise, the Lender A may exercise its floating security interest (other than the floating pledge under the Floating Pledge Agreement; the "Exercise of Floating Security") over the receivables against the Borrower under this Agreement, regardless of Clause 18.2.

25.4 If a set-off is performed pursuant to Clause 25.1 or 25.2 above, or if the Exercise of Floating Security is carried out pursuant to Clause 25.3, the Lender A in the case described in Clauses 25.1 and 25.3 and the Borrower in the case described in Clause 25.2 shall immediately notify the Agent of the details thereof in writing. If any damage, loss, or expenses are incurred by the Lender A or the Agent due to delay of such notice without any reasonable cause, either the Lender A or the Borrower, whichever has failed to give such notice, shall bear such damages.

26. **ARRANGEMENTS AMONG LENDERS A**

26.1 If a set-off is performed by a Lender A pursuant to Clause 25.1 (such Lender A, hereafter, the "Set-off Initiating Lender A"), the Lender A shall make arrangements for each Individual Loan A subject to such set-off (such Individual Loan A, in this Clause 26.1, the "Set-off Individual Loan A") by way of assigning receivables pursuant to the following procedures:

- (i) The Agent shall calculate each amount (the "Intended Distribution Amount A") that the Lender A (hereafter in this Clause 26.1, the "Remaining Lender A") who has made the Individual Loan A (other than the Set-off Individual Loan A) (hereafter in this Clause 26.1, the "Remaining Individual Loan A"), would have received pursuant to Clauses 19.1 through 19.4 if the amount of debt obligations in relation to the Set-off Individual Loan A, which has been extinguished due to the performance of a set-off, was paid to the Agent.
- (ii) The Set-off Initiating Lender A shall purchase from the Remaining Lender A the loan receivables in the amount equivalent to the Intended Distribution Amount A from and among the Remaining Individual Loan A at their face value; provided, however, that the Remaining Lender A may refuse such sale.
- (iii) If the assignment under the immediately preceding item is made, the Remaining Lender A shall, at its own expense, notify the Borrower immediately after the assignment by a document bearing a certified date (*kakutei-hizuke*) pursuant to Article 467 of the Civil Code.

26.2 If a set-off is performed by the Borrower against a Lender A pursuant to Clause 25.2 (such Lender A, hereafter, the "Set-off Receiving Lender A"), only if a Set-off

Receiving Lender A or a Lender A other than the Set-off Receiving Lender A requests, the Lender A shall make arrangement for each Individual Loan A subject to the set-off (such Individual Loan A, in this Clause 26.2, the "Set-off Individual Loan A") by way of assigning receivables pursuant to the procedures described in the items below:

- (i) The Agent shall calculate each Intended Distribution Amount A that the Lender A (hereafter in this Clause 26.2, the "Remaining Lender A"), who has made the Individual Loan A (other than the Set-off Individual Loan A) (hereafter in this Clause 26.2, the "Remaining Individual Loan A"), would have received pursuant to Clauses 19.1 through 19.4 if the amount of debt obligations in relation to the Set-off Individual Loan A, which has been extinguished due to the performance of a set-off, was paid to the Agent.
- (ii) The Set-off Receiving Lender A shall purchase from the Remaining Lender A the loan receivables in the amount equivalent to the Intended Distribution Amount A from and among the Remaining Individual Loan A at their face value.
- (iii) If the assignment under the immediately preceding item is made, the Remaining Lender A shall, at its own expense, notify the Borrower immediately after the assignment by a document bearing a certified date (*kakutei-hizuke*) pursuant to Article 467 of the Civil Code.

26.3 If a Lender A carries out an Exercise of Floating Security pursuant to Clause 25.3, or if a Lender A receives any repayment of debt obligations it has against the Borrower under this Agreement with respect to its floating security interest as a result of any compulsory execution or Exercise of Floating Security through a foreclosure by a third party, the assignment of receivables described in Clause 26.1 will not be performed. Provided, however, that if a Lender A carries out an Exercise of Floating Security with respect to the floating security established by the Borrower's violation of the provisions of Clause 21.2, or if a Lender A receives any repayment of debt obligations it has against the Borrower under this Agreement based on such security interest, the Lender A shall assign receivables pursuant to the provisions of Clause 26.1 above.

26.4 The provisions of Clause 26.1 shall apply to cases where a Lender A receives any repayment of debt obligations it has against the Borrower under this Agreement as a result of compulsory execution or exercise of security interests (excluding any security interest offered pursuant to Clause 22) through foreclosure by the Lender A's petition with respect to certain assets of the Borrower (hereafter, in this Clause 26.4, the "Compulsory Execution"), or as a result of the Lender A requesting a distribution in relation to the Compulsory Execution by any third party. Provided, however, that upon applying the provisions of Clause 26.1, the amount equal to any expenses arising from performance of Compulsory Execution (including attorney's fees) or any expenses arising from a request for a distribution in relation to the Compulsory Execution by any third party (including attorney's fees) shall be borne by the Lender A, and the Agent shall calculate the Intended Distribution Amount A assuming that the amount of any proceeds earned as a result of the Compulsory Execution, less such expenses, were paid to the Agent.

27. RIGHTS AND DUTIES OF THE AGENT

- 27.1 The Agent shall, pursuant to the entrustment by All Lenders A, perform the Agent Services A and exercise rights for the benefit of All Lenders A, and shall exercise the rights that, in the Agent's opinion, are ordinarily necessary or appropriate in performing the Agent Services A. The Agent shall not be liable for any duties other than those expressly specified in the provisions of this Agreement, and shall not be liable for any non-performance of obligations by the Lenders A under this Agreement. The Agent shall be an agent of the Lenders A and, unless otherwise provided, shall never act as an agent of the Borrower.
- 27.2 The Agent may rely upon any communication, instrument and document that has been delivered between appropriate persons and has been signed or has the name and seal attached by such appropriate persons and that the Agent believes to be true and correct, and may act in reliance upon any written opinion or explanatory letter of experts appointed by the Agent within the reasonably necessary extent in relation to this Agreement.
- 27.3 The Agent shall perform the duties and exercise the authority provided for in this Agreement with the due care of a good manager.
- 27.4 Neither the Agent nor any of its directors, employees or agents shall be liable to the Lenders A for any acts or omissions conducted by the Agent pursuant to, or in connection with, this Agreement, except for its or their willful misconduct or gross negligence. The Lenders A (other than Lenders A who act as the Agent) shall jointly and severally indemnify the Agent for any and all liabilities, damages, losses and expenses (including, without limitation, any expenses paid to avoid or minimize any damages or losses or to recover any damages or losses (including attorney's fees)) incurred by the Agent in the course of the performance of its duties under this Agreement, to the extent that such liabilities, damages, losses and expenses are not reimbursed by the Borrower, and only for the amount outstanding after deducting the portion for which the Agent is obliged to contribute, calculated pursuant to the Agent's Commitment Ratio A. Provided, however, that if any of the Lenders A cannot perform the indemnity for which it is liable, the Agent's Commitment Ratio A shall be calculated by dividing the Agent's Commitment Ratio A by the aggregate of the Commitment Ratio A of the Lenders A other than such non-indemnifying Lenders A.
- 27.5 The Agent shall not be liable for the validity of this Agreement, and shall not guarantee any matters represented in this Agreement. The Lenders A shall enter into, and conduct transactions contemplated in, this Agreement at their sole discretion by conducting investigations as to the necessary matters, including the creditworthiness of the Borrower, on the basis of the documents, information and other data as it has deemed appropriate.
- 27.6 In cases where the Agent is also acting as a Lender A, the Agent shall have the same rights and obligations as the other Lenders A, irrespective of the Agent's obligations under this Agreement. The Agent may engage in commonly accepted banking transactions with the Borrower outside of this Agreement. In this case, the Agent shall not be required to disclose to other Lenders A information in relation to the Borrower it has obtained through transactions with the Borrower other than those contemplated under this Agreement, nor shall the Agent be required to distribute to other Lenders A

any money it has received from the Borrower through transactions with the Borrower other than those contemplated under this Agreement. (Any information that has been disclosed to the Agent by the Borrower shall be, unless expressly identified as being made in relation to this Agreement, deemed disclosed in relation to the transactions with the Borrower other than those contemplated under this Agreement, and the Agent shall not be required to disclose any of the same to other Lenders A.)

- 27.7 Notwithstanding Clause 27.6, upon receiving the Trustee's Regular Report or the Trustee's Extraordinary Report, the Agent shall promptly (by the Business Day immediately following the day such Trustee's Regular Report is received, at the latest) report the details thereof to the other Lenders A.
- 27.8 In cases where the Agent is also acting as a Lender A, the calculation of the amounts to be distributed to each Lender A pursuant to the provisions of Clause 19 shall be made in accordance with the following: (i) for amounts to be distributed to each Lender A other than the Agent, any amount less than one yen shall be rounded down, and (ii) amounts to be distributed to a Lender A who is also appointed as the Agent shall be the difference between the aggregate of all amounts to be distributed and the amounts distributed to other Lenders A.
- 27.9 Except for the cases under Clause 27.8, all calculations of fractions less than one yen that are required under this Agreement shall be made in the manner the Agent deems appropriate.
- 27.10 If the Agent receives any notice from the Borrower that is required to be given to each Lender A in relation to this Agreement, the Agent shall immediately inform All Lenders A of the details of such notice, or if the Agent receives any notice from a Lender A that is required to be given to the Borrower or other Lenders A in relation to this Agreement, the Agent shall immediately inform the Borrower or All Lenders A, as the case may be, of the details of such notice. The Agent shall make any documents that it has obtained from the Borrower and has retained, available for review by a Lender A during its ordinary business hours.

28. **RESIGNATION AND DISMISSAL OF THE AGENT**

28.1 The Agent may resign as follows:

- (i) The Agent may resign its position as the Agent by giving written notice to All Lenders A and the Borrower; provided, however, that such resignation shall not become effective until a successor Agent is appointed and such successor accepts such appointment.
- (ii) If the Agent gives notice pursuant to the preceding item, the Majority Lenders A may appoint a successor Agent upon obtaining consent from the Borrower.
- (iii) If a successor Agent is not appointed by the Majority Lenders A within thirty (30) days (including the day of notice) after the notice of resignation is given as described in Item (i) above, or if the entity appointed by the Majority Lenders A as a successor Agent does not accept assumption of the office of the Agent, the Agent in office at that time shall, upon obtaining consent from the Borrower, appoint a successor Agent on behalf of the Majority Lenders A.

- 28.2 The Agent may be dismissed as follows:
- (i) The Majority Lenders A may dismiss the Agent by giving written notice thereof to each of the other Lenders A, the Borrower, and the Agent; provided, however, that such dismissal shall not become effective until a successor Agent is appointed and such successor accepts such appointment.
 - (ii) If the Majority Lenders A give notice pursuant to the preceding item, the Majority Lenders A may appoint a successor Agent upon obtaining consent from the Borrower.
- 28.3 If the entity appointed as the successor Agent pursuant to Clause 28.1 or 28.2 accepts assumption of the office, the former Agent shall deliver to the successor Agent all documents and materials it has kept as the Agent under this Agreement, and shall give all the support necessary for the successor Agent to perform the duties of the Agent under this Agreement.
- 28.4 The successor Agent shall succeed to the rights and obligations of the former Agent under this Agreement, and the former Agent shall, at the time of the assumption of office by the successor Agent, be exempted from all of its obligations as the Agent; provided, however, that the provisions of this Agreement relevant to any actions (including omissions) conducted by the former Agent during the period it was in office shall remain in full force and effect.
29. **DECISION-MAKING OF THE MAJORITY LENDERS A**
- 29.1 The Majority Lenders A shall make decisions as follows:
- (i) If a Lender A deems that any event has occurred that requires instructions from the Majority Lenders A in this Agreement, such Lender A may give notice to the Agent to request the decision of the Majority Lenders A.
 - (ii) The Agent shall, upon receipt of a notice described in the preceding item, immediately give notice to All Lenders A to seek the decision of the Majority Lenders A.
 - (iii) Each Lender A shall, upon receipt of the notice described in the preceding item, make its decision on the relevant event and inform the Agent of such decision within three (3) Business Days after the receipt.
 - (iv) If a decision of the Majority Lenders A is made pursuant to the preceding three items, the Agent shall immediately notify the Borrower and All Lenders A of such decision as the instruction by the Majority Lenders A.
- 29.2 If the Agent deems that any event has occurred that requires the decision of the Majority Lenders A, other than in the case of Clause 29.1, the Agent may give notice to All Lenders A to seek such decision. In such case, the procedures set out in Items (ii) through (iv) of Clause 29.1 shall be followed.

29.3 The provisions of this Clause 29 shall apply *mutatis mutandis* to the decision-making of the Majority Lenders A with respect to each Loan A.

30. **AMENDMENT TO THIS AGREEMENT**

This Agreement may be amended with the written agreement of the Agent, the Borrower, and the Majority Lenders A; provided, however, that the written agreement by the Agent, the Borrower, and All Lenders A shall be required in order to amend this Agreement with respect to the following matters that materially affect the rights and obligations of the Lender A:

- (i) any amendment to or waiver of the conditions precedent provided for in Clause 4 and Clause 5;
- (ii) any addition to or expansion of the obligations of the Lender A;
- (iii) any reduction of the amount of the principal and interest of the Individual Loan A or other amounts payable by the Borrower pursuant to this Agreement;
- (iv) any postponement of the payment date of the principal and interest of the Individual Loan A or other obligations of the Borrower pursuant to this Agreement;
- (v) any decrease in the Spread A or the Applicable Interest Rate A set forth in Clause 1;
- (vi) any amendment to the Commitment Ratio A set forth in Clause 1;
- (vii) any amendment to the restrictions on collateral provided for in Clause 22;
- (viii) any amendment to the financial restrictions provided for in Clause 23;
- (ix) any amendment to the events for acceleration provided for in Clause 24;
- (x) any amendment to this Clause 30;
- (xi) any amendment to the Relevant Agreements; and
- (xii) any other matters that the Agent considers will diminish the Lender A's rights, or increase the Lender A's obligations, in any material respect.

31. **ASSIGNMENT OF THIS AGREEMENT**

31.1 The Borrower may not assign to any third party its status as a party to the Loan A, or its rights and obligations under this Agreement, unless All Lenders A and the Agent give their prior consent in writing without objection.

31.2 A Lender A may assign to any third party its status as a party to this Agreement, or all

or any part of its rights and obligations associated therewith, if the Borrower and the Agent give their prior consent in writing without objection (except for assignments of the Loan Receivables A set forth in Clause 26) and all requirements described in the items below are satisfied (hereinafter in this clause, a Lender A that makes such assignment as the "Assigning Lender" and that accepts such assignment as the "Successive Lender"). The Borrower and the Agent may not unreasonably withhold their consent, and the Agent, upon such assignment, shall notify All Lenders A of such assignment.

- (i) The Borrower's consent includes consent for assignment of the Loan Receivables A, and bears a certified date (*kakutei-hizuke*) as of the date of the assignment.
- (ii) If any partial assignment of the status of a Lender A under this Agreement is made, both the Assigning Lender and the Successive Lender shall become a Lender A under this Agreement and each provision of this Agreement shall be applicable to such Lenders A on and after the date of the assignment, and the Commitment Amount A of the Assigning Lender prior to the assignment of the status (the "Pre-assignment Commitment Amount A") shall be reduced by an amount separately agreed upon between the Assigning Lender and the Successive Lender (the "Reduced Amount") and thereafter the Commitment Amount A equal to the Reduced Amount shall apply to the Successive Lender. If the Assigning Lender owns any Loan Receivables A (such Loan Receivables A, hereafter, the "Pre-assignment Loan Receivables A"), all receivables in relation to the Pre-assignment Loan Receivables A, including any principal, interest and default interest, will be divided in proportion to the ratio obtained as the Reduced Amount divided by the Pre-assignment Commitment Amount A (the "Reduced Ratio"), and such divided receivables pursuant to the Reduced Ratio (the "Assignable Loan Receivables A") shall be assigned to the Successive Lender.
- (iii) The Successive Lender is a corporation residing in Japan (having a head or branch office or place of business registered in Japan pursuant to the laws of Japan) and a financial institution (such as a bank, insurance company, institutional investor, etc.) or a special purpose entity incorporated for the liquidation of assets (securitization).
- (iv) If a partial assignment is made with respect to the status of a Lender A under this Agreement, the value of both (i) the Reduced Amount and (ii) the difference between the Pre-assignment Commitment Amount A and the Reduced Amount are equal to or more than one billion (1,000,000,000) yen, and the value of both (i) the amount of the Assignable Loan Receivables A and (ii) the difference of the Pre-assignment Loan Receivables A and the Assignable Loan Receivables A are equal to or more than one billion (1,000,000,000) yen.
- (v) No withholding tax or other taxes arise from any such assignment, and there is no increase in the amount of the Borrower's interest expense payable to the Successive Lender.

- 31.3 All expenses incurred from the assignment set forth in Clause 31.2 shall be borne by the Assigning Lender; provided, however, that the provisions of Clause 13 shall apply with respect to any Increased Costs incurred in relation to the Successive Lender after the assignment. The Assigning Lender shall pay to the Agent, by the actual date of such assignment, an amount of five hundred thousand (500,000) yen per Successive Lender, together with applicable consumption tax, as consideration for administrative duties performed in connection with the assignment.
32. **ASSIGNMENT OF LOAN RECEIVABLES A**
- 32.1 The Lender A may assign its Loan Receivables A subject to the prior written consent without objection of the Borrower and the Agent (except for the assignment of Loan Receivables A set forth in Clause 26) and the satisfaction of all requirements described in each item below. The Borrower and the Agent may not unreasonably withhold their consent, and the Assignor and the Assignee shall perfect the assignment against third parties and debtors regarding the assignment of receivables promptly after the assignment as of the date of the assignment. In this case, the Assignor and Assignee shall, under their joint name, and the Borrower shall, in its sole name, notify the Agent of the fact that such assignment was made without delay. In the case an assignment of the Loan Receivables A has occurred pursuant to this Clause 32.1, the Assignee shall be treated as a Lender A in applying each provision in relation to the Loan Receivables A under this Agreement.
- (i) The Assignee shall, upon succession to the Loan Receivables A, be bound by each provision relating to the Loan Receivables A under this Agreement. (The Assignee shall not bear any Lending Obligations A.)
 - (ii) The Assignee is a corporation residing in Japan (having a head or branch office or place of business registered in Japan pursuant to the laws of Japan) and a financial institution (such as a bank, insurance company, institutional investor, etc.) or a special purpose entity incorporated for the liquidation of assets (securitization).
 - (iii) If the assignment is made in divided portions of the Loan Receivables A, the value of each Loan Receivables A after such division is equal to or more than one billion (1,000,000,000) yen.
 - (iv) No withholding tax or other taxes arise from the assignment, and there is no increase in the amount of the Borrower's interest expense payable to the Assignee.
- 32.2 All expenses incurred from the assignment set forth in Clause 32.1 shall be borne by the Assignor or the Assignee, as the case may be. The provisions of Clause 13 shall apply with respect to any Increased Costs incurred after the assignment. The Assignor or the Assignee shall pay to the Agent, by the actual date of such assignment, an amount of five hundred thousand (500,000) yen per Assignee, together with applicable consumption tax, as consideration for administrative duties performed in connection with the assignment.
33. **COLLECTION FROM THIRD PARTY**

- 33.1 No repayment of the Borrower's debt obligations under this Agreement by any party other than the Borrower is allowed, without the prior written consent of the Agent and All Lenders A.
- 33.2 The Borrower shall not, on or after the Execution Date, consign any third party to guarantee (including any property guarantee) the Borrower's performance of its debt obligations under this Agreement, nor shall the Borrower cause any third party to assume its debt obligations under this Agreement, without the prior written consent of the Agent and All Lenders A.
- 33.3 If a Lender A enters into a guarantee without consignment to the Guarantor by the Borrower (including any property guarantee) or a debt assumption with any third party with respect to the Borrower's obligations under this Agreement, the Lender shall obtain prior written consent from such third party with respect to each item described below. In this case, if the Lender receives any repayment from the third party pursuant to such guarantee or debt assumption, no arrangement among the Lenders pursuant to the assignment of receivables under Clause 26.1 shall be made.
- (i) The third party shall have the same obligations as a Lender A has against the Agent, other Lenders A and the Borrower under this Agreement with respect to any exercise of its right for recourse and contractual rights hereunder arising as a result of the performance of its guarantee obligation.
 - (ii) The third party shall be bound by each provision of this Agreement.
 - (iii) The third party is a corporation residing in Japan (having a head or branch office or place of business registered in Japan pursuant to the laws of Japan) and a financial institution (such as a bank, insurance company, institutional investor, etc.) or a special purpose entity incorporated for the liquidation of assets (securitization), and the third party is not a Subsidiary or an Affiliate of the Borrower and the Borrower is not a Subsidiary or an Affiliate of the third party.
 - (iv) The value of the Loan Receivables A that the third party obtains by subrogation is equal to or more than one billion (1,000,000,000) yen.
 - (v) There will be no increase in the amount of the Borrower's interest expense payable to the third party, and no withholding tax or other taxes will arise from any such obtainment by subrogation.

In the case of any obtainment by subrogation of the Loan Receivables A by a third party pursuant to the provisions of Item (i) above, such obtainment by subrogation shall be considered an assignment of the Loan Receivables A pursuant to Clause 32, and the provisions of Clause 32.2 shall apply.

34. **TERMINATION OF THIS AGREEMENT**

- 34.1 If any of the events described in the items below occurs, All Lenders A's Lending Obligations A during each of the Drawdown Application Periods shall cease as a

matter of course. If the event described in Item (ii) below occurs, this Agreement shall automatically be terminated with respect to the relationship between All Lenders A and the Borrower. Until the Borrower completely pays all of its debts under this Agreement, the relevant clauses of this Agreement shall survive in full force and effect, to the extent related to such payment of the debts.

- (i) If the Drawdown Application Period Final Date arrives; or
- (ii) If the debts of the Borrower become immediately due and payable pursuant to Clause 24.

34.2 If the execution and performance of this Agreement and any transactions contemplated under this Agreement become contrary to any Laws and Ordinances binding upon any Lender A, such Lender A shall consult with the Borrower and all other All Lenders A through the Agent and take measures to deal with the situation. In this case, the Borrower and All Lenders A excluding such Lender A may not refuse termination of this Agreement with respect to such Lender A without reasonable cause.

35. **RENEWAL OF AGREEMENT**

The Borrower may request the extension of the Drawdown Period by giving advance notice to the Agent by the day that is sixty (60) days prior to the Drawdown Period Termination Date; provided, however, that the Lender A and the Agent are not obliged to accept the request for the extension of the Drawdown Period. If such notice is given, the Borrower and the Agent shall hold consultation on the new terms and contents of the agreement and notify All Lenders A of the details of such consultation on or before the forty-fifth (45th) day preceding the Drawdown Period Termination Date.

36. **GENERAL PROVISIONS**

36.1 Confidentiality Obligations

The Borrower shall raise no objection to the disclosure of information set forth in each item below:

- (i) If the notice of refusal to make an Individual Loan A has been given pursuant to the provisions of Clause 8.1, or if any of the events described in the items of Clause 24.1 or 24.2 have occurred, or if a decision of the Majority Lenders A is required pursuant to the provisions of Clause 29, the Agent and a Lender A may disclose such information with regard to the Borrower or the transaction with the Borrower, which either party has obtained through this Agreement or an agreement other than this Agreement, by imposing confidentiality obligations on the recipient to an extent reasonably required.
- (ii) Upon any assignment of status pursuant to Clause 31 or assignment of Loan Receivables A pursuant to Clause 32, a Lender A may disclose any information with regard to this Agreement to the Assignee or a person considering becoming an Assignee (including an intermediary of such assignment), on the condition that such parties agree to be bound by the confidentiality obligations. Information with regard to this Agreement in this

item shall mean any information regarding the Borrower's credit that has been obtained in connection with this Agreement, any information regarding the contents of this Agreement and other information incidental hereto, and any information regarding the contents of the Loan Receivables A to be assigned and other information incidental thereto, and shall not include any information regarding the Borrower's credit that has been obtained in connection with any agreement other than this Agreement.

36.2 Risk Bearing; Exemption, Compensation, and Indemnification

- (i) If any documents furnished by the Borrower to the Agent or any Lender A are lost, destroyed, or damaged for any unavoidable reason, such as natural disasters or other incidents, the Borrower shall, upon consultation with the Agent, perform its obligations under this Agreement based on the records, such as books and vouchers, of the Agent or a Lender A. The Borrower shall, upon request of the Agent or a Lender A through the Agent, forthwith prepare substitute documents and furnish them to the Agent or the Lender A through the Agent.
- (ii) If any Lender A or the Agent performs transactions after comparing, with due care, the seal impression of the representative and agent of the Borrower to be used for the transactions in relation to this Agreement with the seal submitted by the Borrower in advance, the Borrower shall bear any damages, loss or expenses incurred as a result of an event such as forgery, alteration, or theft of its seal.
- (iii) The Borrower shall bear any damages, loss and expenses incurred by a Lender A or the Agent as a result of the Borrower's breach of this Agreement or as a result of a Lender A not indemnifying the Agent pursuant to the provisions of Clause 27.4.

36.3 Severability

Should any provision constituting a part of this Agreement be held null, illegal, or unenforceable, the validity, legality and enforceability of all other provisions shall in no way be prejudiced or affected.

36.4 Exceptions to the Application of the Bank Transactions Agreement

The Agreement on Bank Transactions and other documents separately submitted by the Borrower or made and entered into by and between the Borrower and a Lender A shall not apply to this Agreement or the transactions contemplated in this Agreement.

36.5 Notices

- (i) Any notice under this Agreement shall be made in writing expressly stating that it is made for the purpose of this Agreement, and given by any of the methods described in (a) to (d) below to the place of contact of the receiving party described in Schedule 1 of this Agreement. Each party to this Agreement may change its place of contact by giving notice thereof to the Agent.

- (a) Personal delivery;
 - (b) Registered mail or courier service;
 - (c) Transmission by facsimile; or
 - (d) E/X (only for any notices among Lenders A and the Agent).
- (ii) Notice given pursuant to the preceding item shall be deemed to have been delivered at the time, in the case of transmission by facsimile, when receipt of facsimile is confirmed, and in the case of any other methods, when actually received.

36.6 Changes in Notified Matters

- (i) In the case of changes in the matters notified by a Lender A or the Borrower to the Agent, such as the trade name, representative, agent, signature, seal, or address, the Lender A or the Borrower shall immediately notify the Agent of such changes in writing. In the case of any such change to the Agent, or upon such change to any contact information of the Borrower or the Lenders A, the Agent shall immediately notify All Lenders A and the Borrower of such changes in writing.
- (ii) If notice given under this Agreement is delayed or not delivered as a result of the failure to give notification of a change as described in the preceding item, such notice shall be deemed to have arrived at the time when it should have normally arrived.

36.7 Fund Transfers

- (i) Fund transfers between the Agent and the Lender A shall be settled by the JBA's Domestic Bank Data Telecommunications System (the "Zengin System") in principle, and if any Lender A desires to make such settlement by the Bank of Japan Financial Network System (the "BOJ-NET"), such Lender A shall consult with the Agent in advance. Provided, however, that if the Lender A is not a member of the Zengin System, fund transfers shall be settled by the bank account established in the name of such Lender A with a bank designated by the Lender A that is a member of the Zengin System.
- (ii) The fees for fund transfers provided in the preceding item shall be borne by the party making the relevant fund transfer.

36.8 Calculations

Unless otherwise expressly provided for with respect to any calculation under this Agreement, all calculations of the number of actual days in the relevant period shall be inclusive of the first and last day, and calculations on a per diem basis shall be on the assumption that there are 365 days per year, wherein the division shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

36.9 Preparation of Notarized Deeds

The Borrower shall, at any time upon request of the Agent or the Majority Lenders A, take the necessary procedures to entrust a notary public to execute a notarized deed in which the Borrower acknowledges its indebtedness under this Agreement and agrees to compulsory execution with regard thereto.

36.10 Governing Law and Jurisdiction

This Agreement shall be governed by the laws of Japan, and the Tokyo District Court shall have exclusive jurisdiction as the court of first instance over any disputes arising in connection with this Agreement.

36.11 Language

This Agreement shall be prepared in the Japanese language and the Japanese language version shall be deemed the original copy. The Agent shall prepare an English translation of this Agreement, provided that the Agent does not guarantee the accuracy or truthfulness of such translation and is not responsible in any way therefor.

36.12 Consultation

Any matters not provided for in this Agreement, or in the case of any doubt among the parties with respect to the interpretation of this Agreement, the Borrower and the Lenders A shall consult through the Agent and shall determine a response therefor.

IN WITNESS WHEREOF, the parties have caused one (1) copy of this Agreement to be signed and sealed, and the Agent has retained the original and has distributed one (1) copy thereof to each of the Borrower and All Lenders A.

March 25, 2005

THE BORROWER:

By: _____ /s/ SHINJI SUZUKI [seal]

Spansion Japan Limited

Revenue
Stamp
4,000 yen

(Revolving Line Agreement (A) dated March 25, 2005 for Spansion Japan Limited
JPY 6,000,000,000)

LENDER A AND AGENT:

By: _____ /s/ HIROSHI SAITO [seal]

MIZUHO CORPORATE BANK, LTD.

(Revolving Line Agreement (A) dated March 25, 2005 for Spansion Japan Limited
JPY 6,000,000,000)

LENDER A:

By: _____ /s/ YASUTAKA MIYAMOTO [seal]

SHINKIN CENTRAL BANK

(Revolving Line Agreement (A) dated March 25, 2005 for Spansion Japan Limited
JPY 6,000,000,000)

LENDER A:

By: _____ /s/ SOICHI USHIJIMA [seal]

THE BANK OF YOKOHAMA, LTD.

(Revolving Line Agreement (A) dated March 25, 2005 for Spansion Japan Limited
JPY 6,000,000,000)

LENDER A:

By: _____ /s/ TAKAO AOYAGI [seal]

THE TOHO BANK, LTD.

(Revolving Line Agreement (A) dated March 25, 2005 for Spansion Japan Limited
JPY 6,000,000,000)

LENDER A:

By: _____ /s/ KOJI WATANABE [seal]

THE NORINCHUKIN BANK

(Translation)

JPY9,000,000,000

REVOLVING LINE AGREEMENT (B)

Spansion Japan Limited
as Borrower

MIZUHO CORPORATE BANK, LTD.
as Arranger and Agent

MIZUHO CORPORATE BANK, LTD.

SHINKIN CENTRAL BANK

THE BANK OF YOKOHAMA, LTD.

THE NORINCHUKIN BANK

as Lender

March 25, 2005

*** Confidential treatment has been requested as to certain portions of this agreement. Such omitted confidential information has been designated by asterisks and has been filed separately with the Securities and Exchange Commission pursuant to Rule 25b-2 under the Securities Exchange Act of 1934, as amended, and the Commission's rules and regulations promulgated under the Freedom of Information Act, pursuant to a request for confidential treatment.***

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REVOLVING LINE AGREEMENT (B)

Spancion Japan Limited (the "Borrower") and the financial institutions set forth as Lender B under Section 3 of Schedule 1 attached to this Agreement (respectively referred to as a "Lender B," and collectively referred to as "All Lenders B") enter into the following agreement (this "Agreement") as of March 25, 2005 (the "Execution Date"), with MIZUHO CORPORATE BANK, LTD. (the "Agent") acting as the agent.

1. DEFINITIONS

In this Agreement, the following terms shall have the meanings set forth below, unless it is apparent that such terms mean otherwise in the context hereof.

- 1.1 "Accounts Receivables Trust Agreement" means the Accounts Receivables Trust Agreement (as amended or renewed) attached hereto as Schedule 3, executed on March 25, 2004 by and between the Borrower and MIZUHO TRUST & BANKING CO., LTD.
- 1.2 "Accrued Interest" has the meaning given in Clause 14.2.
- 1.3 "Adjusted Tangible Assets" means all of the Borrower's assets, determined on a consolidated basis (provided that if the Borrower does not prepare its financial statements on a consolidated basis, the stand-alone basis financial statements shall apply) in accordance with generally accepted accounting standards in Japan, other than (a) deferred assets, other than prepaid insurance and prepaid taxes, (b) patents, copyright, trademarks, trade names, franchises, goodwill, and other similar intangibles and (c) unamortized debt discounts and expenses.
- 1.4 "Adjusted Tangible Net Worth" means, at any time, the amount calculated as (a) the book value (after deducting the related depreciation, obsolescence, amortization, valuation, and other proper reserves as determined in accordance with generally accepted accounting standards in Japan) of the Adjusted Tangible Assets shown on the Borrower's consolidated balance sheet (or the stand-alone basis balance sheet if the Borrower does not prepare its balance sheet on a consolidated basis) as of such time, prepared in accordance with that generally accepted accounting standards in Japan, less (b) the amount of the Borrower's liabilities (including all contingencies and other potential liabilities required to be shown on such balance sheet) shown on such consolidated balance sheet (or the stand-alone basis balance sheet if the Borrower does not prepare its balance sheet on a consolidated basis).
- 1.5 "Affiliate" means any party that, directly or indirectly, is in control of, is controlled by, or is under common control with, another party, or who owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interest of another party. A party shall be deemed to be in control of another party if the controlling party possesses, directly or indirectly, the power to direct the management and policies of the other party for any reason, whether through the ownership of voting securities, by contract, or otherwise.

- 1.6 “**Agency Fee**” means the fees that the Borrower shall pay to the Agent in consideration of the Agent Services, as separately agreed upon between the Borrower and the Agent.
- 1.7 “**Agent Services**” means collectively, the Agent Services A and Agent Services B.
- 1.8 “**Agent Services A**” means the services set forth in the provisions of this Agreement that the Agent is entrusted by All Lenders A to perform for the benefit of All Lenders A.
- 1.9 “**Agent Services B**” means the services set forth in the provisions of the Loan Agreement B that the Agent is entrusted by All Lenders B to perform for the benefit of All Lenders B.
- 1.10 “**Agent’s Account**” means the checking deposit account (Account No. ****, Account Holder: SPANSION JAPAN LIMITED Agent Account C3) held by the Agent at the Head Office of MIZUHO CORPORATE BANK, LTD.
- 1.11 “**Aizu Facility**” means the real estate and the incidental facilities currently held, or to be acquired hereafter, by the Borrower at its Aizu manufacturing facilities and incidental facilities located in Aizu-Wakamatsu-shi, Fukushima, Japan.
- 1.12 “**Applicable Interest Rate B**” means the interest rate equal to the Base Rate plus the Spread B.
- 1.13 “**Assignable Loan Receivables B**” has the meaning given in Clause 31.2(ii).
- 1.14 “**Assignee**” means the party that accepts assignment of the Loan Receivables B in accordance with Clause 32.1.
- 1.15 “**Assigning Lender**” has the meaning given in Clause 31.2.
- 1.16 “**Assignor**” means the party that assigns the Loan Receivables B in accordance with Clause 32.1.
- 1.17 “**Base Rate**” means the interest rate for the relevant Loan Term according to the Japanese Yen TIBOR (page 17,097 of the Telerate) published by the Japanese Bankers Association at 11 a.m. or at the nearest possible time after 11 a.m. on the second (2nd) Business Day prior to the Drawdown Date. Provided, however, that in cases where such interest rate is not published for some reason, the Base Rate shall be the interest rate (indicated as an annual rate) that is reasonably decided upon by the Agent as the offered rate applicable for a drawdown in yen for the relevant Loan Term in the Tokyo Interbank Market as of 11 a.m. on the second (2nd) Business Day prior to the commencement date of the Loan Term or the nearest time prior thereto.
- 1.18 “**Borrower’s Settlement Account**” means the ordinary deposit account (Account No. ****, Account Holder: Spansion Japan Limited) held by the Borrower at the Uchisaiwaicho Corporate Banking Division of MIZUHO CORPORATE BANK, LTD.

* Confidential treatment has been requested pursuant to the Confidential Treatment Request dated May 6, 2005.

- 1.19 “**Break Funding Cost**” means, in cases where the principal is repaid or set off on a day other than the Due Date of the Individual Loan B, and where the Reinvestment Rate in such case falls below the Applicable Interest Rate B, the amount calculated as the principal amount with respect to which such repayment or set-off was made, multiplied by the difference between the Reinvestment Rate and the Applicable Interest Rate B, and calculated on a per diem basis in accordance with the actual number of days of the Remaining Period. “**Remaining Period**” in this item means the period commencing on the day (inclusive) the repayment or set-off was made and ending on the Repayment Date (exclusive), and the “**Reinvestment Rate**” in this item means the interest rate reasonably determined by the Lenders B as the interest rate to be applied on the assumption that the prepaid or off-set principal amount will be reinvested in the Tokyo Interbank Market during the Remaining Period. The calculation method for such Break Funding Cost shall be on a per diem basis, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.
- 1.20 “**Business Day**” means any day other than those that are bank holidays in Japan.
- 1.21 “**Collection Calculation Date**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.22 “**Commitment Amount B**” means the total of the amounts set forth as the commitment amounts in Schedule 1, and the Commitment Amount B with respect to each Lender B means, respectively, the Commitment Amount B in relation to the amount set forth for each Lender B in Schedule 1; provided, however, that the Commitment Amount B with respect to each Lender B is subject to change in accordance with Clause 31 in the case of partial assignment of the status of the parties hereunder pursuant to Clause 31.
- 1.23 “**Commitment Fee B**” means the fees that the Borrower shall pay to the Lender B pursuant to the provisions of Clause 11.
- 1.24 “**Commitment Fee B Calculation Period**” means collectively, each of the periods commencing on the commencement date (inclusive) of the commitment fee B calculation period below and ending on the final date (inclusive) of the commitment fee B calculation period below.

	<u>Commencement Date of Commitment Fee B Calculation Period</u>	<u>Final Date of Commitment Fee B Calculation Period</u>
First	March 25, 2005	June 24, 2005
Second	June 25, 2005	September 24, 2005
Third	September 25, 2005	December 24, 2005
Fourth	December 25, 2005	March 24, 2006

- 1.25 “**Commitment Fee B Rate**” means 0.650% per annum.
- 1.26 “**Commitment Ratio B**” means the percentage of the Commitment Amount B of each Lender B to the Total Commitment Amount B.

- 1.27 “**Compulsory Execution**” has the meaning given in Clause 26.4.
- 1.28 “**Costs Increased Lender B**” means a Lender B that has incurred Increased Costs.
- 1.29 “**Counter-Performed Trust Receivables**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.30 “**Counter-Performed Trust Receivables Amount (Goods’ Value Equivalent)**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.31 “**Creditors’ Agreement**” means the Creditors’ Agreement (as amended or renewed) attached hereto as Schedule 4, executed on March 25, 2005 by and among the Lender A, the Lender B, the Agent and the Borrower.
- 1.32 “**Damages**” has the meaning given in Clause 19.2(a)(i).
- 1.33 “**Defaulted Obligations**” has the meaning given in Clause 15.1.
- 1.34 “**Defaulting Lender B**” has the meaning given in Clause 11.2.
- 1.35 “**Desired Drawdown Amount**” has the meaning given in Clause 6.1.
- 1.36 “**Desired Drawdown Date B**” has the meaning given in Clause 6.1.
- 1.37 “**Desired Prepayment Date**” has the meaning given in 14.2.
- 1.38 “**Discovery Date**” has the meanings given in Clause 7.4 or Clause 14.4, respectively.
- 1.39 “**Distribution**” has the meaning given in Clause 21.3(v).
- 1.40 “**Drawdown Application**” has the meaning given in Clause 6.1.
- 1.41 “**Drawdown Application Period**” means the period commencing on the Execution Date (inclusive) and ending on the Drawdown Application Period Final Date (inclusive).
- 1.42 “**Drawdown Application Period Final Date**” means March 18, 2006.
- 1.43 “**Drawdown Date**” means the date of the drawdown of a Loan B.
- 1.44 “**Drawdown Period**” means the period commencing on the Execution Date (inclusive) and ending on the Drawdown Period Termination Date (inclusive).
- 1.45 “**Drawdown Period Termination Date**” means March 24, 2006.
- 1.46 “**Due Date**” means, with respect to the principal and interest in relation to the Loans B, the Repayment Date; and with respect to other amounts, the date set forth as the date on which payments shall be made in accordance with this Agreement.
- 1.47 “**Due Time**” means, if any Due Dates are provided for herein, 11 a.m. on such Due Date.

- 1.48 “**Enhanced Covenant Period**” means any period during which the Borrower fails to maintain a minimum cash balance of 1 billion yen.
- 1.49 “**Exemption Event**” means (i) the occurrence of a natural disaster or war, (ii) an interruption in or damage to electrical, communications or any settlement systems, (iii) any event that occurs within the Tokyo Interbank Market that disables loans in yen, and (iv) any other event not attributable to the Lenders B that results in the Majority Lenders B (if it is difficult for the Majority Lenders B to make a decision, the Agent) determining that it is impossible to make the Loan B.
- 1.50 “**Exemption Period**” means the period during which any Exemption Event has occurred and continues.
- 1.51 “**Exercise of Floating Security**” has the meaning given in Clause 25.3.
- 1.52 “**Extraordinary Collection Calculation Date**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.53 “**Fixed Trust Property Value**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.54 “**Fixed Trust Receivables**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.55 “**Fixed Trust Receivables Amount (Goods’ Value Equivalent)**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.56 “**Floating Pledge Agreement**” means the Floating Pledge Agreement (as amended or renewed) attached hereto as Schedule 5, executed on March 25, 2005 by and among the Lender A, the Lender B and the Borrower.
- 1.57 “**FMH**” means Fujitsu Microelectronics Holding, Inc.
- 1.58 “**Increased Costs**” means the increased portion (the amount reasonably calculated by such Lender B) of lending expenses, in cases where the Lender B’s lending expenses under this Agreement are substantially increased (excluding any increase caused by a change in tax rates on taxable incomes of such Lender B) due to, among other things, (i) any enactment or amendment of Laws and Ordinances, or any change in the interpretation or application thereof, or (ii) any establishment or increase in capital reserves.
- 1.59 “**Individual Loan B**” means a loan made by a Lender B respectively pursuant to the same Drawdown Application.
- 1.60 “**Individual Loan B Money**” means the money lent (or to be lent) by a Lender B to the Borrower as an Individual Loan B, and the “**Individual Loan B Amount**” means the amount of the Individual Loan Money B (the amount calculated by multiplying the aggregate amount of Loan B in relation to the relevant Drawdown Application by the Commitment Ratio B of that Lender B).

- 1.61 “**Intended Distribution Amount B**” has the meaning given in Clause 26.1(i).
- 1.62 “**Inventory**” means all kinds, nature and description of inventory, goods and merchandise, returned goods, raw materials, and other materials and supplies, regardless of location, to be furnished under any agreement of service or held for assignment or lease, that are currently owned or acquired hereafter by the Borrower (limited to those to be consumed in the Borrower’s business or used in connection with the packing, shipping, advertising, selling or processing of such goods, merchandise and such other articles), and all documents of title or other documents representing title thereto.
- 1.63 “**Investment**” means any acquisition of property in exchange for cash or other assets, whether in the form of an acquisition of stock, liabilities, or other obligations, or the purchase or acquisition of any other property, or a Loan B, capital contribution, subscription or otherwise.
- 1.64 “**Item Not Fully Covered**” has the meaning given in Clause 18.4.
- 1.65 “**Laws and Ordinances**” means any treaties, laws, cabinet orders, ministerial ordinances, rules, announcements, judgments, decisions, arbitral awards, directives, and policies of relevant authorities that apply to this Agreement, the transactions pursuant hereto or the parties hereto.
- 1.66 “**Lease**” means the lease of assets reflected as a lease on the Borrower’s consolidated balance sheet in accordance with generally accepted accounting standards in Japan.
- 1.67 “**Lender**” means collectively, the Lender A and the Lender B.
- 1.68 “**Lender A**” means Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank (including their respective successors).
- 1.69 “**Lending Obligation B**” means a Lender B’s obligation to make Individual Loans B to the Borrower upon the condition that the requirements set forth under each item of Clause 5 are satisfied.
- 1.70 “**Loan Agreement A**” means the Revolving Line Agreement (A) (as amended or renewed) executed on March 25, 2005 by and between the Lender A and the Borrower, with MIZUHO CORPORATE BANK, LTD. acting as the agent.
- 1.71 “**Loan Receivables B**” means loan claims in relation to each Individual Loan B.
- 1.72 “**Loan Term**” means, with respect to each Individual Loan B, the period commencing on the Drawdown Date (inclusive) and ending on the Repayment Date (exclusive) in relation to such Individual Loan B.
- 1.73 “**Loan(s) B**” means the aggregate of the Individual Loans B made pursuant to this Agreement.

- 1.74 “**Majority Lenders B**” means one or more Lender B whose Commitment Ratio(s) B amount to 51% or more in total as of the Decision-Making Time (provided, however, that, for the period after All Lenders B’s Lending Obligations B are extinguished, and where the repayment of all obligations pursuant to this Agreement in relation to the Loan B have not been completed, the percentage shall be that of the total principal amount of the Outstanding Individual Loan B Money per each Lender B to the Total Outstanding Balance B as of the Decision-Making Time). “**Decision-Making Time**” means, in cases where the Lender B determines that any event requiring instructions by the Majority Lenders B has occurred, the point in time when the Agent receives notice under Clause 29.1(i), and in cases where the Agent determines that the decision of the Majority Lenders B is necessary, the point in time when the Agent gives notice under Clause 29.2.
- 1.75 “**Non-Drawdown Lender B**” has the meaning given in Clause 8.1.
- 1.76 “**Outstanding Individual Loan B Money**” means the principal, the interest, default interest, Break Funding Costs and any other payment obligation in relation to an Individual Loan B that the Borrower owes pursuant to this Agreement with respect to the Individual Loan B, and the “**Outstanding Individual Loan B Amount**” means the amount of such Outstanding Individual Loan B Money.
- 1.77 “**Pre-assignment Commitment Amount B**” has the meaning given in Clause 31.2(ii).
- 1.78 “**Pre-assignment Loan Receivables B**” has the meaning given in Clause 31.2(ii).
- 1.79 “**Prepayment**” has the meaning given in Clause 14.1.
- 1.80 “**Purchase and Sale Agreement**” means the “PURCHASE AND SALE AGREEMENT” dated February 23, 2004 (as amended or renewed) between the Borrower and FUJITSU LIMITED.
- 1.81 “**Purchase and Sale Related Agreement**” means the Purchase and Sale Agreement and each of the individual agreements pursuant thereto.
- 1.82 “**Reduced Amount**” has the meaning given in Clause 31.2(ii).
- 1.83 “**Reduced Drawdown**” has the meaning given in Clause 7.4.
- 1.84 “**Reduced Drawdown Amount**” has the meaning given in Clause 7.4.
- 1.85 “**Reduced Drawdown Break Funding Cost**” means, in cases where a Reduced Drawdown is made and the Reinvestment Rate in such case falls below the Applicable Interest RateB, the amount calculated as the difference between the Desired Drawdown Amount and the Reduced Drawdown Amount, multiplied by the difference between the Reinvestment Rate and the Applicable Interest RateB, and calculated on a per diem basis in accordance with the actual number of days of the Remaining Period. “**Remaining Period**” in this item means the period commencing on the Drawdown Date (inclusive) and ending on the Repayment Date (exclusive), and the

- “**Reinvestment Rate**” in this item means the interest rate reasonably determined by the Lenders B as the interest rate to be applied on the assumption that the difference between the Desired Drawdown Amount and the Reduced Drawdown Amount will be reinvested in the Tokyo Interbank Market during the Remaining Period. The calculation method for such Reduced Drawdown Break Funding Cost shall be on a per diem basis, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.
- 1.86 “**Reduced Ratio**” has the meaning given in Clause 31.2(ii).
- 1.87 “**Refinancing Loan B**” means a Loan B with the Desired Drawdown Date B being the Due Date of a Loan B already made.
- 1.88 “**Refinanced Loan B**” means a Loan B that has already been made and the Due Date of which shall be the Desired Drawdown Date B of a Refinancing Loan B.
- 1.89 “**Regular Collection Calculation Date**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.90 “**Relevant Agreements**” means this Agreement, the Loan Agreement A, the Accounts Receivables Trust Agreement, the Floating Pledge Agreement, the Creditors’ Agreement and the documents related thereto.
- 1.91 “**Relevant Lender B**” has the meaning given in Clause 14.1.
- 1.92 “**Remaining Individual Loan B**” has the meaning given in Clause 26.1(i).
- 1.93 “**Remaining Lender B**” has the meaning given in Clause 26.1(i).
- 1.94 “**Repayment Date**” has the meaning given in Clause 6.1(iii).
- 1.95 “**Reports**” means (i) the audited annual report (*eigyō hōkokusho*) prepared by the Borrower on a stand-alone basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto; and if any consolidated Subsidiary or Affiliate of the Borrower has been established, including the consolidated annual report (*eigyō hōkokusho*)) within ninety (90) days from the end of the fiscal year, (ii) the unaudited annual report (*eigyō hōkokusho*) prepared by the Borrower on a stand-alone basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto; and if any consolidated Subsidiary or Affiliate of the Borrower has been established, including the consolidated annual report (*eigyō hōkokusho*)) within forty-five (45) days from the end of a fiscal quarter, (iii) the audited financial statements prepared by Spansion LLC on a consolidated basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto) within ninety (90) days from the end of the fiscal year, and (iv) the unaudited financial statements prepared by Spansion LLC on a consolidated basis (including the balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto) within forty-five (45) days from the end of a fiscal quarter.
- 1.96 “**Set-off Initiating Lender B**” has the meaning given in Clause 26.1.

- 1.97 “**Set-off Receiving Lender B**” has the meaning given in Clause 26.2.
- 1.98 “**Settlor’s Extraordinary Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.99 “**Settlor’s Regular Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement
- 1.100 **Settlor’s Regular Report Deadline**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.101 “**Spread B**” means 1.200% per annum.
- 1.102 “**Status of the Establishment of the Collateral**” described in Schedule 2 means the specifics of the assets offered as security under the Security Assignment Agreement (*Joto Tanpo Settei Keiyaku*) executed on June 30, 2003 by and between the Borrower and FUJITSU LIMITED, and the specifics of the assets offered as a first-priority mortgage under the Mortgage Agreement and the Letter Concerning the Establishment of Security Interests (*Tanpo Sashiire Sho*) executed on June 30, 2003 by and between the Borrower and FUJITSU LIMITED.
- 1.103 “**Subsidiary**” means any corporation, association, partnership, joint venture or other business entity of which more than fifty percent (50%) of the voting stock or other equity interest (in the case of parties other than corporations) is owned or controlled directly or indirectly by a party, one or more of its Subsidiaries, or a combination thereof.
- 1.104 “**Successive Lender**” has the meaning given in Clause 31.2.
- 1.105 “**Taxes and Public Charges**” means all public taxes or public charges including income taxes, corporate taxes and other taxes, which are applicable in Japan.
- 1.106 “**Temporary Advancement**” means, with respect to the Borrower’s repayment on a Due Date, a payment made by the Agent to the Lenders B before the completion of the Borrower’s repayment of an amount equivalent to the amount to be distributed to the Lenders B in accordance with Clause 19; or with respect to the Individual Loans B made by the Lenders B on the Drawdown Date, a payment made by the Agent to the Borrower before the Lender B’s making the Individual Loan B of an amount equivalent to the amount of the Individual Loan B to be made to the Borrower.
- 1.107 “**Temporary Advancement Costs**” means, in cases where the Agent makes a Temporary Advancement, the amount calculated as the amount of Temporary Advancement, multiplied by (i) the Funding Rate, and (ii) the actual number of days of the Temporary Advancement Period. “**Temporary Advancement Period**” means the period commencing on the date (exclusive) that a Temporary Advancement is made and ending on the date (inclusive) that such Temporary Advancement is cleared, and the “**Funding Rate**” means the interest rate that the Agent reasonably determines as the interest rate to fund the amount of Temporary Advancement throughout the Temporary Advancement Period. The calculation method for such Temporary

Advancement Costs shall be on a per diem basis in accordance with the actual number of days of the Temporary Advancement Period, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

- 1.108 “**Total Commitment Amount B**” means the total of the Commitment Amounts B of All Lenders B.
- 1.109 “**Total Outstanding Balance B**” means the total principal amount of the Outstanding Individual Loan B Money owed to All Lenders B.
- 1.110 “**Trustee**” means MIZUHO TRUST & BANKING CO., LTD. (including its successor trustee), as the trustee pursuant to the Accounts Receivables Trust Agreement.
- 1.111 “**Trustee’s Extraordinary Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.112 “**Trustee’s Regular Report**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.113 “**Trust Property Maintenance Standards**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.114 “**Trust Receivables**” has the meaning given in Clause 1 of the Accounts Receivables Trust Agreement.
- 1.115 “**Unused Commitment Amount B**” means the amount calculated as the Commitment Amount B less the total principal amount of the Outstanding Individual Loan B Money, and the Unused Commitment Amount B in relation to each Lender B shall mean the amount calculated as the Commitment Amount B in relation to such Lender B less the total principal amount of the Outstanding Individual Loan B Money in relation to such Lender B.

2. **RIGHTS AND OBLIGATIONS OF LENDERS B**

- 2.1 The Lenders B shall owe the Lending Obligations B.
- 2.2 Unless otherwise provided for in this Agreement, the obligations of each Lender B under this Agreement shall be independent, and a Lender B shall not be released from its obligations under this Agreement due to any other Lenders B failing to perform their obligations. A Lender B shall not be responsible for any failure of other Lenders B to perform their obligations under this Agreement.
- 2.3 If a Lender B, in breach of its Lending Obligation B, fails to make an Individual Loan B on the Desired Drawdown Date B, such Lender B shall, upon request by the Borrower, immediately compensate the Borrower for all damages, losses and expenses incurred by the Borrower as a result of such breach; provided, however, that the maximum amount of such compensation to the Borrower for the damages, losses and expenses incurred shall be the difference between (i) the interest and other expenses that is required or would be required to be paid if the Borrower separately made a

drawdown as a result of such Lender B's failure to make the Individual Loan B on the Desired Drawdown Date B, and (ii) the interest and other expenses that would have been required to be paid if the Individual Loan B were made on the Desired Drawdown Date B.

2.4 Unless otherwise provided for in this Agreement, each Lender B may exercise its rights under this Agreement separately and independently.

3. **USE OF PROCEEDS**

The Borrower shall use the money raised by the Loan B as working capital.

4. **CONDITIONS PRECEDENT FOR EFFECTIVENESS OF THIS AGREEMENT**

This Agreement shall take effect upon the condition that the Borrower submit all of the following documents to the Agent and All Lenders B, and the Agent and All Lenders B are satisfied with the details thereof:

- (i) the certificate of seal registration of the representative of the Borrower who signs and affixes his seal to this Agreement dated on or after December 25, 2004;
- (ii) a certified copy of the certificate of corporate registration (certificate of complete company resume or the certificate of complete present company resume) of the Borrower dated on or after December 25, 2004;
- (iii) a copy of the Articles of Incorporation of the Borrower with certification (dated on or after December 25, 2004) attached thereto certifying that it is a copy of the original; and
- (iv) a written confirmation prepared by the Borrower's Representative Director certifying that all internal procedures necessary for the execution of this Agreement and the drawdown pursuant to this Agreement have been completed.

5. **CONDITIONS PRECEDENT FOR LENDING OBLIGATIONS B**

5.1 The Lender B shall owe the Lending Obligations B upon the condition (irrespective of whether or not notice under Clause 8.1 was given) that all of the conditions set forth in each of the following items are satisfied at the time of making the Individual Loan B. The satisfaction of such conditions shall be determined individually by each Lender B, and no other Lender B or the Agent shall be responsible for a Lender B's determination or refusal to make a Loan B.

- (i) The application for a drawdown satisfies the requirements set forth under Clause 6.1.
- (ii) The Lending Obligations B of All Lenders B have not been exempted pursuant to Clause 12.1.

- (iii) The Accounts Receivables Trust Agreement, the Floating Pledge Agreement and the Creditors' Agreement have all been entered into and are validly existing.
- (iv) All the matters described in each item of Clause 20 hereof, Clause 7.1 of the Accounts Receivables Trust Agreement and Clause 4.1 of the Floating Pledge Agreement are true and correct.
- (v) The Borrower has not breached any provision of this Agreement, the Accounts Receivables Trust Agreement or the Floating Pledge Agreement, and there is no threat that such breach may occur on or after the relevant Desired Drawdown Date B.
- (vi) No consultation pursuant to the provisions of Clause 34.2 has been held.
- (vii) The Borrower has obtained approval from FUJITSU LIMITED with respect to the assignment of Trust Receivables pursuant to the Accounts Receivables Trust Agreement, in the form of a document bearing a certified date (*kakutei-hizuke*), as provided for in Clause 10.1 of the Accounts Receivables Trust Agreement. (Further, the original of such written approval has been delivered to the Trustee, and the Trustee has delivered a copy thereof to the Agent, attaching thereto a certification certifying that such copy is a true and accurate copy of the original and that the original is retained by the Trustee.)
- (viii) The Borrower has obtained the Trustee's approval without objection with respect to the creation of the floating pledge pursuant to the Floating Pledge Agreement, in the form of a document bearing a certified date (*kakutei-hizuke*), as provided for in Clauses 3.2 and 3.3 of the Floating Pledge Agreement. (Further, the original of such written approval has been delivered to the Agent.)
- (ix) An account in the name of the Trustee has been established at the Uchisaiwaicho Corporate Banking Division of MIZUHO CORPORATE BANK, LTD. as the account for receiving transfer of the amount of Trust Receivables collections with respect to the Fixed Trust Receivables.
- (x) The Unused Commitment Amount A is zero as of the Desired Drawdown Date B set forth in the Drawdown Application.
- (xi) (i) The Fixed Trust Property Value on the Trustee's Regular Report or the Trustee's Extraordinary Report, whichever is the most recent as of 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date B set forth in the Drawdown Application, is maintained at an amount that is no less than the Total Outstanding Balance A as of the Desired Drawdown Date B, and (ii) the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) on the Trustee's Regular Report or the Trustee's Extraordinary Report, whichever is the most recent as of 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date B set forth in the Drawdown Application, is maintained at an amount that is no less than 120% of the Total Outstanding Balance after making the Individual Loan B minus the Fixed Trust Property Value on the Trustee's Regular Report or the Trustee's Extraordinary Report.

- (xii) The Fixed Trust Property Value on the Trustee's Regular Report or the Trustee's Extraordinary Report, whichever is the most recent as of 11 a.m. on the Business Day immediately preceding the Desired Drawdown Date B set forth in the Drawdown Application, is maintained at an amount that is no less than the Total Outstanding Balance A as of the Desired Drawdown Date B, and (ii) the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) on the Trustee's Regular Report or the Trustee's Extraordinary Report, whichever is the most recent as of 11 a.m. on the Business Day immediately preceding the Desired Drawdown Date B set forth in the Drawdown Application, is maintained at an amount that is no less than 120% of the Total Outstanding Balance after making the Individual Loan B minus the Fixed Trust Property Value on the Trustee's Regular Report or the Trustee's Extraordinary Report.
- 5.2 Even if the condition provided for under Clause 5.1(xii) is not satisfied, if all of the other conditions provided for under each of the other items of Clause 5.1 are satisfied, the Lender B shall, in accordance with the provisions of Clause 7.4, owe the Lending Obligations B with respect to amounts that are no less than 100 million yen and in increments of 100 million yen, to the extent that (i) the Fixed Trust Property Value is maintained at an amount that is no less than the Total Outstanding Balance A, and (ii) the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) is maintained at an amount that is no less than 120% of the Total Outstanding Balance minus the Fixed Trust Property Value.

6. **APPLICATION FOR DRAWDOWN**

- 6.1 The Borrower may apply for a drawdown pursuant to the terms of this Agreement during the Drawdown Application Period. If the Borrower desires to drawdown a Loan B pursuant to this Agreement, the Borrower shall submit to the Agent a document specifying the matters set forth under each of the following items, indicating its intention to apply for a drawdown (the "Drawdown Application"), by 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date B. In this case, the matters set forth under each of the following items shall satisfy the conditions provided for in the respective items.
- (i) The amount of Individual Loan B that the Borrower desires to drawdown (the "Desired Drawdown Amount"):
The Desired Drawdown Amount shall be no less than 100 million yen and in increments of 100 million yen, and, at the same time, an amount where the Lending Obligation B of each Lender B does not exceed the Unused Commitment Amount B in relation to the relevant Lender B as of the Desired Drawdown Date B.
 - (ii) The date that the Borrower desires the drawdown (the "Desired Drawdown Date B"):
The Desired Drawdown Date B shall be a Business Day during the Drawdown Period.

- (iii) The repayment time of the principal and interest of the Individual Loan B in relation to such Drawdown Application (the “Repayment Date”):
The Repayment Date shall be a day corresponding to one (1) week or one (1) month after the Desired Drawdown Date B (provided, however, that if such corresponding day falls on a day other than a Business Day, the following Business Day shall be the Repayment Date, and if such following Business Day occurs in the following month, the immediately preceding Business Day shall be the Repayment Date), but may not be after April 24, 2006.

6.2 The indication of intention to apply for a drawdown pursuant to Clause 6.1 shall be effective with respect to All Lenders B upon the Agent receiving the Drawdown Application. When the Agent receives a Drawdown Application from the Borrower, the Agent shall notify All Lenders B of the Borrower’s application for a drawdown and the details thereof, by sending a copy of the Drawdown Application to All Lenders B during the third (3rd) Business Day prior to the Desired Drawdown Date B. The Agent shall retain the original of the Drawdown Application on behalf of All Lenders B until the Outstanding Individual Loan B Money advanced in response to such application is fully repaid.

7. **MAKING OF LOANS B**

7.1 If a Lender B receives an application for a drawdown in accordance with Clause 6 and does not give notice pursuant to Clause 8.1, and all conditions set forth in Clause 5 are satisfied at the time of the drawdown of the Individual Loan B, the Lender B shall remit the Individual Loan B Amount to the Agent’s Account by 11 a.m. on the Desired Drawdown Date B. The Individual Loan B shall be deemed to have been made by that Lender B as of the time that the Agent remits such money to the Borrower’s Settlement Account from the Agent’s Account. Provided, however, that with respect to the drawdown of the Individual Loan B in relation to a Refinancing Loan B, the Lender B shall offset (a) the principal amount of the Outstanding Individual Loan B Money in relation to the Refinanced Loan B as of the Desired Drawdown Date B, and (b) the Individual Loan B Amount in relation to the Refinancing Loan B, and according to the result thereof, shall treat the drawdown of such Individual Loan B as follows.

- (i) If the Individual Loan B Amount in relation to the Refinancing Loan B exceeds the amount equivalent to the principal of the Outstanding Individual Loan B Money in relation to the Refinanced Loan B:

If the Lender B receives an application for a drawdown in accordance with Clause 6 and does not give notice pursuant to Clause 8.1, and all conditions set forth in each item of Clause 5 are satisfied at the time of making the Individual Loan B, the Lender B shall remit to the Agent’s Account the amount of the difference between the Individual Loan B Amount in relation to the Refinancing Loan B and the amount equivalent to the principal of the Outstanding Individual Loan B Money in relation to the Refinanced Loan B by 11 a.m. on the Desired Drawdown Date B. The Individual Loan B in

relation to the Refinancing Loan B shall be deemed to have been made in the full Individual Loan B Amount in relation to the Refinancing Loan B as of the time that the Agent transfers such money to the Borrower's Settlement Account after withdrawing it from the Agent's Account. Provided, however, that even if the Lender B remits the amount of the difference between the Individual Loan B Amount and the amount equivalent to the principal of the Outstanding Individual Loan B Money to the Borrower's Settlement Account, if the interest on the Refinanced Loan B is not paid by the Due Time, the Individual Loan B in relation to the Refinancing Loan B shall be deemed not to have been made.

- (ii) If the Individual Loan B Amount in relation to the Refinancing Loan B is less than or equal to the amount equivalent to the principal of the Outstanding Individual Loan B Money in relation to the Refinanced Loan B:

If the Lender B receives an application for a drawdown in accordance with Clause 6 and does not give notice pursuant to Clause 8.1, and all conditions set forth in each item of Clause 5 are satisfied, the Individual Loan B in relation to the Refinancing Loan B shall be deemed to have been made in the full Individual Loan B Amount in relation to the Refinancing Loan B as of the Due Time of the Refinanced Loan B. Provided, however, that if the Borrower does not pay the full amount of the difference between the Outstanding Individual Loan B Amount in relation to the Refinanced Loan B and the Individual Loan B Amount and the interest accrued on the Refinanced Loan B by the Due Time, the Individual Loan B in relation to the Refinancing Loan B shall be deemed not to have been made.

- 7.2 When the Loan B is made pursuant to Clause 7.1, the Borrower shall immediately send to the Agent a written receipt describing the amount of the Loan B and the specifics of the Individual Loan B. The Agent shall, upon receiving such receipt, promptly provide a copy thereof to the Lender B who made the Individual Loan B. The Agent shall retain the original receipt on behalf of that Lender B until the Outstanding Individual Loan B Money in relation to such Individual Loan B is repaid in full.
- 7.3 If notice under Clause 8.1 is not given, the Agent may make the Individual Loan B on behalf of a Lender B through Temporary Advancement (provided, however, that the Agent shall be under no obligation to make such Temporary Advancement). After such Temporary Advancement, the relevant Lender B shall remit the full equivalent amount of the Individual Loan B Money to the Agent's Account by 11 a.m. on the Desired Drawdown Date B, and if such remittance is not completed by that time, the Lender B shall, promptly upon the Agent's request, pay to the Agent the Temporary Advancement Costs required in making such Temporary Advancement.
- 7.4 If it is found, on or after 10 a.m. on the third (3rd) Business Day prior to the Desired Drawdown Date B, and before 11 a.m. on the Business Day immediately preceding the same Desired Drawdown Date B, that (i) the Fixed Trust Property Value on the most recent Trustee's Regular Report or the Trustee's Extraordinary Report made by 11 a.m. on the Business Day immediately preceding that Desired Drawdown Date B cannot be maintained at an amount that is not less than the Total Outstanding Balance A as of the Desired Drawdown Date B, or (ii) the Counter-Performed Trust Receivables Amount

(Goods' Value Equivalent) on the most recent Trustee's Regular Report or the Trustee's Extraordinary Report made by 11 a.m. on the Business Day immediately preceding that Desired Drawdown Date B cannot be maintained at an amount that is not less than 120% of the Total Outstanding Balance after making the Individual Loan B minus the Fixed Trust Property Value on the Trustee's Regular Report or the Trustee's Extraordinary Report (the date on which such fact is found shall hereinafter be referred to as the "Discovery Date"), the Individual Loan B shall be made in the maximum amount (the "Reduced Drawdown Amount") to the extent that (i) such Fixed Trust Property Value can be maintained at an amount that is not less than the Total Outstanding Balance A as of the Desired Drawdown Date B, and (ii) such Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) can be maintained at an amount that is not less than 120% of the Total Outstanding Balance after making the Individual Loan B minus such Fixed Trust Property Value, provided that such amount is not less than 100 million yen and in increments of 100 million yen, and the loan amount in relation to the Lending Obligation B of each Lender B in this case shall be the amount calculated as the Reduced Drawdown Amount multiplied by the Commitment Ratio B of each Lender B (making such loan in the amount less than the Desired Drawdown Amount shall hereinafter be referred to as the "Reduced Drawdown"). The Borrower shall be responsible for any damages, losses or expenses incurred by the Lender B or the Agent as a result of the Reduced Drawdown.

7.5 The procedures in relation to a Reduced Drawdown shall be as follows.

- (i) The Agent shall, during the Discovery Date, notify the Borrower and the Lender B (a) that a Reduced Drawdown is required to be made, (b) the loan amount in relation to the Lending Obligation B of each Lender B, and (c) that the Lender B is required to notify the Agent, by 12 p.m. on the second (2nd) Business Day after the Discovery Date of the amount of the Reduced Drawdown Break Funding Cost together with the calculation basis thereof.
- (ii) Each Lender B shall, by 12 p.m. on the second (2nd) Business Day after the Discovery Date, notify the Agent of the amount of the Reduced Drawdown Break Funding Cost in relation to such Lender B together with the calculation basis thereof.
- (iii) The Borrower shall, during the Business Day immediately preceding the Desired Drawdown Date B, submit to the Agent a written confirmation stating its approval of the Reduced Drawdown. If such written confirmation is not submitted during the Business Day immediately preceding the Desired Drawdown Date B, the Lender B may elect not to make the Reduced Drawdown.
- (iv) The Borrower shall pay the Reduced Drawdown Break Funding Cost in accordance with the provisions of Clause 18 on the third (3rd) Business Day after the Discovery Date.

8. **REFUSAL TO MAKE LOANS B**

8.1 A Lender B who decides not to make the Individual Loan B for the reason that all or part of the conditions under Clause 5 are not satisfied (the "Non-Drawdown Lender

B”) may notify the Agent, the Borrower and all other Lenders B of the decision with the reason affixed thereto by 3 p.m. on one (1) Business Day prior to the Desired Drawdown Date B. Provided, however, that if, notwithstanding the satisfaction of all the conditions under Clause 5, such notice is given and the Individual Loan B is not made, the Non-Drawdown Lender B shall not be released from liabilities arising from a breach of its Lending Obligations B.

8.2 The Borrower shall be responsible for any damages, losses or expenses incurred by the Non-Drawdown Lender B or the Agent as a result of Non-Drawdown Lender B not being able to make the Individual Loan B. Provided, however, that the foregoing shall not apply if the failure to make the Individual Loan B constitutes a breach of such Non-Drawdown Lender B’s Lending Obligations B.

9. **REPAYMENT OF PRINCIPAL**

The Borrower shall pay the principal amount of each Individual Loan B on the Repayment Date in accordance with the provisions of Clause 18.

10. **INTEREST**

10.1 The Borrower shall pay on the Repayment Date of the Individual Loan B, in accordance with the provisions of Clause 18, the amount of interest on such Individual Loan B calculated by multiplying the principal amount in relation to the Individual Loan B by the Applicable Interest Rate B, calculated on a per diem basis in accordance with the actual number of days of the Loan Term.

10.2 The calculation method of interest under Clause 10.1 shall be on a per diem basis, inclusive of the first day and exclusive of the last day, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

11. **COMMITMENT FEE B**

11.1 The Borrower shall pay on the fifth (5th) Business Day after the final date of each Commitment Fee B Calculation Period, in accordance with the provisions of Clause 18, a Commitment Fee B in the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount B with respect to each Lender B on each day during each Commitment Fee B Calculation Period (provided that the Unused Commitment Amount B on the Drawdown Date shall be the Unused Commitment Amount B after making the Individual Loan B on that Drawdown Date), multiplied by the Commitment Fee B Rate, and divided by 365.

11.2 The Borrower shall not be required to make payments with respect to the Commitment Fee B in relation to the Default Period to any Lender B who fails to perform its Lending Obligations B (the “Defaulting Lender B”). The Commitment Fee B in relation to the Default Period shall be the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount B with respect to such Defaulting Lender B on each day during such Default Period, multiplied by the Commitment Fee B Rate, and divided by 365. In this Clause 11.2, the “Default Period” shall mean the period commencing on the day (inclusive) on

which an event of default occurs, and ending on the day (inclusive) before the day on which the default is remedied, and the day on which a default is remedied shall be determined as follows:

- (i) if the Defaulting Lender B offers to the Borrower via the Agent to make the Individual Loan B at a later date pursuant to the application for a drawdown in respect of which the Defaulting Lender B has failed to perform its Lending Obligation B, and the Borrower accepts such offer and such Individual Loan B is made, the date the Individual Loan B is made;
 - (ii) if the Borrower refuses the offer in the preceding item, the date that the offer is refused; if the Agent does not receive notice from the Borrower of its acceptance or refusal of the offer within two (2) Business Days after the offer is made under the preceding item, the offer shall be deemed to have been refused by the Borrower; and
 - (iii) for those cases other than the cases of the preceding two items, the date determined by the Borrower, the Defaulting Lender B and the Agent upon consultation.
- 11.3 If an Exemption Event occurs, the Borrower shall not be required to make payments to All Lenders B, with respect to the Commitment Fee B in relation to the Exemption Period. The Commitment Fee B in relation to the Exemption Period shall be the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount B with respect to each Lender B on each day during such Exemption Period, multiplied by the Commitment Fee B Rate, and divided by 365.
- 11.4 If the Costs Increased Lender B ceases to owe its Lending Obligations B pursuant to the provisions of Clause 13.5, the Borrower shall not be required to pay to such Costs Increased Lender B, with respect to the Commitment Fee B in relation to the period after the termination of this Agreement with respect to that Costs Increased Lender B, the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount B with respect to such Costs Increased Lender B on each day during the period commencing on the day (inclusive) on which the Costs Increased Lender B ceases to owe its Lending Obligations B and ending on the Drawdown Application Period Final Date (inclusive), multiplied by the Commitment Fee B Rate, and divided by 365.
- 11.5 If this Agreement is terminated with respect to any Lender B or All Lenders B pursuant to the provisions of Clause 34, the Borrower shall not be required to pay to that Lender B, with respect to the Commitment Fee B in relation to the period after the termination of this Agreement with respect to that Lender B, the amount (fractions less than one yen shall be rounded down) calculated as the total amount of the Unused Commitment Amount B with respect to each Lender B on each day during the period from the day (inclusive) of termination of this Agreement with respect to that Lender B and ending on the Drawdown Period Termination Date (inclusive) (provided that the related provisions of this Agreement shall remain effective with respect to the Lender B after the termination of this Agreement to the extent necessary in calculating the Commitment Fee B that is not required to be paid pursuant to this Clause 11.5;

provided further, that with respect to the day repayment is made in relation to an Individual Loan B, the Unused Commitment Amount B after such repayment shall be used as the basis for such calculation), multiplied by the Commitment Fee B Rate, and divided by 365.

11.6 In calculating the Commitment Fee B pursuant to Clause 11.1, divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

12. **EXEMPTION OF LENDER B**

12.1 The Lender B shall not owe the Lending Obligations B during the Exemption Period.

12.2 If the Agent becomes aware that an Exemption Event has occurred, the Agent shall immediately notify the Borrower and All Lenders B of such event in writing.

12.3 After notice under Clause 12.2 is given, when the Majority Lenders B determine that the Exemption Event in relation to such notice has been resolved, the Agent shall immediately notify the Borrower and All Lenders B thereof.

13. **INCREASED COSTS**

13.1 A Costs Increased Lender B may, by notifying the Borrower in writing via the Agent, request the Borrower to elect either to bear the Increased Costs or to terminate this Agreement with respect to the Costs Increased Lender B. The Borrower shall respond to such request by giving written notice to the Costs Increased Lender B via the Agent.

13.2 If the Borrower elects to bear the Increased Costs in response to the Costs Increased Lender B's request under Clause 13.1, the Borrower shall pay, in accordance with the provisions of Clause 18, the Costs Increased Lender B the money equivalent to such Increased Costs.

13.3 If the Borrower elects to terminate this Agreement with respect to the Costs Increased Lender B in response to the request under Clause 13.1, the Borrower shall notify the Agent and All Lenders B in writing by ten (10) Business Days prior to the date the Borrower desires this Agreement to be terminated (the "Desired Termination Date"), of (a) the desire to terminate this Agreement with respect to the Costs Increased Lender B, and (b) the Desired Termination Date.

13.4 If there remains an Individual Loan B with a Repayment Date that arrives on or after the day following the Desired Termination Date, the Costs Increased Lender B shall notify the Agent of the Break Funding Cost by two (2) Business Days prior to the Desired Termination Date. After receiving such notice, the Agent shall notify the Borrower of the same by one (1) Business Day prior to the Desired Termination Date.

13.5 In the event that notice under Clause 13.3 is given, the Costs Increased Lender B's Lending Obligation B shall be extinguished, and thereupon this Agreement shall terminate only with respect to the Costs Increased Lender B. In this case, the Borrower shall pay to the Costs Increased Lender B on the Desired Termination Date, in accordance with the provisions of Clause 18, all obligations it owes to the Costs Increased Lender B pursuant to this Agreement. Until the Borrower completes the

performance of all obligations it owes to the Costs Increased Lender B under this Agreement, the relevant provisions of this Agreement regarding the performance of such obligations shall remain in full force and effect with respect to the Costs Increased Lender B. Further, in this case, the Commitment Ratio B of the Lenders B other than the Costs Increased Lender B shall be modified as follows:

- (i) The Total Commitment Amount B will be modified to an amount calculated as the Total Commitment Amount B before modification less the Commitment Amount B of such Costs Increased Lender B.
- (ii) The Commitment Ratio B of the Lenders B other than the Costs Increased Lender B shall be modified to the ratio of the loan amount of each Lender B to the Total Commitment Amount B after the modification under the immediately preceding Item (i).

14. **PREPAYMENT**

- 14.1 The Borrower may not prepay all or any part of the principal of the Loan B before its Due Date (a "Prepayment"). Provided, however, that this shall not apply if the Prepayment is made pursuant to Clause 13 or Clause 34, or if the Borrower, in accordance with the procedures set forth below, obtains the prior written approval of all of the Lenders B who made the Individual Loan B in respect of which the Borrower gives notice of its desire to make a Prepayment (the "Relevant Prepayment Lenders B"), and the Agent.
- 14.2 If the Borrower desires to make a Prepayment, the Borrower shall give a written notice to the Agent no later than ten (10) Business Days prior to the date the Borrower desires to make the Prepayment (the "Desired Prepayment Date"), stating (a) the Drawdown Date, the Repayment Date and the principal amount of the Individual Loan B for which the Borrower desires to make a Prepayment, (b) the principal amount for which the Borrower desires to make a Prepayment (not less than 100 million yen, and in increments of 100 million yen), (c) that the Borrower will pay in full on the Desired Prepayment Date, the interest on the principal amount for which the Borrower desires to make a Prepayment that has accrued by the Desired Prepayment Date (inclusive) (the "Accrued Interest"), and (d) the Desired Prepayment Date. The Agent shall notify the Relevant Prepayment Lenders B of items (a) through (d) of this Clause 14.2 by the Business Day immediately following the day the Agent receives notice from the Borrower, whereupon the Relevant Prepayment Lenders B shall notify the Agent no later than five (5) Business Days prior to the Desired Prepayment Date of whether or not they approve such Prepayment. If such notice by any of the Relevant Prepayment Lenders B does not reach the Agent by five (5) Business Days prior to the Desired Prepayment Date, it shall be deemed that the Relevant Prepayment Lenders B did not approve such Prepayment. The Agent shall judge the acceptability of the Prepayment by four (4) Business Days prior to the Desired Prepayment Date, and notify the result to the Borrower and the Relevant Prepayment Lenders B.
- 14.3 The Relevant Prepayment Lenders B who approve the Prepayment in accordance with Clause 14.2 shall notify the Agent of the Break Funding Cost no later than 5 p.m. on two (2) Business Days prior to the Desired Prepayment Date. After receiving such notice, the Agent shall notify the Borrower of the same no later than one (1) Business

Day prior to the Desired Prepayment Date. The Borrower shall pay on the Desired Prepayment Date to the Relevant Prepayment Lenders B who approve the Prepayment, in accordance with Clause 18, the total of the principal, the Accrued Interest and the Break Funding Cost in respect of the Loan B subject to such Prepayment.

- 14.4 If it is found that the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) cannot be maintained at an amount that is not less than 120% of the Total Outstanding Balance minus the Fixed Trust Property Value as of each Collection Calculation Date, the Borrower shall make the Prepayment in accordance with the following procedures, no later than three (3) Business Days after the date such fact is found (if such fact is found at or after 11 a.m. on the Business Day immediately preceding the Drawdown Date to the Drawdown Date, including the Business Day immediately preceding the Drawdown Date; the "Discovery Date" in this Clause 14.4), with respect to all of the Loan Receivables B or a part sufficient to maintain the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) as of such Collection Calculation Date at an amount that is not less than 120% of the Total Outstanding Balance minus the Fixed Trust Property Value as of such Collection Calculation Date. Provided, however, that this shall not apply if the Borrower additionally entrusts the Trustee with monies sufficient to satisfy the Trust Property Maintenance Standards in accordance with the provisions of the Accounts Receivables Trust Agreement during the Business Day immediately following the Discovery Date, upon notifying the Trustee and the Agent of its intent to entrust additional funds (by submitting an Application for Additional Entrustment of Funds) no later than 11 a.m. on the Business Day immediately following the Discovery Date.
- (i) The Borrower shall notify the Agent of the principal amount subject to the Prepayment no later than 11 a.m. on the Business Day immediately following the Discovery Date (if it discovers such fact).
 - (ii) The Agent shall notify the Relevant Prepayment Lenders B and the Borrower by the Business Day immediately following the Discovery Date, of (a) the principal amount subject to the Prepayment, (b) the interest on the principal amount subject to the Prepayment that has accrued by the date (inclusive) the Prepayment will be made (the "Accrued Interest"), and (c) the date the Prepayment will be made.
 - (iii) Each of the Relevant Prepayment Lenders B receiving the notice pursuant to the preceding Item (i) shall notify the Agent of the Break Funding Cost in relation to such Relevant Prepayment Lender B no later than 12 p.m. on one (1) Business Day prior to the date the Prepayment will be made, and after receiving such notice, the Agent shall notify the Borrower of the same no later than one (1) Business Day prior to the date the Prepayment will be made.
 - (iv) The Borrower shall pay the total amount of the principal of the Loan B subject to Prepayment, and the Accrued Interest and Break Funding Costs thereon on the third (3rd) Business Day after the Discovery Date, in accordance with the provisions of Clause 18.
- 14.5 If the Borrower makes the Prepayment with respect to a part of the Loan Receivables B in accordance with Clause 14.4, the Borrower shall first repay the Loan Receivables

B in relation to the Individual Loan B of which the Drawdown Date arrives last, in the whole or any part thereof in an amount not less than 100 million yen and in increments of 100 million yen sufficient to satisfy the Trust Property Maintenance Standards, and if the repayment of all of the Loan Receivables B in relation to the Individual Loan B of which the Drawdown Date arrives last is still not sufficient to satisfy the Trust Property Maintenance Standards, then the Borrower shall repay the Loan Receivables B in relation to the Individual Loan B of which the Drawdown Date arrives the next latest, in the whole or any part thereof in an amount not less than 100 million yen and in increments of 100 million yen sufficient to satisfy the Trust Property Maintenance Standards, and the same shall apply thereafter.

15. **DEFAULT INTEREST**

- 15.1 If the Borrower defaults in the performance of its obligations under this Agreement owing to a Lender B or the Agent, the Borrower shall, immediately upon the Agent's request and in accordance with Clause 18, for the period commencing on the Due Date (inclusive) of such defaulted obligation (the "Defaulted Obligations") and ending on the day (inclusive) the Borrower performs all Defaulted Obligations, pay default interest calculated by multiplying the amount of the Defaulted Obligations by the higher of either (to the extent permitted by Laws and Ordinances) (i) the rate obtained by adding the rate of 2% per annum to the reasonable cost (calculated at the interest rate that the creditor reasonably decides upon) incurred by the creditor of the Defaulted Obligations for raising the amount in default, or (ii) the rate of 14% per annum.
- 15.2 The calculation method for default interest under Clause 15.1 shall be on a per diem basis in accordance with the actual number of days from the Due Time (inclusive) of such obligations to the date (inclusive) such obligations are repaid, assuming that there are 365 days per year, wherein divisions shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

16. **AGENCY FEE**

The Borrower shall pay the Agency Fee to the Agent as separately agreed between the Borrower and the Agent, as consideration for the performance of the Agent Services.

17. **EXPENSES; TAXES AND PUBLIC CHARGES**

- 17.1 All expenses (including attorney's fees) incurred in connection with the preparation and any revision or amendment of this Agreement, and all expenses (including attorney's fees) incurred in relation to the maintenance and enforcement of the rights or the performance of the obligations by the Lender B and the Agent pursuant to this Agreement shall be borne by the Borrower to the extent permitted by Laws and Ordinances. If any Lender B or the Agent pays these expenses in the place of the Borrower, the Borrower shall, immediately upon the Agent's request, pay the same in accordance with the provisions of Clause 18.
- 17.2 All stamp duties and any other similar Taxes and Public Charges incurred in relation to the preparation, amendment and enforcement of this Agreement and any documents related hereto shall be borne by the Borrower. If any Lender B or the Agent pays these

Taxes and Public Charges in the place of the Borrower, the Borrower shall, immediately upon the Agent's request, pay the same in accordance with the provisions of Clause 18.

18. **PERFORMANCE OF BORROWER'S OBLIGATIONS**

- 18.1 In order to repay the obligations under this Agreement, the Borrower shall remit the relevant amount to the Agent's Account (i) by the Due Time, for those obligations with a Due Date provided for herein, or (ii) immediately upon the Agent's request, for those obligations with a Due Date not provided for herein. In such cases, the Borrower's obligations to the Agent or a Lender B shall be deemed to have been performed upon the time of the remittance of the relevant amount to the Agent's Account. Provided, however, that if the Refinancing Loan B is made in accordance with Clause 7.1(i), the Due Time for the principal of the Outstanding Individual Loan B Money in relation to the Refinanced Loan B shall be postponed to the time that the Refinancing Loan B is deemed to have been made pursuant to Clause 7.1(i), and the payment obligation for the principal of the Individual Loan B in relation to the Refinanced Loan B shall be deemed to have been performed upon the time that such Refinancing Loan B is made pursuant to Clause 7.1(i).
- 18.2 Unless otherwise provided for in this Agreement, a payment by the Borrower directly to a Lender B other than the Agent contrary to the provisions of Clause 18.1 of amounts owing under this Agreement shall not be deemed to constitute the due performance of obligations under this Agreement. In this case, the Lender B receiving such payment shall immediately pay the money it receives to the Agent, and the obligations with respect to such money shall be deemed to have been performed upon the Agent's receipt of such money. Provided, however, that in the case that the Borrower, upon giving prior written notice to the Agent, disposes (*nin-i-baikyaku*) of the assets subject to floating security interest (*ne-tanpoken*) (other than the floating pledge pursuant to the Floating Pledge Agreement) that have been granted in favor of a Lender B as the secured party of the floating security interest, and directly pays to that Lender B the proceeds it receives from such disposal in order to perform its obligations under this Agreement, such direct payment shall be considered to constitute the due performance of obligations under this Agreement. The Borrower may not perform its obligations under this Agreement by deed-in-lieu of performance (*daibutsu bensai*) unless the Agent and All Lenders B give their prior written approval.
- 18.3 The Borrower's payments pursuant to this Clause 18 shall be appropriated in the order set forth below; provided, however, that the provisions of Clause 19.4 shall apply if any obligation of the Borrower becomes immediately due and payable pursuant to Clause 24:
- (i) those expenses to be borne by the Borrower under this Agreement that the Agent has incurred in the place of the Borrower, and the Agency Fee;
 - (ii) those expenses to be borne by the Borrower under this Agreement that are payable to a third party;
 - (iii) those expenses to be borne by the Borrower under this Agreement that any Lender B has incurred in place of the Borrower;

- (iv) the default interest and the Break Funding Cost in relation to the Loan B;
 - (v) the Commitment Fee B;
 - (vi) the interest on the Loan B; and
 - (vii) the principal of the Loan B.
- 18.4 If, in appropriating the Borrower's payments under Clause 18.3, the amount to be appropriated falls short of the amount outlined in any of the items thereunder, with respect to the first item not fully covered (the "Item Not Fully Covered"), the amount remaining after appropriation to the item of the next highest order of priority shall be appropriated after prorating such remaining amount in proportion to the amount of the individual payment obligations owed by the Borrower regarding the Item Not Fully Covered that have become due and payable.
- 18.5 Unless otherwise required by Laws and Ordinances, the Borrower shall not deduct Taxes and Public Charges from the amount of obligations to be paid pursuant to this Agreement. If it is necessary to deduct Taxes and Public Charges from the amount payable by the Borrower, the Borrower shall additionally pay the amount necessary in order for the Lender B to be able to receive the amount that it would receive if no Taxes and Public Charges were imposed. In such cases, the Borrower shall, within thirty (30) days from the date of payment, directly send to the Lender B the certificate of tax payment in relation to withholding taxes issued by the tax authorities or other competent governmental authorities in Japan.
19. **DISTRIBUTION TO LENDERS B**
- 19.1 If any amounts remain after deducting an amount equivalent to the amounts described in Clause 18.3(i) and Clause 18.3(ii) from the amount paid by the Borrower pursuant to Clause 18, the Agent shall immediately distribute such remaining amount to the Lenders B in accordance with the provisions of this Clause 19. Provided, however, that if such money is paid by the Borrower pursuant to Clause 13.2 or Clause 13.5, notwithstanding the provisions of this Clause 19, the Agent shall promptly distribute such money to the Costs Increased Lender B.
- 19.2 If, prior to distribution by the Agent to the Lenders B pursuant to this Clause 19, (a) an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) in relation to the Loan Receivables B is served on the Borrower, or (b) an assignment in relation to the Loan Receivables B is made, the rights and obligations of the Borrower, the Agent and the Lenders B shall be regulated in accordance with the following provisions:
- (a) (i) If the Agent completes the distribution to the Lenders B pursuant to this Clause 19 before receiving notice from the Borrower pursuant to Clause 21.4 that the Borrower has been served an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to the Loan Receivables B:
 In this case, if the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*), the Borrower, the Lenders B or any other third party incurs damages, losses or expenses (the "Damages") as a result of such distribution, the Agent shall not be liable in relation thereto, and the Borrower shall deal with the Damages at its own cost and liability. The Borrower shall compensate the Agent for any Damages incurred by the Agent due to such distribution.

- (ii) If the Agent receives notice from the Borrower pursuant to Clause 21.4 that it has been served an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) on or after the remittance to the Agent's Account by the Borrower and before completion of the distribution to the Lenders B pursuant to this Clause 19, with respect to the Loan Receivables B in relation to such distribution:

In this case, (1) with respect to the money relating to such notice, the Agent may withhold the distributions pursuant to this Clause 19, and may take other measures in a manner that the Agent deems reasonable; and (2) the Agent shall distribute to All Lenders B other than the Lender B subject to such notice the money paid by the Borrower excluding that which is subject to such notice. If the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*), the Borrower, the Lenders B or any other third party incurs any Damages as a result of the distribution by the Agent pursuant to (1) of this Item (ii), the Agent shall not be liable in relation thereto, and the Borrower shall deal with such Damages at its own cost and liability. The Borrower shall compensate the Agent for any Damages incurred by the Agent due to such distribution.

- (b) If the Assignor and the Assignee, under joint names, or if the Borrower, under its single name, notifies the Agent of an assignment of the Loan Receivables B in accordance with Clause 32.1:

In this case, the Agent shall, after receiving either of these notices, immediately commence all administrative procedures necessary in order to treat such Assignee as the creditor of such Loan Receivables B, and the Agent shall be exempt insofar as the Agent treats the previous Lender B as the party in interest until the Agent notifies the Borrower, the Assignor and the Assignee that such procedures have been completed. If the Assignee or any other third party suffers Damages due to such treatment by the Agent, the Agent shall not be liable in relation thereto, and the Borrower and the Assignor of such Loan Receivables B shall deal with such Damages at their own cost and liability. The Borrower and the Assignor of such Loan Receivables B shall jointly compensate the Agent for any Damages incurred by the Agent arising out of this Item (b).

- 19.3 The distributions by the Agent to the Lenders B shall be made in order, starting from Clause 18.3(iii) to Clause 18.3(vii). If there is an Item Not Fully Covered regarding the amounts to be distributed, the appropriation and distribution with respect to such Item Not Fully Covered shall be made in accordance with the provisions of Clause 18.4.

- 19.4 Notwithstanding Clause 18.3, Clause 18.4 and Clause 19.3, if the Borrower's obligations hereunder become immediately due and payable pursuant to Clause 24, the Agent shall distribute the amount remaining after deducting the amounts described under Clause 18.3(i) and Clause 18.3(ii) from the amount paid by the Borrower, in proportion to the amount of the obligations that the Borrower owes to the Lenders B under this Agreement, in which case such remaining amount shall be appropriated in the order and method that the Agent deems appropriate.
- 19.5 If the remittance of money by the Borrower provided for in Clause 18.1 fails to be completed by the Due Time, the Agent shall be under no obligation to make the distributions set forth in Clause 19.1 on the same date. In such cases, the Agent shall make such distributions immediately after receiving the remittance from the Borrower, and the Borrower shall bear any damages, losses and expenses incurred by the Lender B or the Agent in connection therewith.
- 19.6 Upon request from the Agent, and if there are reasonable grounds for such request, the Lenders B receiving such request shall immediately notify the Agent of the amount (including specifics) of the receivables they hold against the Borrower under this Agreement. In this case, the obligation of the Agent to make distributions set forth in Clause 19.1 shall arise at the time all such notices reach the Agent. In the case where a Lender B delays this notice without reasonable cause, such Lender B shall bear all damages, losses or expenses incurred by any Lender B or the Agent due to such delay.
- 19.7 The Agent may, before the Due Time of any of the Borrower's obligations, make the distributions to Lenders B in relation to such obligation by Temporary Advancement (provided that the Agent shall be under no obligation to make such Temporary Advancement). If the Borrower's obligations in relation to such Temporary Advancement are not repaid by the Due Time in accordance with Clause 18, the Lender B who received the distribution pursuant to this Clause 19.7 shall, immediately upon the Agent's request, reimburse to the Agent for the amount of such Temporary Advancement that it received. The Lender B shall, immediately upon the Agent's request, pay to the Agent any Temporary Advancement Costs required in making such Temporary Advancement, corresponding to the amount of Temporary Advancement that it received.

20. **BORROWER'S REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to a Lender B and the Agent that each of the following matters is true and correct as of the Execution Date and the Drawdown Date. If any of the matters set forth under each of the following items is found to be untrue, the Borrower shall fully indemnify the Lender B and the Agent for all losses and expenses incurred thereby.

- (i) The Borrower is a stock company duly incorporated and validly existing under the laws of Japan.
- (ii) The Borrower has full legal competence necessary for the execution and

performance of the Relevant Agreements, the execution and performance of the Relevant Agreements by the Borrower and any transactions associated therewith are within the corporate purposes of the Borrower and the Borrower has duly completed all procedures necessary therefor under Laws and Ordinances, the Articles of Incorporation and other internal company rules of the Borrower.

- (iii) The execution and performance of the Relevant Agreements by the Borrower and any transactions associated therewith will not result in (a) any violation of Laws and Ordinances that bind the Borrower, (b) any breach of the Articles of Incorporation or other internal company rules of the Borrower, or (c) any breach in any material respect of a third-party contract to which the Borrower is a party or which binds the Borrower or the assets of the Borrower.
- (iv) The person who signs or attaches his or her name and seal to the Relevant Agreements is authorised to sign or attach his or her name and seal to the Relevant Agreements as the representative of the Borrower by all procedures necessary pursuant to Laws and Ordinances, the Articles of Incorporation and other internal company rules of the Borrower.
- (v) The Relevant Agreements constitute legal, valid and binding obligations of the Borrower, and are enforceable against the Borrower in accordance with the terms thereof.
- (vi) The Relevant Agreements (other than this Agreement) are validly formed and exist with the same content as the agreements disclosed to the Agent.
- (vii) All Reports prepared by the Borrower are accurately and duly prepared in accordance with generally accepted accounting standards in Japan.
- (viii) After the last day of the fiscal year ended in December 2004, there has been no material change that will cause a significant deterioration of the business, assets, or financial condition of the Borrower described in the audited fiscal statement of that fiscal year or that may materially affect the performance of the obligations of the Borrower under the Relevant Agreements.
- (ix) No lawsuit, arbitration, administrative procedure, or any other dispute has commenced, or is likely to commence to the best knowledge of the Borrower, with respect to the Borrower, that will or may materially cause adverse effects on the performance of its obligations under the Relevant Agreements.
- (x) No event described in the items of Clauses 24.1 and 24.2 has occurred or is likely to occur.
- (xi) FUJITSU LIMITED owns 100% of the equity contributions to FMH, FMH's equity contributions to Spansion LLC will not fall below 40%, and Spansion LLC owns 100% of the equity contributions to the Borrower.
- (xii) The Borrower has not offered any security other than that described in Schedule 2.

- (xiii) The assets required for the continuation of the Borrower's business have been offered as security to FUJITSU LIMITED as described in Schedule 2.
- (xiv) Except for the Accounts Receivables Trust Agreement, the Borrower has not entered into with a Lender or any third party any agreement creating a security interest on or assigning all of the accounts receivables either currently held by the Borrower against FUJITSU LIMITED or that will accrue in the future before the termination date of the Accounts Receivables Trust Agreement.

21. **BORROWER'S COVENANTS**

- 21.1 The Borrower covenants to perform, at its expense, the matters described in each of the following items on and after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender B and the Agent.
- (i) If any event (including any acceleration event arising from a failure to cure a breach within the relevant curing period) described in each item of Clause 24.1 or 24.2 has occurred whether in respect of obligations hereunder or otherwise, or is likely to occur, the Borrower will immediately notify the Agent and All Lenders B in writing thereof.
 - (ii) The Borrower will submit a copy of the unaudited Reports to All Lenders B through the Agent, within sixty (60) days from the end of the first fiscal quarter, second fiscal quarter and third fiscal quarter, respectively.
 - (iii) The Borrower will submit a copy of the audited Reports to All Lenders B through the Agent, within one hundred and five (105) days from the end of the fiscal year.
 - (iv) The Borrower will submit to the Agent the documents prescribed by the Agent, in the number of copies designated by the Agent, that can confirm Borrower's compliance with matters described in Clause 22 and Clause 23 below, within one hundred and five (105) days from the end of the prescribed fiscal year, and within sixty (60) days from the end of each six-month (mid-year) period and the end of each fiscal quarter, respectively.
 - (v) The Borrower will submit a copy of the unaudited Reports of Spansion LLC to All Lenders B through the Agent, within sixty (60) days from the end of the first fiscal quarter, second fiscal quarter and third fiscal quarter of Spansion LLC, respectively.
 - (vi) The Borrower will submit a copy of the audited Reports of Spansion LLC to All Lenders B through the Agent, within one hundred and five (105) days from the end of the fiscal year of Spansion LLC.
 - (vii) Upon request by the Agent or a Lender B through the Agent, the Borrower will immediately notify the Agent in writing of the condition of the assets,

management, or businesses of the Borrower, its Subsidiaries and Spansion LLC, and shall provide any assistance necessary to facilitate investigations thereof.

- (viii) If any material change has occurred, or is found to be likely to occur with the passage of time, to the condition of the assets, management, or businesses of the Borrower and its Affiliates, or if any lawsuit, arbitration, administrative procedure, or any other dispute that will materially affect, or is likely to materially affect, the performance of the obligations of the Borrower under this Agreement has commenced, or is found to be likely to commence, the Borrower will immediately notify All Lenders B through the Agent in writing thereof.
 - (ix) If any change has occurred to the Status of the Establishment of the Collateral described in Schedule 2, the Borrower will immediately notify the Agent in writing thereof.
 - (x) If any of the items described in Clause 20 is found to be untrue, the Borrower will immediately notify the Agent in writing thereof.
- 21.2 The Borrower shall not offer any security other than that which is pursuant to the Relevant Agreements to secure its obligations under this Agreement for the benefit of certain Lenders B on or after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender B and the Agent.
- 21.3 The Borrower shall, on and after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender B and the Agent, affirmatively covenant to comply with the following matters. Upon applying Items (iv) and (v) below, any action taken by the Borrower or any of its Subsidiaries and any event arising at any time that is not during an Enhanced Covenant Period and would not constitute a breach under this Agreement to the extent that such action or event is taken or occurs at such time, shall not constitute a breach during any subsequent Enhanced Covenant Period of the applicable covenant during such Enhanced Covenant Period, even if such action or event would be in violation of such covenant, had such action been taken by the Borrower or any of its Subsidiaries or such event occurred during such Enhanced Covenant Period.
- (i) The Borrower will maintain licenses and other similar permits that are necessary to conduct the Borrower's main business, and continue to carry out the business in compliance with all Laws and Ordinances.
 - (ii) The Borrower will not change its main business.
 - (iii) The Borrower will not, unless otherwise specified in Laws and Ordinances, subordinate the payment of any of its debts under this Agreement to the payment of any unsecured debts (including any secured debts that will not be fully collected after a foreclosure sale of the security), but will at least give its debts under this Agreement equal priority.

- (iv) Neither the Borrower nor its Subsidiaries will, during the Enhanced Covenant Period, enter into any merger, reorganization or consolidation, or transfer, lease or otherwise dispose of all or any part of their assets, or enter into any agreement concerning such transactions; provided, however, that even if any of the foregoing occur during the Enhanced Covenant Period, the Borrower or its Subsidiaries may conduct such transactions if they constitute (a) a sale or other disposition of the Inventory in the ordinary course of their business; (b) a transfer or other disposition in the ordinary course of business of assets that have become obsolete, damaged or no longer useable in operation; (c) an Investment by the Borrower or any of its Subsidiaries in the Borrower or any of its Subsidiaries (except for cases where the aggregate amount of such Investment made by the Borrower or any of its Japanese Subsidiaries on and after the Execution Date exceeds three billion (3,000,000,000) yen); (d) a case where the aggregate book value of assets transferred by the Borrower and its Subsidiaries on and after the Execution Date is less than six billion (6,000,000,000) yen; (e) a merger or consolidation between the Borrower and any of its Subsidiaries or among the Borrower's Subsidiaries (provided that, with respect to any such transaction to which the Borrower is a party, to the extent that the Borrower shall be the continuing or surviving entity); (f) a disposition of the Inventory between the Borrower and its Subsidiaries or among the Borrower's Subsidiaries, on terms no less favorable to the Borrower and its Subsidiaries than would be obtained in a similar arm's length transaction with a third party who is not an Affiliate; or (g) any transaction set forth in Item (v) below. Notwithstanding the foregoing or whether such transaction takes place during the Enhanced Covenant Period, except as permitted under the preceding Item (f), the Borrower will not, without the consent of the Majority Lenders B, (1) enter into any consolidation or merger, or transfer, lease or otherwise dispose of all or substantially all of its assets or business, or (2) remove any equipment from the Aizu Facility or transfer or otherwise dispose of the Aizu Facility, in a manner that may substantially affect the Borrower's repayment of its obligations under this Agreement.
- (v) The Borrower and its Subsidiaries will not, to the extent that any obligation under this Agreement or agreements (other than this Agreement) entered into between the Borrower and a third party would become immediately due and payable as a result, declare any dividend other than those to be declared after the end of each fiscal quarter, or redeem, repurchase, retire or otherwise acquire the capital stock of the Borrower or its Subsidiaries or any option for such capital stock (the "Distribution"), or, during the Enhanced Covenant Period, (a) make any Distribution (except (1) Distribution to the Borrower by any of its Subsidiaries, (2) Distribution to the Borrower or any of its direct or indirect wholly-owned Subsidiaries by any of the Borrower's direct or indirect wholly-owned Subsidiaries or (3) redemption, repurchase, retirement or other acquisitions of equity interests of the Borrower in exchange for other equity interests of the Borrower or out of the proceeds of a substantially concurrent transfer (other than to its Subsidiaries) of other equity interests of the Borrower, in the conversion of the Borrower's equity interests and other equity interests), or (b) make any change in the Borrower's capital structure (including capital reduction) that may substantially affect the Borrower's repayment of its obligations under this Agreement.

- (vi) The Borrower will not change its accounting standards to accounting standards that are not generally accepted in Japan.
 - (vii) The Borrower and its Subsidiaries will not obtain any loans from a third party (other than those pursuant to the Loan Agreement A) or provide a guarantee or provide any loans to a third party, that may substantially affect the Borrower's repayment of the Borrower's obligations under this Agreement.
 - (viii) The Borrower and its Subsidiaries will not enter into any transaction that may substantially affect the Borrower's repayment of its obligations under this Agreement.
- 21.4 If the Borrower is served an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) with respect to the Loan Receivables B, the Borrower shall immediately notify All Lenders B through the Agent in writing, together with a copy of such order.
- 21.5 The Borrower shall perform its obligations concerning the Accounts Receivables Trust Agreement and the Floating Pledge Agreement in accordance with the provisions thereof and the Agent's instructions. Such obligations include the following matters:
- (i) The Borrower shall make the Settlor's Regular Report to the Trustee by each Settlor's Regular Report Deadline.
 - (ii) If any of the matters described in the Settlor's Regular Report is found to be mistaken the Borrower shall immediately make the Settlor's Extraordinary Report, except in cases where it is evident that even if the correct Fixed Trust Receivables Amount (Goods' Value Equivalent) and the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) were used, (1) the Fixed Trust Property Value would equal or exceed the Total Outstanding Balance A at the time such mistake is found, and (2) Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) would equal or exceed 120% of the amount calculated as the Total Outstanding Balance at the time such mistake is found, less the Fixed Trust Property Value.
 - (iii) The Borrower shall obtain approval from FUJITSU LIMITED with respect to the trust assignment to the Trustee of the accounts receivables, in the form of a document bearing a certified date (*kakutei-hizuke*).
- 21.6 The Borrower shall not amend or revise the Relevant Agreements or the Purchase and Sale Agreement, without the approval of the Lender B, and shall not cause any event to occur that will cause the termination of the Relevant Agreements.
22. **RESTRICTIONS ON COLLATERAL**
- The Borrower shall not offer any security to secure its obligations or any third party's obligations (other than those under this Agreement) on or after the Execution Date,

and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender B and the Agent, unless the Majority Lenders B and the Agent give prior written consent therefor. Provided, however, that this provision shall not apply in the cases described below and if the Borrower gives prior written notice to the Agent of such offering of security. For the purpose of this Clause 22, offering security shall mean creating security interests on any assets of the Borrower, promising in advance to create security interests on any specific assets of the Borrower, or promising not to offer any specific assets of the Borrower as security for obligations other than specific obligations, and does not include any security pursuant to Laws and Ordinances, such as liens or possessory liens.

- (i) Cases where the Borrower offers security for loans from the Japan Bank for International Cooperation, the Development Bank of Japan, the Government Pension Investment Fund, the Employment and Human Resources Development Organization of Japan or other similar institutions, and such offer of security is required by Laws and Ordinances.
- (ii) Cases where the Borrower offers, regarding loans obtained for the purpose of acquiring assets, such assets as security.
- (iii) Cases where the Borrower newly acquires assets on which security interests have already been established.
- (iv) Cases where the Borrower offers security in its financing activities through the securitization of assets (or so-called liquidation of assets (*shisan-no-ryudoka*) under Japanese law).
- (v) Cases where the Borrower offers any security to FUJITSU LIMITED.

23. **FINANCIAL RESTRICTIONS**

The Borrower shall, on and after the Execution Date, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender B and the Agent, affirmatively covenant to comply with the following matters:

- (i) The Borrower will ensure its liabilities do not exceed its assets in its stand-alone basis balance sheets as of the close of each fiscal year and six-month (mid-year) period.
- (ii) The Borrower will maintain the Adjusted Tangible Net Worth at an amount not less than sixty billion (60,000,000,000) yen as of the last day of each fiscal quarter.
- (iii) The Borrower will maintain its total net income and depreciation at an amount not less than the amount set forth below as of the last day of each fiscal period set forth below:

<u>Period</u>	<u>Amount</u>
Fiscal year 2005	21,125 million yen

- (iv) The Borrower shall not cause, as of the last day of each period set forth below, the ratio of (a) the net income plus depreciation to (b) the sum of interest expenses, the amount of scheduled repayments of borrowings including Lease rentals, and maintenance capital expenditures for the Aizu Facility, for such period, to be less than the following percentages. Maintenance capital expenditures do not include capital expenditures for new facilities to enhance capacity, but instead are limited to the capital expenditures necessary to maintain and operate the existing facilities.

<u>Period</u>	<u>Percentage</u>
Third - fourth fiscal quarter 2005	120%

24. **ACCELERATION**

- 24.1 If any of the events described in the items below occurs with respect to the Borrower, all of the Borrower's debts under this Agreement payable to All Lenders B and the Agent shall automatically become due and payable without further notice or demand by any Lender B or the Agent, and the Borrower shall immediately pay the principal of the Loan B, and the interest and Break Funding Costs and any other payment obligation that the Borrower owes pursuant to this Agreement in accordance with the provisions of Clause 18, whereby All Lenders B's Lending Obligations B shall cease to be effective:
- (i) If any payment by the Borrower is suspended, or if a petition (including a similar petition filed outside Japan) of specific conciliation (*tokutei-chotei*), commencement of bankruptcy procedures (*hasantetuzuki-kaishi*), commencement of civil rehabilitation procedures (*minjiseituzuki-kaishi*), commencement of corporate reorganization procedures (*kaishakoseituzuki-kaishi*), commencement of corporate rearrangement (*kaishaseiri-kaishi*), commencement of special liquidation (*tokubetuseisan-kaishi*), or commencement of any other similar legal procedures is filed by or against the Borrower;
 - (ii) If a resolution for dissolution is adopted or the Borrower receives an order of dissolution;
 - (iii) If the Borrower abolishes its business;
 - (iv) If any transaction of the Borrower is suspended by a clearinghouse; or
 - (v) If any order or notice of provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) (including any similar procedure taken outside Japan) is issued, or any adjudication ordering the enforcement of a preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) is rendered, with respect to the deposit receivables or other receivables (including the various insurance claim receivables under insurance contracts) held by the Borrower against a Lender B. In this case, such Lender B shall immediately notify the Borrower, all other Lenders B, and the Agent of the occurrence of such event.

- (vi) If the Borrower's obligations under the Loan Agreement A become immediately due and payable.
- 24.2 If any of the events described in the items below occurs with respect to the Borrower, all of the Borrower's debts under this Agreement payable to All Lenders B and the Agent shall become due and payable upon notice to the Borrower from the Agent, after a request by the Majority Lenders B, and the Borrower shall immediately pay the principal of the Loan B, and the interest and Break Funding Costs and any other payment obligation that the Borrower owes pursuant to this Agreement in accordance with the provisions of Clause 18, whereby All Lenders B's Lending Obligations B shall cease to be effective:
- (i) If the Borrower defaults in its payment of all or a part of its obligations that have become due, and are payable to a Lender B or the Agent, whether under this Agreement or not;
 - (ii) If any matters described in the items of Clause 20 is found to be untrue;
 - (iii) Except for the cases described in the preceding two items, if the Borrower breaches any of its obligations under this Agreement, and such breach is not cured for five (5) or more Business Days therefrom; provided, however, that this shall not apply to any breach of obligations under Clause 21.3(i) that is not considered to substantially affect the Borrower's repayment of its obligations under this Agreement;
 - (iv) If any order or notice of attachment (*sashiosae*), provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or provisional disposition (*kari-shobun*) (including any similar procedure taken outside Japan) is issued or auction procedures (*keibaitetuzuki*) commence with respect to any collateral offered by the Borrower to a Lender B;
 - (v) If any of the Borrower's debts other than those under this Agreement (except for those under the Loan Agreement B) becomes immediately due and payable; or if any of the Borrower's guaranty obligations for the benefit of a third party becomes due and payable, and the Borrower is unable to perform such obligations; provided, however, that such debts exceed two hundred million (200,000,000) yen in total at the time of acceleration or impossibility of performance;
 - (vi) If the Borrower suspends or resolves to abolish its business or is subject to a disposition such as a suspension of business by competent government authorities;
 - (vii) If it is found that the Counter-Performed Trust Receivables Amount (Goods' Value Equivalent) cannot be maintained at an amount that is not less than 120% of the Total Outstanding Balance minus the Fixed Trust Property Value as of each Collection Calculation Date, and such event remains unresolved after three (3) Business Days from the date such event is found, respectively;

- (viii) If the Borrower breaches any of its obligations under the Accounts Receivables Trust Agreement or the Floating Pledge Agreement, and such breach is not cured for five (5) or more Business Days therefrom;
- (ix) If any of the events under (a) through (l) below occurs with respect to FUJITSU LIMITED:
- (a) If any payment by FUJITSU LIMITED is suspended, or if a petition (including similar petition filed outside Japan) of specific conciliation (*tokutei-chotei*), commencement of bankruptcy procedures (*hasantetuzuki-kaishi*), commencement of civil rehabilitation procedures (*minjisaiseituzuki-kaishi*), commencement of corporate reorganization procedures (*kaishakoseituzuki-kaishi*), commencement of corporate rearrangement (*kaishaseiri-kaishi*), commencement of special liquidation (*tokubetuseisan-kaishi*), or commencement of any other similar legal procedures is filed by or against FUJITSU LIMITED;
 - (b) If a resolution for dissolution is adopted or FUJITSU LIMITED receives an order of dissolution;
 - (c) If FUJITSU LIMITED suspends or abolishes its business or is subject to a disposition such as a suspension of business by competent government authorities;
 - (d) If any check or note issued by FUJITSU LIMITED is dishonored;
 - (e) If an application is made for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), attachment (*sashiosae*), provisional disposition (*kari-shobun*) compulsory execution or auction (*keibai*) with respect to any property held by FUJITSU LIMITED;
 - (f) If FUJITSU LIMITED is subject to a demand or a disposition to collect tax delinquencies due to its nonpayment of taxes;
 - (g) If FUJITSU LIMITED defaults in its payment of all or a part of obligations that have become due under the Purchase and Sale Related Agreements;
 - (h) If FUJITSU LIMITED breaches any of its obligations under the Purchase and Sale Related Agreements;
 - (i) If any event for termination or acceleration under the Purchase and Sale Related Agreements occurs;
 - (j) If FUJITSU LIMITED fails, without justifiable reason, to perform any of its monetary obligations (only those amounting to one billion (1,000,000,000) yen or more) other than the obligations under the Purchase and Sale Related Agreements within five (5) Business Days after receiving notice requesting performance thereof;

- (k) If FUJITSU LIMITED is not in compliance with the ordinary credit standards adopted by the Settlor; or
 - (l) If any other event acknowledged by the Trustee to affect the preservation of Trust Receivables occurs.
 - (x) Notwithstanding any matters described in the foregoing items, if the business or financial condition of the Borrower deteriorates, or may deteriorate, and there are reasonable grounds to believe it is necessary to accelerate all of the Borrower's debts to preserve the receivables;
- 24.3 If a notice dispatched pursuant to Clause 24.2 is delayed or is not delivered to the Borrower due to fault of the Borrower, all of the Borrower's debts under this Agreement shall become due and payable at the time such request or notice should have been delivered, and the Borrower shall immediately pay the principal of the Loan B, and the interest and Break Funding Costs and any other payment obligations that the Borrower owes pursuant to this Agreement, in accordance with the provisions of Clause 18, whereby All Lenders B's Lending Obligations B shall cease to be effective.
- 24.4 If a Lender B becomes aware of the occurrence of any events described in the items of Clauses 24.1 or 24.2 with respect to the Borrower, the Lender B shall immediately notify the Agent of such occurrence, and the Agent shall notify all other Lenders B of the occurrence of such events.
25. **SET-OFF; EXERCISE OF FLOATING SECURITY**
- 25.1 When the Borrower is required to perform its obligations to a Lender B upon the due date thereof, acceleration or otherwise, (a) the Lender B may set off the receivables it has against the Borrower under this Agreement against its deposit obligations or other obligations (including the various insurance claim obligations under insurance contracts) it owes to the Borrower, whether or not such obligations are due and payable and regardless of Clause 18.2, and (b) the Lender B may also omit giving prior notice and following established procedures, may obtain the deposited amount on behalf of the Borrower, and may appropriate this amount for the payment of obligations. The interest, Break Funding Cost and default interest and other costs for the receivables and obligations involved in such a set-off or appropriation for payment shall be calculated up to the time of such calculation, and in such calculation, the interest rate and default interest rate shall be in accordance with each agreement, and the foreign exchange rate at the time such calculation is made, as reasonably determined by the Lender B, shall be applied. If the amount to be set-off or appropriated for payment is not sufficient to extinguish all of the Borrower's debts, the Lender B may appropriate such set-off amount in the order and method it deems appropriate, and the Borrower shall not object to such appropriation.
- 25.2 The Borrower may, upon the Due Date of payment of the Loan B and if it is necessary for the Borrower to preserve its deposit receivables or any other receivables (including the various insurance claim receivables under insurance contracts) that it has against a

Lender B that have become due, set off such receivables against the obligations it owes to the Lender B under this Agreement, regardless of Clause 18.2. In this case, the Borrower shall give a written set-off notice to the Lender B and immediately submit to the Lender B the receivables certificates for the deposit receivables or other receivables being set-off and the passbook impressed with the seal of the seal impression submitted. The interest and default interest for the receivables and obligations involved in such set-off shall be calculated up to the day of receipt of such set-off notice, and in such calculation, the interest rate and default interest rate shall be calculated in accordance with each agreement, and the foreign exchange rate at the time such calculation is made, as reasonably determined by the Lender B, shall be applied. If the Borrower's receivables to be set-off are not sufficient to extinguish all of its debts, the Borrower may appropriate such set-off amount in the order and method it deems appropriate. Provided, however, that if the Borrower does not instruct such order or method, any such amounts may be appropriated in the order and method deemed appropriate by each Lender B, and the Borrower shall not object to such appropriation.

25.3 When the Borrower is required to perform its obligations to a Lender B upon the due date thereof, acceleration or otherwise, the Lender B may exercise its floating security interest (other than the floating pledge under the Floating Pledge Agreement; the "Exercise of Floating Security") over the receivables against the Borrower under this Agreement, regardless of Clause 18.2.

25.4 If a set-off is performed pursuant to Clause 25.1 or 25.2 above, or if the Exercise of Floating Security is carried out pursuant to Clause 25.3, the Lender B in the case described in Clauses 25.1 and 25.3 and the Borrower in the case described in Clause 25.2 shall immediately notify the Agent of the details thereof in writing. If any damage, loss, or expenses are incurred by the Lender B or the Agent due to delay of such notice without any reasonable cause, either the Lender B or the Borrower, whichever has failed to give such notice, shall bear such damages.

26. **ARRANGEMENTS AMONG LENDERS B**

26.1 If a set-off is performed by a Lender B pursuant to Clause 25.1 (such Lender B, hereafter, the "Set-off Initiating Lender B"), the Lender B shall make arrangements for each Individual Loan B subject to such set-off (such Individual Loan B, in this Clause 26.1, the "Set-off Individual Loan B") by way of assigning receivables pursuant to the following procedures:

- (i) The Agent shall calculate each amount (the "Intended Distribution Amount B") that the Lender B (hereafter in this Clause 26.1, the "Remaining Lender B") who has made the Individual Loan B (other than the Set-off Individual Loan B) (hereafter in this Clause 26.1, the "Remaining Individual Loan B"), would have received pursuant to Clauses 19.1 through 19.4 if the amount of debt obligations in relation to the Set-off Individual Loan B, which has been extinguished due to the performance of a set-off, was paid to the Agent.
- (ii) The Set-off Initiating Lender B shall purchase from the Remaining Lender B the loan receivables in the amount equivalent to the Intended Distribution Amount B from and among the Remaining Individual Loan B at their face value; provided, however, that the Remaining Lender B may refuse such sale.

- (iii) If the assignment under the immediately preceding item is made, the Remaining Lender B shall, at its own expense, notify the Borrower immediately after the assignment by a document bearing a certified date (*kakutei-hizuke*) pursuant to Article 467 of the Civil Code.
- 26.2 If a set-off is performed by the Borrower against a Lender B pursuant to Clause 25.2 (such Lender B, hereafter, the “Set-off Receiving Lender B”), only if a Set-off Receiving Lender B or a Lender B other than the Set-off Receiving Lender B requests, the Lender B shall make arrangement for each Individual Loan B subject to the set-off (such Individual Loan B, in this Clause 26.2, the “Set-off Individual Loan B”) by way of assigning receivables pursuant to the procedures described in the items below:
- (i) The Agent shall calculate each Intended Distribution Amount B that the Lender B, who has made the Individual Loan B (other than the Set-off Individual Loan B), would have received pursuant to Clauses 19.1 through 19.4 if the amount of debt obligations in relation to the Set-off Individual Loan B, which has been extinguished due to the performance of a set-off, was paid to the Agent.
- (ii) The Set-off Receiving Lender B shall purchase from the Remaining Lender B the loan receivables in the amount equivalent to the Intended Distribution Amount B from and among the Remaining Individual Loan B at their face value.
- (iii) If the assignment under the immediately preceding item is made, the Remaining Lender B shall, at its own expense, notify the Borrower immediately after the assignment by a document bearing a certified date (*kakutei-hizuke*) pursuant to Article 467 of the Civil Code.
- 26.3 If a Lender B carries out an Exercise of Floating Security pursuant to Clause 25.3, or if a Lender B receives any repayment of debt obligations it has against the Borrower under this Agreement with respect to its floating security interest as a result of any compulsory execution or Exercise of Floating Security through a foreclosure by a third party, the assignment of receivables described in Clause 26.1 will not be performed. Provided, however, that if a Lender B carries out an Exercise of Floating Security with respect to the floating security established by the Borrower’s violation of the provisions of Clause 21.2, or if a Lender B receives any repayment of debt obligations it has against the Borrower under this Agreement based on such security interest, the Lender B shall assign receivables pursuant to the provisions of Clause 26.1 above.
- 26.4 The provisions of Clause 26.1 shall apply to cases where a Lender B receives any repayment of debt obligations it has against the Borrower under this Agreement as a result of compulsory execution or exercise of security interests (excluding any security interest offered pursuant to Clause 22) through foreclosure by the Lender B’s petition with respect to certain assets of the Borrower (hereafter, in this Clause 26.4, the “Compulsory Execution”), or as a result of the Lender B requesting a distribution in relation to the Compulsory Execution by any third party. Provided, however, that upon applying the provisions of Clause 26.1, the amount equal to any expenses arising from

performance of Compulsory Execution (including attorney's fees) or any expenses arising from a request for a distribution in relation to the Compulsory Execution by any third party (including attorney's fees) shall be borne by the Lender B, and the Agent shall calculate the Intended Distribution Amount B assuming that the amount of any proceeds earned as a result of the Compulsory Execution, less such expenses, were paid to the Agent.

27. **RIGHTS AND DUTIES OF THE AGENT**

- 27.1 The Agent shall, pursuant to the entrustment by All Lenders B, perform the Agent Services B and exercise rights for the benefit of All Lenders B, and shall exercise the rights that, in the Agent's opinion, are ordinarily necessary or appropriate in performing the Agent Services B. The Agent shall not be liable for any duties other than those expressly specified in the provisions of this Agreement, and shall not be liable for any non-performance of obligations by the Lenders B under this Agreement. The Agent shall be an agent of the Lenders B and, unless otherwise provided, shall never act as an agent of the Borrower.
- 27.2 The Agent may rely upon any communication, instrument and document that has been delivered between appropriate persons and has been signed or has the name and seal attached by such appropriate persons and that the Agent believes to be true and correct, and may act in reliance upon any written opinion or explanatory letter of experts appointed by the Agent within the reasonably necessary extent in relation to this Agreement.
- 27.3 The Agent shall perform the duties and exercise the authority provided for in this Agreement with the due care of a good manager.
- 27.4 Neither the Agent nor any of its directors, employees or agents shall be liable to the Lenders B for any acts or omissions conducted by the Agent pursuant to, or in connection with, this Agreement, except for its or their willful misconduct or gross negligence. The Lenders B (other than Lenders B who act as the Agent) shall jointly and severally indemnify the Agent for any and all liabilities, damages, losses and expenses (including, without limitation, any expenses paid to avoid or minimize any damages or losses or to recover any damages or losses (including attorney's fees)) incurred by the Agent in the course of the performance of its duties under this Agreement, to the extent that such liabilities, damages, losses and expenses are not reimbursed by the Borrower, and only for the amount outstanding after deducting the portion for which the Agent is obliged to contribute, calculated pursuant to the Agent's Commitment Ratio B. Provided, however, that if any of the Lenders B cannot perform the indemnity for which it is liable, the Agent's Commitment Ratio B shall be calculated by dividing the Agent's Commitment Ratio B by the aggregate of the Commitment Ratio B of the Lenders B other than such non-indemnifying Lenders B.
- 27.5 The Agent shall not be liable for the validity of this Agreement, and shall not guarantee any matters represented in this Agreement. The Lenders B shall enter into, and conduct transactions contemplated in, this Agreement at their sole discretion by conducting investigations as to the necessary matters, including the creditworthiness of the Borrower, on the basis of the documents, information and other data as it has deemed appropriate.

- 27.6 In cases where the Agent is also acting as a Lender B, the Agent shall have the same rights and obligations as the other Lenders B, irrespective of the Agent's obligations under this Agreement. The Agent may engage in commonly accepted banking transactions with the Borrower outside of this Agreement. In this case, the Agent shall not be required to disclose to other Lenders B information in relation to the Borrower it has obtained through transactions with the Borrower other than those contemplated under this Agreement, nor shall the Agent be required to distribute to other Lenders B any money it has received from the Borrower through transactions with the Borrower other than those contemplated under this Agreement. (Any information that has been disclosed to the Agent by the Borrower shall be, unless expressly identified as being made in relation to this Agreement, deemed disclosed in relation to the transactions with the Borrower other than those contemplated under this Agreement, and the Agent shall not be required to disclose any of the same to other Lenders B.)
- 27.7 Notwithstanding Clause 27.6, upon receiving the Trustee's Regular Report or the Trustee's Extraordinary Report, the Agent shall promptly (by the Business Day immediately following the day such Trustee's Regular Report is received, at the latest) report the details thereof to the other Lenders B.
- 27.8 In cases where the Agent is also acting as a Lender B, the calculation of the amounts to be distributed to each Lender B pursuant to the provisions of Clause 19 shall be made in accordance with the following: (i) for amounts to be distributed to each Lender B other than the Agent, any amount less than one yen shall be rounded down, and (ii) amounts to be distributed to a Lender B who is also appointed as the Agent shall be the difference between the aggregate of all amounts to be distributed and the amounts distributed to other Lenders B.
- 27.9 Except for the cases under Clause 27.8, all calculations of fractions less than one yen that are required under this Agreement shall be made in the manner the Agent deems appropriate.
- 27.10 If the Agent receives any notice from the Borrower that is required to be given to each Lender B in relation to this Agreement, the Agent shall immediately inform All Lenders B of the details of such notice, or if the Agent receives any notice from a Lender B that is required to be given to the Borrower or other Lenders B in relation to this Agreement, the Agent shall immediately inform the Borrower or All Lenders B, as the case may be, of the details of such notice. The Agent shall make any documents that it has obtained from the Borrower and has retained, available for review by a Lender B during its ordinary business hours.
28. **RESIGNATION AND DISMISSAL OF THE AGENT**
- 28.1 The Agent may resign as follows:
- (i) The Agent may resign its position as the Agent by giving written notice to All Lenders B and the Borrower; provided, however, that such resignation shall not become effective until a successor Agent is appointed and such successor accepts such appointment.

- (ii) If the Agent gives notice pursuant to the preceding item, the Majority Lenders B may appoint a successor Agent upon obtaining consent from the Borrower.
- (iii) If a successor Agent is not appointed by the Majority Lenders B within thirty (30) days (including the day of notice) after the notice of resignation is given as described in Item (i) above, or if the entity appointed by the Majority Lenders B as a successor Agent does not accept assumption of the office of the Agent, the Agent in office at that time shall, upon obtaining consent from the Borrower, appoint a successor Agent on behalf of the Majority Lenders B.

28.2 The Agent may be dismissed as follows:

- (i) The Majority Lenders B may dismiss the Agent by giving written notice thereof to each of the other Lenders B, the Borrower, and the Agent; provided, however, that such dismissal shall not become effective until a successor Agent is appointed and such successor accepts such appointment.
- (ii) If the Majority Lenders B give notice pursuant to the preceding item, the Majority Lenders B may appoint a successor Agent upon obtaining consent from the Borrower.

28.3 If the entity appointed as the successor Agent pursuant to Clause 28.1 or 28.2 accepts assumption of the office, the former Agent shall deliver to the successor Agent all documents and materials it has kept as the Agent under this Agreement, and shall give all the support necessary for the successor Agent to perform the duties of the Agent under this Agreement.

28.4 The successor Agent shall succeed to the rights and obligations of the former Agent under this Agreement, and the former Agent shall, at the time of the assumption of office by the successor Agent, be exempted from all of its obligations as the Agent; provided, however, that the provisions of this Agreement relevant to any actions (including omissions) conducted by the former Agent during the period it was in office shall remain in full force and effect.

29. **DECISION-MAKING OF THE MAJORITY LENDERS B**

29.1 The Majority Lenders B shall make decisions as follows:

- (i) If a Lender B deems that any event has occurred that requires instructions from the Majority Lenders B in this Agreement, such Lender B may give notice to the Agent to request the decision of the Majority Lenders B.
- (ii) The Agent shall, upon receipt of a notice described in the preceding item, immediately give notice to All Lenders B to seek the decision of the Majority Lenders B.
- (iii) Each Lender B shall, upon receipt of the notice described in the preceding item, make its decision on the relevant event and inform the Agent of such decision within three (3) Business Days after the receipt.

- (iv) If a decision of the Majority Lenders B is made pursuant to the preceding three items, the Agent shall immediately notify the Borrower and All Lenders B of such decision as the instruction by the Majority Lenders B.
- 29.2 If the Agent deems that any event has occurred that requires the decision of the Majority Lenders B, other than in the case of Clause 29.1, the Agent may give notice to All Lenders B to seek such decision. In such case, the procedures set out in Items (ii) through (iv) of Clause 29.1 shall be followed.
- 29.3 The provisions of this Clause 29 shall apply *mutatis mutandis* to the decision-making of the Majority Lenders B with respect to each Loan B.

30. **AMENDMENT TO THIS AGREEMENT**

This Agreement may be amended with the written agreement of the Agent, the Borrower, and the Majority Lenders B; provided, however, that the written agreement by the Agent, the Borrower, and All Lenders B shall be required in order to amend this Agreement with respect to the following matters that materially affect the rights and obligations of the Lender B:

- (i) any amendment to or waiver of the conditions precedent provided for in Clause 4 and Clause 5;
- (ii) any addition to or expansion of the obligations of the Lender B;
- (iii) any reduction of the amount of the principal and interest of the Individual Loan B or other amounts payable by the Borrower pursuant to this Agreement;
- (iv) any postponement of the payment date of the principal and interest of the Individual Loan B or other obligations of the Borrower pursuant to this Agreement;
- (v) any decrease in the Spread B or the Applicable Interest Rate B set forth in Clause 1;
- (vi) any amendment to the Commitment Ratio B set forth in Clause 1;
- (vii) any amendment to the restrictions on collateral provided for in Clause 22;
- (viii) any amendment to the financial restrictions provided for in Clause 23;
- (ix) any amendment to the events for acceleration provided for in Clause 24;
- (x) any amendment to this Clause 30;
- (xi) any amendment to the Relevant Agreements; and
- (xii) any other matters that the Agent considers will diminish the Lender B's rights, or increase the Lender B's obligations, in any material respect.

31. **ASSIGNMENT OF THIS AGREEMENT**

- 31.1 The Borrower may not assign to any third party its status as a party to the Loan B, or its rights and obligations under this Agreement, unless All Lenders B and the Agent give their prior consent in writing without objection.
- 31.2 A Lender B may assign to any third party its status as a party to this Agreement, or all or any part of its rights and obligations associated therewith, if the Borrower and the Agent give their prior consent in writing without objection (except for assignments of the Loan Receivables B set forth in Clause 26) and all requirements described in the items below are satisfied (hereinafter in this clause, a Lender B that makes such assignment as the "Assigning Lender" and that accepts such assignment as the "Successive Lender"). The Borrower and the Agent may not unreasonably withhold their consent, and the Agent, upon such assignment, shall notify All Lenders B of such assignment.
- (i) The Borrower's consent includes consent for assignment of the Loan Receivables B, and bears a certified date (*kakutei-hizuke*) as of the date of the assignment.
 - (ii) If any partial assignment of the status of a Lender B under this Agreement is made, both the Assigning Lender and the Successive Lender shall become a Lender B under this Agreement and each provision of this Agreement shall be applicable to such Lenders B on and after the date of the assignment, and the Commitment Amount B of the Assigning Lender prior to the assignment of the status (the "Pre-assignment Commitment Amount B") shall be reduced by an amount separately agreed upon between the Assigning Lender and the Successive Lender (the "Reduced Amount") and thereafter the Commitment Amount B equal to the Reduced Amount shall apply to the Successive Lender. If the Assigning Lender owns any Loan Receivables B (such Loan Receivables B, hereafter, the "Pre-assignment Loan Receivables B"), all receivables in relation to the Pre-assignment Loan Receivables B, including any principal, interest and default interest, will be divided in proportion to the ratio obtained as the Reduced Amount divided by the Pre-assignment Commitment Amount B (the "Reduced Ratio"), and such divided receivables pursuant to the Reduced Ratio (the "Assignable Loan Receivables B") shall be assigned to the Successive Lender.
 - (iii) The Successive Lender is a corporation residing in Japan (having a head or branch office or place of business registered in Japan pursuant to the laws of Japan) and a financial institution (such as a bank, insurance company, institutional investor, etc.) or a special purpose entity incorporated for the liquidation of assets (securitization).
 - (iv) If a partial assignment is made with respect to the status of a Lender B under this Agreement, the value of both (i) the Reduced Amount and (ii) the difference between the Pre-assignment Commitment Amount B and the Reduced Amount are equal to or more than one billion (1,000,000,000) yen, and the value of both (i) the amount of the Assignable Loan Receivables B

and (ii) the difference of the Pre-assignment Loan Receivables B and the Assignable Loan Receivables B are equal to or more than one billion (1,000,000,000) yen.

- (v) No withholding tax or other taxes arise from any such assignment, and there is no increase in the amount of the Borrower's interest expense payable to the Successive Lender.

31.3 All expenses incurred from the assignment set forth in Clause 31.2 shall be borne by the Assigning Lender; provided, however, that the provisions of Clause 13 shall apply with respect to any Increased Costs incurred in relation to the Successive Lender after the assignment. The Assigning Lender shall pay to the Agent, by the actual date of such assignment, an amount of five hundred thousand (500,000) yen per Successive Lender, together with applicable consumption tax, as consideration for administrative duties performed in connection with the assignment.

32. **ASSIGNMENT OF LOAN RECEIVABLES B**

32.1 The Lender B may assign its Loan Receivables B subject to the prior written consent without objection of the Borrower and the Agent (except for the assignment of Loan Receivables B set forth in Clause 26) and the satisfaction of all requirements described in each item below. The Borrower and the Agent may not unreasonably withhold their consent, and the Assignor and the Assignee shall perfect the assignment against third parties and debtors regarding the assignment of receivables promptly after the assignment as of the date of the assignment. In this case, the Assignor and Assignee shall, under their joint name, and the Borrower shall, in its sole name, notify the Agent of the fact that such assignment was made without delay. In the case an assignment of the Loan Receivables B has occurred pursuant to this Clause 32.1, the Assignee shall be treated as a Lender B in applying each provision in relation to the Loan Receivables B under this Agreement.

- (i) The Assignee shall, upon succession to the Loan Receivables B, be bound by each provision relating to the Loan Receivables B under this Agreement. (The Assignee shall not bear any Lending Obligations B.)
- (ii) The Assignee is a corporation residing in Japan (having a head or branch office or place of business registered in Japan pursuant to the laws of Japan) and a financial institution (such as a bank, insurance company, institutional investor, etc.) or a special purpose entity incorporated for the liquidation of assets (securitization).
- (iii) If the assignment is made in divided portions of the Loan Receivables B, the value of each Loan Receivables B after such division is equal to or more than one billion (1,000,000,000) yen.
- (iv) No withholding tax or other taxes arise from the assignment, and there is no increase in the amount of the Borrower's interest expense payable to the Assignee.

32.2 All expenses incurred from the assignment set forth in Clause 32.1 shall be borne by

the Assignor or the Assignee, as the case may be. The provisions of Clause 13 shall apply with respect to any Increased Costs incurred after the assignment. The Assignor or the Assignee shall pay to the Agent, by the actual date of such assignment, an amount of five hundred thousand (500,000) yen per Assignee, together with applicable consumption tax, as consideration for administrative duties performed in connection with the assignment.

33. **COLLECTION FROM THIRD PARTY**

- 33.1 No repayment of the Borrower's debt obligations under this Agreement by any party other than the Borrower is allowed, without the prior written consent of the Agent and All Lenders B.
- 33.2 The Borrower shall not, on or after the Execution Date, consign any third party to guarantee (including any property guarantee) the Borrower's performance of its debt obligations under this Agreement, nor shall the Borrower cause any third party to assume its debt obligations under this Agreement, without the prior written consent of the Agent and All Lenders B.
- 33.3 If a Lender B enters into a guarantee without consignment to the Guarantor by the Borrower (including any property guarantee) or a debt assumption with any third party with respect to the Borrower's obligations under this Agreement, the Lender shall obtain prior written consent from such third party with respect to each item described below. In this case, if the Lender receives any repayment from the third party pursuant to such guarantee or debt assumption, no arrangement among the Lenders pursuant to the assignment of receivables under Clause 26.1 shall be made.
- (i) The third party shall have the same obligations as a Lender B has against the Agent, other Lenders B and the Borrower under this Agreement with respect to any exercise of its right for recourse and contractual rights hereunder arising as a result of the performance of its guarantee obligation.
 - (ii) The third party shall be bound by each provision of this Agreement.
 - (iii) The third party is a corporation residing in Japan (having a head or branch office or place of business registered in Japan pursuant to the laws of Japan) and a financial institution (such as a bank, insurance company, institutional investor, etc.) or a special purpose entity incorporated for the liquidation of assets (securitization), and the third party is not a Subsidiary or an Affiliate of the Borrower and the Borrower is not a Subsidiary or an Affiliate of the third party.
 - (iv) The value of the Loan Receivables B that the third party obtains by subrogation is equal to or more than one billion (1,000,000,000) yen.
 - (v) There will be no increase in the amount of the Borrower's interest expense payable to the third party, and no withholding tax or other taxes will arise from any such obtainment by subrogation.

In the case of any obtainment by subrogation of the Loan Receivables B by a third

party pursuant to the provisions of Item (i) above, such obtainment by subrogation shall be considered an assignment of the Loan Receivables B pursuant to Clause 32, and the provisions of Clause 32.2 shall apply.

34. **TERMINATION OF THIS AGREEMENT**

34.1 If any of the events described in the items below occurs, All Lenders B's Lending Obligations B during each of the Drawdown Application Periods shall cease as a matter of course. If the event described in Item (ii) below occurs, this Agreement shall automatically be terminated with respect to the relationship between All Lenders B and the Borrower. Until the Borrower completely pays all of its debts under this Agreement, the relevant clauses of this Agreement shall survive in full force and effect, to the extent related to such payment of the debts.

- (i) If the Drawdown Application Period Final Date arrives; or
- (ii) If the debts of the Borrower become immediately due and payable pursuant to Clause 24.

34.2 If the execution and performance of this Agreement and any transactions contemplated under this Agreement become contrary to any Laws and Ordinances binding upon any Lender B, such Lender B shall consult with the Borrower and all other All Lenders B through the Agent and take measures to deal with the situation. In this case, the Borrower and All Lenders B excluding such Lender B may not refuse termination of this Agreement with respect to such Lender B without reasonable cause.

35. **RENEWAL OF AGREEMENT**

The Borrower may request the extension of the Drawdown Period by giving advance notice to the Agent by the day that is sixty (60) days prior to the Drawdown Period Termination Date; provided, however, that the Lender B and the Agent are not obliged to accept the request for the extension of the Drawdown Period. If such notice is given, the Borrower and the Agent shall hold consultation on the new terms and contents of the agreement and notify All Lenders B of the details of such consultation on or before the forty-fifth (45th) day preceding the Drawdown Period Termination Date.

36. **GENERAL PROVISIONS**

36.1 Confidentiality Obligations

The Borrower shall raise no objection to the disclosure of information set forth in each item below:

- (i) If the notice of refusal to make an Individual Loan B has been given pursuant to the provisions of Clause 8.1, or if any of the events described in the items of Clause 24.1 or 24.2 have occurred, or if a decision of the Majority Lenders B is required pursuant to the provisions of Clause 29, the Agent and a Lender B may disclose such information with regard to the Borrower or the transaction with the Borrower, which either party has obtained through this Agreement or an agreement other than this Agreement, by imposing confidentiality obligations on the recipient to an extent reasonably required.

- (ii) Upon any assignment of status pursuant to Clause 31 or assignment of Loan Receivables B pursuant to Clause 32, a Lender B may disclose any information with regard to this Agreement to the Assignee or a person considering becoming an Assignee (including an intermediary of such assignment), on the condition that such parties agree to be bound by the confidentiality obligations. Information with regard to this Agreement in this item shall mean any information regarding the Borrower's credit that has been obtained in connection with this Agreement, any information regarding the contents of this Agreement and other information incidental hereto, and any information regarding the contents of the Loan Receivables B to be assigned and other information incidental thereto, and shall not include any information regarding the Borrower's credit that has been obtained in connection with any agreement other than this Agreement.

36.2 Risk Bearing; Exemption, Compensation, and Indemnification

- (i) If any documents furnished by the Borrower to the Agent or any Lender B are lost, destroyed, or damaged for any unavoidable reason, such as natural disasters or other incidents, the Borrower shall, upon consultation with the Agent, perform its obligations under this Agreement based on the records, such as books and vouchers, of the Agent or a Lender B. The Borrower shall, upon request of the Agent or a Lender B through the Agent, forthwith prepare substitute documents and furnish them to the Agent or the Lender B through the Agent.
- (ii) If any Lender B or the Agent performs transactions after comparing, with due care, the seal impression of the representative and agent of the Borrower to be used for the transactions in relation to this Agreement with the seal submitted by the Borrower in advance, the Borrower shall bear any damages, loss or expenses incurred as a result of an event such as forgery, alteration, or theft of its seal.
- (iii) The Borrower shall bear any damages, loss and expenses incurred by a Lender B or the Agent as a result of the Borrower's breach of this Agreement or as a result of a Lender B not indemnifying the Agent pursuant to the provisions of Clause 27.4.

36.3 Severability

Should any provision constituting a part of this Agreement be held null, illegal, or unenforceable, the validity, legality and enforceability of all other provisions shall in no way be prejudiced or affected.

36.4 Exceptions to the Application of the Bank Transactions Agreement

The Agreement on Bank Transactions and other documents separately submitted by the Borrower or made and entered into by and between the Borrower and a Lender B shall not apply to this Agreement or the transactions contemplated in this Agreement.

36.5 Notices

- (i) Any notice under this Agreement shall be made in writing expressly stating that it is made for the purpose of this Agreement, and given by any of the methods described in (a) to (d) below to the place of contact of the receiving party described in Schedule 1 of this Agreement. Each party to this Agreement may change its place of contact by giving notice thereof to the Agent.
 - (a) Personal delivery;
 - (b) Registered mail or courier service;
 - (c) Transmission by facsimile; or
 - (d) E/X (only for any notices among Lenders B and the Agent).
- (ii) Notice given pursuant to the preceding item shall be deemed to have been delivered at the time, in the case of transmission by facsimile, when receipt of facsimile is confirmed, and in the case of any other methods, when actually received.

36.6 Changes in Notified Matters

- (i) In the case of changes in the matters notified by a Lender B or the Borrower to the Agent, such as the trade name, representative, agent, signature, seal, or address, the Lender B or the Borrower shall immediately notify the Agent of such changes in writing. In the case of any such change to the Agent, or upon such change to any contact information of the Borrower or the Lenders B, the Agent shall immediately notify All Lenders B and the Borrower of such changes in writing.
- (ii) If notice given under this Agreement is delayed or not delivered as a result of the failure to give notification of a change as described in the preceding item, such notice shall be deemed to have arrived at the time when it should have normally arrived.

36.7 Fund Transfers

- (i) Fund transfers between the Agent and the Lender B shall be settled by the JBA's Domestic Bank Data Telecommunications System (the "Zengin System") in principle, and if any Lender B desires to make such settlement by the Bank of Japan Financial Network System (the "BOJ-NET"), such Lender B shall consult with the Agent in advance. Provided, however, that if the Lender B is not a member of the Zengin System, fund transfers shall be settled by the bank account established in the name of such Lender B with a bank designated by the Lender B that is a member of the Zengin System.
- (ii) The fees for fund transfers provided in the preceding item shall be borne by the party making the relevant fund transfer.

36.8 Calculations

Unless otherwise expressly provided for with respect to any calculation under this Agreement, all calculations of the number of actual days in the relevant period shall be inclusive of the first and last day, and calculations on a per diem basis shall be on the assumption that there are 365 days per year, wherein the division shall be done at the end of the calculation, and fractions less than one yen shall be rounded down.

36.9 Preparation of Notarized Deeds

The Borrower shall, at any time upon request of the Agent or the Majority Lenders B, take the necessary procedures to entrust a notary public to execute a notarized deed in which the Borrower acknowledges its indebtedness under this Agreement and agrees to compulsory execution with regard thereto.

36.10 Governing Law and Jurisdiction

This Agreement shall be governed by the laws of Japan, and the Tokyo District Court shall have exclusive jurisdiction as the court of first instance over any disputes arising in connection with this Agreement.

36.11 Language

This Agreement shall be prepared in the Japanese language and the Japanese language version shall be deemed the original copy. The Agent shall prepare an English translation of this Agreement, provided that the Agent does not guarantee the accuracy or truthfulness of such translation and is not responsible in any way therefor.

36.12 Consultation

Any matters not provided for in this Agreement, or in the case of any doubt among the parties with respect to the interpretation of this Agreement, the Borrower and the Lenders B shall consult through the Agent and shall determine a response therefor.

IN WITNESS WHEREOF, the parties have caused one (1) copy of this Agreement to be signed and sealed, and the Agent has retained the original and has distributed one (1) copy thereof to each of the Borrower and All Lenders B.

March 25, 2005

THE BORROWER:

By: _____ /s/ SHINJI SUZUKI [seal]

Spansion Japan Limited

Revenue
Stamp
4,000 yen

(Revolving Line Agreement (B) dated March 25, 2005 for Spansion Japan Limited
JPY 9,000,000,000)

LENDER B AND AGENT:

By: _____ /s/ HIROSHI SAITO [seal]

MIZUHO CORPORATE BANK, LTD.

(Revolving Line Agreement (B) dated March 25, 2005 for Spansion Japan Limited
JPY 9,000,000,000)

LENDER B

By: _____ /s/ YASUTAKA MIYAMOTO [seal]

SHINKIN CENTRAL BANK

(Revolving Line Agreement (B) dated March 25, 2005 for Spansion Japan Limited
JPY 9,000,000,000)

LENDER B

By: _____ /s/ SOICHI USHIJIMA [seal]

THE BANK OF YOKOHAMA, LTD.

(Revolving Line Agreement (B) dated March 25, 2005 for Spansion Japan Limited
JPY 9,000,000,000)

LENDER B

By: _____ /s/ KOJI WATANABE [seal]

THE NORINCHUKIN BANK

Floating Pledge Agreement

Agent: Mizuho Corporate Bank, Ltd.
Pledgee: Financial Institutions specified in Exhibit 1
Pledgor: Spansion Japan Limited
March 25, 2005

FLOATING PLEDGE AGREEMENT

Spancion Japan Limited (the "Pledgor"), the financial institutions specified in Exhibit 1(1) as Pledges A (All pledges A shall be collectively referred to as "Pledges A" or "all Pledges A," and individual pledges A shall, depending on the context, be referred to as "each Pledge A."), and the financial institutions specified in Exhibit 1(2) as Pledges B (All pledges B shall be collectively referred to as "Pledges B" or "all Pledges B," and individual pledges B shall, depending on the context, be referred to as "each Pledge B.") hereby enter into this agreement (this "Agreement") as follows with respect to the creation of floating pledges on the Security Beneficial Interests (as defined below) held by the Pledgor, under which Mizuho Corporate Bank, Ltd. will act as the Agent, as of March 25, 2005.

1. DEFINITIONS

Except as otherwise specifically defined herein, the terms in this Agreement shall have the meanings defined in (i) the Accounts Receivables Trust Agreement dated March 25, 2004 entered into by and between the Pledgor and Mizuho Trust & Banking Co., Ltd. (the "Trustee") (as amended, the "Trust Agreement"), (ii) the Revolving Line Agreement (A) dated March 25, 2005 entered into by and among Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd., The Norinchukin Bank and the Pledgor (as amended, the "Loan Agreement A"), (iii) the Revolving Line Agreement (B) dated March 25, 2005 entered into by and among Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Norinchukin Bank and the Pledgor (as amended, the "Loan Agreement B," and together with the Loan Agreement A, the "Loan Agreements"), and (iv) the Creditors' Agreement dated March 25, 2005 entered into by and among Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd., The Norinchukin Bank and the Pledgor (as amended, the "Creditors' Agreement").

2. CREATION OF FLOATING PLEDGE

- 2.1 The Pledgor shall create first-priority floating pledges (collectively, the "Floating Pledge A") on its beneficial interests in trust under the Trust Agreement (the "Security Beneficial Interests") with respect to each Pledge A as follows.

DESCRIPTION

Scope of Secured Receivables:	The right to claim for the payment of principal and interest and any other receivables held by each Pledgee A against the Pledgor under the Loan Agreement A (collectively the "Secured Receivables A")
Maximum Amount:	JPY 6,000,000,000
Date to crystallize the receivables to be secured by Floating Pledge A:	No date is fixed.

2.2 The Pledgor shall create second-priority floating pledges (collectively the “Floating Pledge B,” and together with the Floating Pledge A, the “Floating Pledges”) on the Security Beneficial Interests with respect to each Pledgee B as follows.

DESCRIPTION

Scope of Secured Receivables:	The right to claim for the payment of principal and interest and any other receivables held by each Pledgee B against the Pledgor under the Loan Agreement B (collectively the “Secured Receivables B,” and together with the Secured Receivables A, the “Secured Receivables”)
Maximum Amount:	JPY 9,000,000,000
Date to crystallize the receivables to be secured by Floating Pledge B:	No date is fixed.

- 2.3 Each Pledgee A shall, as a result of creation of the Floating Pledge A described in Clause 2.1, acquire a floating pledge on the Security Beneficial Interests that has the same priority as those held by the other Pledges A. Each Pledgee B shall, as a result of creation of the Floating Pledge B described in Clause 2.2, acquire a floating pledge on the Security Beneficial Interests that has the same priority as those held by the other Pledges B.
- 2.4 The Pledges hereby authorize the Agent to exercise on behalf of the Pledges the rights of the Pledges under this Agreement to the extent such exercise does not breach applicable laws or ordinances. Provided, however, that the specific time, method and terms of exercising the rights as a Pledgee shall be in accordance with the decision-making of the Majority Lenders under the provisions of the Creditors’ Agreement.
- 2.5 The Pledges shall enforce the Floating Pledges only through the Agent and in accordance with the provisions of this Agreement, the Loan Agreements and the Creditors’ Agreement, and applicable laws and ordinances. Provided, however, that the Pledges are able to receive appropriation for repayment of the Loans in accordance with the provisions of the Loan Agreements and the Creditors’ Agreement.
- 2.6 The authority set forth in Clause 2.4 shall extinguish upon the resignation or dismissal of the Agent in accordance with Clause 28 of the Loan Agreements (or Clause 28 of the Loan Agreements that has been replaced in accordance with the provisions of Clause 7 of the Creditor’s Agreement; hereinafter the same) and the provisions of the Creditors’ Agreement. Thereafter, the successor Agent assuming office in accordance with Clause 28 of the Loan Agreements shall exercise the rights and bear the obligations under this Clause. Immediately after such change in Agents, the former Agent and the successor Agent shall notify the Pledgor thereof in writing in their joint name.

3. **DELIVERY OF ORIGINAL COPY AND ACQUISITION OF TRUSTEE APPROVAL**

- 3.1 On the date of this Agreement, the Pledgor shall deliver to the Agent original copies of a certificate for the Security Beneficial Interests (provided, however, that this shall only apply if such certificate has been issued) and an agreement with respect to the Trust Agreement (such certificate and agreement shall be collectively referred to as "Trust Agreement and Certificate"). The Agent shall, upon receipt of the Trust Agreement and Certificate pursuant to this Paragraph, immediately deliver to each Pledgee copies thereof with wording certifying that such copies are accurate copies of the Trust Agreement and Certificate
- 3.2 On the date of this Agreement, the Pledgor shall obtain the Trustee's written approval of the creation of the Floating Pledge A on the Security Beneficial Interests with a certified date substantially in the form set out in Exhibit 2, and deliver the original copy thereof to the Agent, to complete (i) perfection against debtors and third parties under Articles 364(1) and 467 of the Civil Code with respect to the creation of the Floating Pledge A and (ii) prior perfection under Article 467 of the Civil Code with respect to acquisition of the Security Beneficial Interests as a result of enforcement by any Pledgee A of the Floating Pledge A pursuant to the provisions of Clause 7.1(3) of this Agreement. The Agent shall, upon obtaining approval from the Trustee pursuant to this Paragraph, immediately deliver to each Pledgee A copies thereof with wording certifying that such copies are accurate copies of the approval.
- 3.3 On the date of this Agreement and after carrying out the procedures provided in the preceding Paragraph, the Pledgor shall obtain the Trustee's written approval of the creation of the Floating Pledge B on the Security Beneficial Interests with a certified date substantially in the form set out in Exhibit 3, and deliver the original copy thereof to the Agent, to complete (i) perfection against debtors and third parties under Articles 364(1) and 467 of the Civil Code with respect to the creation of the Floating Pledge B and (ii) prior perfection under Article 467 of the Civil Code with respect to acquisition of the Security Beneficial Interests as a result of enforcement by any Pledgee B of the Floating Pledge B pursuant to the provisions of Clause 7.1(3) of this Agreement. The Agent shall, upon obtaining approval from the Trustee pursuant to this Paragraph, immediately deliver to each Pledgee B copies thereof with wording certifying that such copies are accurate copies of the approval.
- 3.4 Upon receipt of the Trust Agreement and Certificate or the Trustee's approval in accordance with the provisions of preceding three Paragraphs, the Agent shall exclusively possess the Trust Agreement and Certificate or the Trustee's approval for its own benefit and on behalf of each Pledgee for the benefit of each Pledgee, and each Pledgee agrees thereto.
- 3.5 Each Pledgee authorizes the Agent and the Agent agrees to receive the Trust Agreement and Certificate and the Trustee's approval on behalf of each Pledgee.
- 3.6 The Agent shall keep the original copies of the Trust Agreement and Certificate that are delivered by the Pledgor in accordance with Clause 3.1 for the benefit of each Pledgee with the duty of care of a good administrator, until the Pledgor satisfies all of the Secured Receivables and the Agent returns to the Pledgor the original copies of the Trust Agreement and Certificate in accordance with Clause 15 of this Agreement.

4. **REPRESENTATIONS, WARRANTIES AND COVENANTS OF PLEDGOR**

4.1 The Pledgor represents and warrants that the following is true and correct as of the date of this Agreement.

- (1) The Trust Agreement is an agreement duly executed and effectively existing under the laws of Japan.
- (2) The Security Beneficial Interests solely belong to the Pledgor, and the Pledgor has the sole authority to dispose of the Security Beneficial Interests.
- (3) There are no encumbrances relating to real rights on the Security Beneficial Interests that have priority over or precede the Floating Pledge A, nor is there any other event that will interfere with the rights or interests of the Pledges A.
- (4) Other than the Floating Pledge A, there are no encumbrances relating to real rights on the Security Beneficial Interests that have priority over or precede the Floating Pledge B, nor is there any other event that will interfere with the rights or interests of the Pledges B.
- (5) No lawsuit, arbitration, mediation or other administrative procedure by a third party is pending with respect to the creation, continued existence, ownership or exercise of the Security Beneficial Interests, nor is there any threat of the commencement of any of the foregoing.
- (6) The Security Beneficial Interests are legal, valid and binding, and enforceable in accordance with the terms of this Agreement.
- (7) No principal has been redeemed before the due date with respect to the Security Beneficial Interests.
- (8) Neither the Settlor nor the Trustee is in default of any obligations under the Trust Agreement.
- (9) There are no grounds for defense that interfere with the creation, continued existence or exercise of the Security Beneficial Interests.
- (10) No provisions of the Trust Agreement have been amended, released or waived, the Security Beneficial Interests have not been transferred to a third party, had a security interest created thereon, or otherwise been disposed of in a way that adversely affects or is likely to adversely affect the rights of the Pledges under this Agreement, nor is the Pledgor under any obligation to make such a disposition for the benefit of a third party.
- (11) No petition for provisional attachment, preservative attachment, attachment or provisional disposition has been filed by any third party in respect of all or a part of the Security Beneficial Interests, nor are there any rights or encumbrances in respect of all or a part of the Security Beneficial Interests that have or are likely to have an adverse effect on the rights of the Pledges under this Agreement;
- (12) Each of the Pledgor's representations and warranties set out in the Trust Agreement are true and correct.

4.2 If it is found that any of the Pledgor's representations and warranties set out in Clause 4.1 are false or incorrect in any material respect, the Pledgor shall immediately notify the Agent thereof in writing, and shall compensate the Agent or each Pledgee for the losses incurred by them due to such breach of representations or warranties.

5. **PRESERVATION OF TRUST AGREEMENT**

The Pledgor shall not, without the Agent's prior written consent, amend any provision of the Trust Agreement, transfer the Security Beneficial Interests to a third party, create a security interest on or otherwise dispose of or cancel the Security Beneficial Interests, or conduct any other act which is likely to adversely affect the Floating Pledges.

6. **CHANGES IN DETAILS OF FLOATING PLEDGES**

If it becomes necessary to transfer all or a part of the Floating Pledges (including changing the scope of the secured receivables in connection with such transfer) or otherwise change or dispose of the Floating Pledges (excluding the case where such change or disposal materially and adversely affects the Pledgor), the Pledgor shall agree to or approve the Agent's requests or take other procedures necessary therefor. If required by the Agent to change the scope of the secured receivables with respect to the Floating Pledges (excluding those in connection with the transfer of all or a part of the Floating Pledges), the Pledgor shall consult with the Agent in good faith.

7. **ENFORCEMENT OF THE PLEDGE**

7.1 If the obligations that the Pledgor owes with respect to any of the Secured Receivables become due or immediately payable, the Pledgees may enforce the Floating Pledges in accordance with any of the following methods. In such case, each Pledgee may enforce the Floating Pledges only through the Agent by times, methods and terms determined in accordance with the decision-making of the Majority Lenders under Clause 2 of the Creditors' Agreement, and the Agent shall enforce the Floating Pledges on behalf of each Pledgee. The Agent shall, in enforcing the Floating Pledges, notify the Trustee, Pledgor and each Pledgee in writing of the enforcement of the Floating Pledges under this Agreement (the "Floating Pledge Enforcement Notice").

- (1) Method of (i) directly collecting money equal to the amount of the Trustee's obligations to pay distributions and principal redemptions with respect to the Security Beneficial Interests or any other obligation owed by the Trustee to the Pledgor under the Trust Agreement, and (ii) using such collected amount (the "Directly Collected Amount") to repay the Secured Receivables.
- (2) Method of (i) disposing of the Security Beneficial Interests by times, methods, prices, etc., which are generally acknowledged as appropriate, and (ii) using the proceeds from such disposal (the "Disposal Proceeds") to repay the Secured Receivables.
- (3) Method of (i) acquiring the Security Beneficial Interests by evaluating them by times, methods, prices, etc., which are generally acknowledged as appropriate, and (ii) deeming that the Secured Receivables cease to be effective at the same amount as such value of the Security Beneficial Interests (the "Valued Amount").

- 7.2 Notwithstanding the provisions of the preceding Paragraph, if the Agent reasonably deems it necessary to urgently enforce the Floating Pledges, the Agent may immediately enforce the Floating Pledges without following decision-making procedures of the Majority Lenders set forth in Clause 2 of the Creditors' Agreement. Provided, however, that the Agent shall not be obliged to enforce the Floating Pledges unless instructed by the Majority Lenders.
- 7.3 If the Agent enforces the Floating Pledges, the Agent shall simultaneously enforce all of the Floating Pledges held by the Pledgees.
- 7.4 If the Pledgees enforce the Floating Pledges in accordance with Clause 7.1(1) or (2), the Pledgees shall cause the party obliged to pay the Directly Collected Amount or the Disposal Proceeds to transfer such Directly Collected Amount or Disposal Proceeds to an account designated and managed by the Agent (the "Agent's Account"). Upon payment of the Directly Collected Amount or the Disposal Proceeds (the "Directly Collected Amount, Etc.") to the Agent's Account, the Directly Collected Amount, Etc. shall be used to repay the Secured Receivables in the order and manner set forth in Clause 18 of the Loan Agreements (or Clause 18 of the Loan Agreements that has been replaced in accordance with the provisions of Clause 4 of the Creditors' Agreement; hereinafter the same), and the Agent shall distribute the Directly Collected Amount, Etc. to each Pledgee in accordance with Clause 19 of the Loan Agreements (or Clause 19 of the Loan Agreements that has been replaced in accordance with the provisions of Clause 5 of the Creditors' Agreement).
- 7.5 If the Pledgees enforce the Floating Pledges in accordance with Clause 7.1(3), an amount equivalent to the amount that would be appropriated if the money equal to the Valued Amount was appropriated in the order and manner set forth in Clause 18 of the Loan Agreements, shall be used to repay the Secured Receivables at the time the Agent acquires the Security Beneficial Interests. If the Agent acquires money by exercising, transferring or otherwise disposing of the Security Beneficial Interests acquired in accordance with Clause 7.1(3), the Agent shall cause the party obliged to pay such money to transfer such money to the Agent's Account, and upon payment of such money, the Agent shall immediately distribute such transferred money to each Pledgee in accordance with Clause 19 of the Loan Agreements.
- 7.6 If the Agent receives the trust principal, trust proceeds or other property upon enforcement of the Floating Pledges and such property is not money (the "Receivables in Kind"), the Majority Lenders shall determine the method to acquire or dispose of the Receivables in Kind. In this case, an amount equivalent to the amount that would be appropriated if the money equal to the Valued Amount of the Receivables in Kind evaluated by times, methods, prices, etc., that are generally acknowledged as appropriate was appropriated in the order and manner set forth in Clause 18 of the Loan Agreements, shall be used to repay the Secured Receivables. In this case, if the Agent acquires money by exercising, transferring or otherwise disposing of the Receivables in Kind, the Agent shall cause the party obliged to pay such money to transfer such money to the Agent's Account, and upon payment of such money, the Agent shall immediately distribute such transferred money to each Pledgee in accordance with Clause 19 of the Loan Agreements.

7.7 Each Pledgee acknowledges without objection that, notwithstanding the priority between the Floating Pledge A and the Floating Pledge B set forth in Clauses 2.1 and 2.2, the Directly Collected Amount, the Disposal Proceeds, money equal to the Valued Amount and other money acquired through enforcing the Floating Pledges that are set forth in preceding three Paragraphs shall be used and distributed to each Pledgee in the order set forth in Clauses 18 and 19 of the Loan Agreements, and no receivables or obligations will remain between each Pledgee and the Agent with respect to such money after the distribution thereof.

8. **INSTRUCTIONS TO TRUSTEE**

The Pledgor shall follow the provisions of Clause 24.1 of the Trust Agreement with respect to instructing the Trustee, and (i) if no Repayment Formula Revision Event has occurred, the Beneficiary and the Agent shall, upon consultation, give instructions in their joint name, and if the Beneficiary and the Agent do not come to an agreement though consultation, the Agent may independently give instructions, and (ii) if a Repayment Formula Revision Event has occurred, the Agent may give instructions.

9. **COMMON SERVICE FEES**

If the Agent pays any fees for the common benefit of the Pledgees pursuant to the provisions of this Agreement, notwithstanding the provisions of Clauses 7.5 through 7.7 (including the case where such provisions apply *mutatis mutandis* in accordance with the provisions of Clause 8), the Agent may receive priority distribution of an amount equal to such paid expenses from the Agent's Account.

10. **RECEIPT BY PLEDGOR OF DISTRIBUTION OF PROCEEDS OR OTHER MONEYS**

Notwithstanding the creation of the Floating Pledges, the Pledgor is authorized to receive distributions of proceeds, principal redemptions and other money in respect of the Security Beneficial Interests until the Floating Pledge Enforcement Notice is given.

11. **PRESERVATION OF PLEDGE**

- 11.1 The Pledgor shall obtain the Agent's written approval prior to conducting any act to collect the Trust Receivables by itself or any other acts that reduce or which are likely to reduce the amount of the Trust Receivables or the Security Beneficial Interests.
- 11.2 If the Agent is requested by the Pledgor for the approval described in Clause 11.1, the Agent may, as a condition for giving such approval, request the Pledgor to entrust additional funds in respect of the Trust Agreement, offer additional pledges, or repay all or a part of the Secured Receivables.
- 11.3 If requested by the Agent, the Pledgor shall deliver to the Agent all documents reasonably necessary for the preservation and exercise of the Pledgees' rights hereunder, and take all necessary steps for the preservation and exercise of the rights of the Pledgees hereunder in accordance with the Agent's instructions.

12. **NO ASSUMPTION OF DEBT**

The Pledgor acknowledges without objection that none of the Pledges shall assume any debt in respect of the Trust Agreement due to the creation of the Floating Pledges under this Agreement.

13. **EXEMPTION FROM LIABILITY WITH RESPECT TO OBLIGATION TO PRESERVE THE PLEDGE, ETC.**

13.1 The Floating Pledge shall be created in addition to other pledges and guarantees held by the Pledges in respect of the Secured Receivables, and shall not affect the validity of such other pledges or guarantees.

13.2 The Pledgor shall not claim exemption from liability if any Pledgee changes or cancels other pledges or guarantees at such Pledgee's discretion.

14. **INDEMNIFICATION**

If the Agent or the Pledges suffer damages due to breach by the Pledgor of the obligations under this Agreement, the Pledgor shall immediately compensate the Agent or the Pledges upon request from the Agent or the Pledges for such damages.

15. **EXTINGUISHMENT OF FLOATING PLEDGES**

If the Floating Pledges cease to exist, the Agent shall immediately return to the Pledgor the original copies of the Trust Agreement and Certificate with respect to such extinguished Floating Pledges that have been delivered by the Pledgor in accordance with Clause 3.1 and kept for the benefit of each Pledgee. Upon receipt of the original copies of the Trust Agreement and Certificate pursuant to this Clause, the Pledgor shall notify the Trustee thereof in joint names with the Pledges.

16. **COSTS AND EXPENSES**

The Pledgor shall bear any and all costs and expenses (including, but not limited to, taxes and public charges and attorney's fees) required to exercise the rights or perform the obligations under this Agreement. If the Agent or any Pledges pays such costs or expenses, the Pledgor shall compensate the Agent or such Pledgee immediately after the Pledgor receives from the Agent or such Pledgee the details of such costs and expenses.

17. **AGENT**

The parties to this Agreement acknowledge that the services specified in this Agreement to be performed by the Agent shall constitute a part of the Agent Services set forth in Clause 27 of the Loan Agreements (or Clause 27 of the Loan Agreements that has been replaced in accordance with the provisions of Clause 6 of the Creditor's Agreement). It is acknowledged that the provisions concerning the Agent in the Creditors' Agreement shall automatically apply to the Agent's authority, responsibility, obligations, exemption from liability and other matters with respect to the performance by the Agent of its services set forth in this Agreement.

18. **NO ASSIGNMENT**

None of the Pledges nor the Pledgor shall assign, create a security interest on or otherwise dispose of all or a part of their contractual status, rights or obligations hereunder. Provided, however, that this shall not apply if such disposal is made as a result of the Pledges assigning or otherwise disposing of the Secured Receivables in accordance with the Loan Agreements.

19. **AMENDMENTS TO THE AGREEMENT**

The provisions of this Agreement may be amended only by the written consent of the Agent, the Pledgor and all Lenders (provided, however, amendments concerning matters solely relating to the Floating Pledge A may be made with the consent of the Agent, the Pledgor and all Pledges A, and amendments concerning matters solely relating to the Floating Pledge B may be made with the consent of the Agent, the Pledgor and all Pledges B).

20. **ADDITIONAL MEASURES**

Each Pledgee and the Pledgor shall prepare, execute and deliver any agreements and other documents required by each Pledgee or the Pledgor as necessary or appropriate to a reasonable extent for the purpose of attaining the object of this Agreement.

21. **GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of Japan.

22. **JURISDICTION**

The Tokyo District Court shall have exclusive jurisdiction as the court of first instance with respect to any action arising out of or in connection with this Agreement.

23. **APPLICATION OF THE TRUST AGREEMENT**

The provisions of the Loan Agreements and the Creditors' Agreement shall apply *mutatis mutandis* to matters relating to the provisions of this Agreement among those not provided for in this Agreement.

24. **CONSULTATION**

The Agent, the Pledges and the Pledgor shall resolve any matters not provided for in this Agreement or doubts arising from this Agreement upon mutual consultation.

25. **EXTINGUISHMENT OF FORMER FLOATING PLEDGES**

The first-priority floating pledges and second-priority floating pledges created in favor of the Former Pledges A (as defined below) and the Former Pledgee B (as defined below), respectively, pursuant to the Floating Pledge Agreement dated March 25, 2004 and entered into by and among Mizuho Corporate Bank, Ltd. acting as the Agent, Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank as the Pledges A (the "Former Pledges A"), Mizuho Corporate Bank, Ltd., as Pledgee B (the "Former Pledgee B") and the Pledgor (the "Former Floating Pledge Agreement"), shall be canceled and cease to exist simultaneously with the

execution of this Agreement. Provided, however, that the return to the Pledgor of the original copies of the Trust Agreement and Certificate and the notification thereof to the Trustee as provided for under Clause 15 of the Former Pledge Agreement need not be performed.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed, the Agent has kept the original and has delivered copies thereof to the Pledgor and each of the Pledgees, other than the Agent, with a certificate confirming the original is kept by the Agent.

March 25, 2005

First-Priority Pledgee,
Second-Priority Pledgee,
and Agent

/s/ HIROSHI SAITO

MIZUHO CORPORATE BANK, LTD.

(Floating Pledge Agreement as of March 25, 2005)

First-Priority Pledgee
and Second-Priority Pledgee

/s/ YASUTAKA MIYAMOTO

SHINKIN CENTRAL BANK

(Floating Pledge Agreement as of March 25, 2005)

First-Priority Pledgee
and Second-Priority Pledgee

/s/ SOICHI USHIJIMA

The Bank of Yokohama, Ltd.

(Floating Pledge Agreement as of March 25, 2005)

First-Priority Pledge

/S/ TAKAO AOYAGI

THE TOHO BANK, LTD.

(Floating Pledge Agreement as of March 25, 2005)

First-Priority Pledgee
and Second-Priority Pledgee

/s/ KOJI WATANABE

THE NORINCHUKIN BANK

(Floating Pledge Agreement as of March 25, 2005)

Pledgor

/s/ SHINJI SUZUKI
Spanion Japan Limited

List of Schedules

- Schedule 1 List of Pledges
- Schedule 2 Application for Approval on Creating First-Priority Floating Pledge and Approval on Creating Floating Pledge
- Schedule 3 Application for Approval on Creating Second-Priority Floating Pledge and Approval on Creating Floating Pledge

Schedule 1 List of Pledgees

- (1) Pledgees A
 - Mizuho Corporate Bank, Ltd.
 - Shinkin Central Bank
 - The Bank of Yokohama, Ltd.
 - The Toho Bank, Ltd.
 - The Norinchukin Bank

- (2) Pledgees B
 - Mizuho Corporate Bank, Ltd.
 - Shinkin Central Bank
 - The Bank of Yokohama, Ltd.
 - The Norinchukin Bank

Schedule 2 APPLICATION FOR APPROVAL ON CREATING FIRST-PRIORITY FLOATING PLEDGE AND APPROVAL ON CREATING FLOATING PLEDGE

March 25, 2005

To: Mizuho Trust & Banking Co., Ltd.

**Application for Approval
on Creating First-Priority Floating Pledge**

Spansion Japan Limited, as the Settlor in the Trust Agreement described in Item 1 below (the "Trust Agreement"), has recently created first-priority floating pledges on each beneficial interest in trust under the Trust Agreement (the "Security Beneficial Interests"), in order to secure the obligations owed by Spansion Japan Limited to Parties A-1 through A-5, who are the Pledges described in Item 3 below, (collectively the "Secured Receivables") in accordance with the Floating Pledge Agreement described in Item 2 below (the "Floating Pledge Agreement").

Accordingly, we would like to ask you to pay money directly to the Agent, an agent of the Pledges, which is payable by you to Spansion Japan Limited as a delivery of distributions or redemption of principal in respect of the Security Beneficial Interests, if you receive a Floating Pledge Enforcement Notice under the Floating Pledge Agreement.

We make the above request under our joint name. The Settlor does not request you exercise the right to terminate or agree to terminate the Trust Agreement without the consent of the Pledges.

DESCRIPTION

1. Trust Agreement
Accounts Receivables Trust Agreement entered into as of March 25, 2004 between you, as the Trustee, and Spansion Japan Limited, as the Settlor.
2. Floating Pledge Agreement
Floating Pledge Agreement entered into as of March 25, 2005 among Parties A-1 through A-5, as the first-priority pledges, Mizuho Corporate Bank, Ltd., as the second-priority pledgee, Party A-1, as the Agent, and Spansion Japan Limited, as the Pledgor.
3. Secured Receivables
Right to claim for principal and interest payments and other receivables held by each of Parties A-1 through A-5 against the Pledgor under the Revolving Line Agreement (A) (as amended) entered into as of March 25, 2005 among Parties A-1 through A-5, as the Lenders, Party A-1 as the Agent, and Spansion Japan Limited, as the Borrower.

The Agent hereby represents and acknowledges that the Agent has direct rights and obligations

to you under the Trust Agreement, understands the details of such rights and obligations, and has no objection thereto. We would like to request you confirm that you have direct rights and obligations to the Agent under the Trust Agreement, understand the details of such rights and obligations, and have no objection thereto.

Further, we would also like to request that you confirm the following matters.

- (1) That the first-priority floating pledges and second-priority floating pledges created in favor of the Former Pledgees A (as defined below) and the Former Pledgee B (as defined below), respectively, pursuant to the Floating Pledge Agreement dated March 25, 2004 and entered into by and among Mizuho Corporate Bank, Ltd. acting as the Agent (the "Former Agent"), Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank as the Pledgees A (the "Former Pledgees A"), Mizuho Corporate Bank, Ltd. as Pledgee B (the "Former Pledgee B") and the Pledgor (the "Former Floating Pledge Agreement"), have been canceled and have ceased to exist simultaneously with the execution of the Floating Pledge Agreement. Provided, however, that the return to the Pledgor of the original copies of the Trust Agreement and Certificate and the notification thereof to you as provided for under Clause 15 of the Former Pledge Agreement need not be performed.
- (2) That because the Revolving Line Agreement (A) dated March 25, 2004 and entered into by and among the Former Agent, the Former Pledgees A and the Pledgor has been renewed into the Revolving Line Agreement (A) dated March 25, 2005 and entered into by and among the Agent, Parties A-1 through A-5 and the Pledgor, and because the Revolving Line Agreement (B) dated March 25, 2004 and entered into by and among the Former Agent, the Former Pledgee B and the Pledgor has been renewed into the Revolving Line Agreement (B) dated March 25, 2005 and entered into by and among the Agent, Parties A-1, A-2, A-3 and A-5 and the Pledgor, the terms set forth in the column labeled "Current Provisions" in the following chart contained in the Trust Agreement will be replaced so that such provisions will be read to have the respective meanings set forth in the column labeled "Provisions after Replacement," and that after the replacements that are otherwise necessary to correspond to the renewal of such agreements have been made, the Trust Agreement will continue to be effective notwithstanding the provisions of Clause 4 and Clause 1.49(2) of the Trust Agreement.

Clauses	Current Provisions	Provisions after Replacement (Amendments are underlined)
Clause 1.70	" Floating Pledge Agreement " means the Floating Pledge Agreement entered into between the Settlor and the Lenders as of March 25, 2004 (as amended).	" Floating Pledge Agreement " means the Floating Pledge Agreement entered into between the Settlor and the Lenders as of March 25, 2005 (as amended).
Clause 1.78	" Loan Agreement A " means the Revolving Line Agreement (A) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank, and the Settlor as of March 25, 2004.	" Loan Agreement A " means the Revolving Line Agreement (A) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. The Norinchukin Bank, and the Settlor as of March 25, 2005.

Clause 1.79 “**Loan Agreement B**” means the Revolving Line Agreement (B) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd. and the Settlor as of March 25, 2004.

“**Loan Agreement B**” means the Revolving Line Agreement (B) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Norinchukin Bank, and the Settlor as of March 25, 2005.

Party A-1:

Agent and First-Priority Pledgee

Mizuho Corporate Bank, Ltd.

(Application for Approval on Creating First-Priority Floating Pledge dated March 25, 2005)

Party A-2:

First-Priority Pledgee
Shinkin Central Bank

(Application for Approval on Creating First-Priority Floating Pledge dated March 25, 2005)

Party A-3:

First-Priority Pledgee
The Bank of Yokohama, Ltd.

(Application for Approval on Creating First-Priority Floating Pledge dated March 25, 2005)

Party A-4:

First-Priority Pledgee

The Toho Bank, Ltd.

(Application for Approval on Creating First-Priority Floating Pledge dated March 25, 2005)

Party A-5:

First-Priority Pledgee
The Norinchukin Bank

(Application for Approval on Creating First-Priority Floating Pledge dated March 25, 2005)

Spansion Japan Limited:

Pledgor

Spansion Japan Limited

March 25, 2004

To: Mizuho Corporate Bank, Ltd.
Shinkin Central Bank
The Bank of Yokohama, Ltd.
The Toho Bank, Ltd.
The Norinchukin Bank
Spansion Japan Limited

Approval on Creating First-Priority Floating Pledge

We approve without objection the creation of the floating pledge on the Security Beneficial Interests and other matters stated in your Application for Approval on Creating First-Priority Floating Pledge dated March 25, 2005.

We also represent and acknowledge that we have direct rights and obligations to the Agent under the Trust Agreement, understand the details of such rights and obligations, and have no objection thereto.

(Trustee)

Mizuho Trust & Banking Co., Ltd

Date Certified by Notary Public

Schedule 3 APPLICATION FOR APPROVAL ON CREATING SECOND-PRIORITY FLOATING PLEDGE AND APPROVAL ON CREATING FLOATING PLEDGE

March 25, 2005

To: Mizuho Trust & Banking Co., Ltd.

**Application for Approval
on Creating Second-Priority Floating Pledge**

Spansion Japan Limited, as the Settlor in the Trust Agreement described in Item 1 below (the "Trust Agreement"), has recently created second-priority floating pledges on each beneficial interest in trust under the Trust Agreement (the "Security Beneficial Interests"), in order to secure the obligations owed by Spansion Japan Limited to Parties B-1 through B-4, who are the Pledges described in Item 3 below, (collectively the "Secured Receivables") in accordance with the Floating Pledge Agreement described in Item 2 below (the "Floating Pledge Agreement").

Accordingly, we would like to ask you to pay money directly to the Agent, an agent of the Pledges, which is payable by you to Spansion Japan Limited as a delivery of distributions or redemption of principal in respect of the Security Beneficial Interests, if you receive a Floating Pledge Enforcement Notice under the Floating Pledge Agreement.

We make the above request under our joint name. The Settlor does not request you exercise the right to terminate or agree to terminate the Trust Agreement without the consent of the Pledges.

DESCRIPTION

1. Trust Agreement
Accounts Receivables Trust Agreement entered into as of March 25, 2004 between you, as the Trustee, and Spansion Japan Limited, as the Settlor.
2. Floating Pledge Agreement
Floating Pledge Agreement entered into as of March 25, 2005 among Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank, as the first-priority pledges, Parties B-1 through B-4, as the second-priority pledgee and Mizuho Corporate Bank, Ltd. acting as the Agent, and Spansion Japan Limited, as the Pledgor.
3. Secured Receivables
Right to claim for principal and interest payments and other receivables held by Parties B-1 through B-4 against the Pledgor under the Revolving Line Agreement (B) (as amended) entered into as of March 25, 2005 among Parties B-1 through B-4, as the Lender and Mizuho Corporate Bank, Ltd. acting as the Agent, and Spansion Japan Limited, as the Borrower.

The Agent hereby represents and acknowledges that the Agent has direct rights and obligations to you under the Trust Agreement, understands the details of such rights and obligations, and has no objection thereto. We would like to request you confirm that you have direct rights and obligations to the Agent under the Trust Agreement, understand the details of such rights and obligations, and have no objection thereto.

Further, we would also like to request that you confirm the following matters.

- (1) That the first-priority floating pledges and second-priority floating pledges created in favor of the Former Pledges A (as defined below) and the Former Pledgee B (as defined below), respectively, pursuant to the Floating Pledge Agreement dated March 25, 2004 and entered into by and among Mizuho Corporate Bank, Ltd. acting as the Agent (the "Former Agent"), Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank as the Pledges A (the "Former Pledges A"), Mizuho Corporate Bank, Ltd. as Pledgee B (the "Former Pledgee B") and the Pledgor (the "Former Floating Pledge Agreement"), have been canceled and have ceased to exist simultaneously with the execution of the Floating Pledge Agreement. Provided, however, that the return to the Pledgor of the original copies of the Trust Agreement and Certificate and the notification thereof to you as provided for under Clause 15 of the Former Pledge Agreement need not be performed.
- (2) That because the Revolving Line Agreement (A) dated March 25, 2004 and entered into by and among the Former Agent, the Former Pledges A and the Pledgor has been renewed into the Revolving Line Agreement (A) dated March 25, 2005 and entered into by and among the Agent, Parties B-1 through B-4, The Toho Bank, Ltd. and the Pledgor, and because the Revolving Line Agreement (B) dated March 25, 2004 and entered into by and among the Former Agent, the Former Pledgee B and the Pledgor has been renewed into the Revolving Line Agreement (B) dated March 25, 2005 and entered into among the Agent, Parties B-1 through B-4 and the Pledgor, the terms set forth in the column labeled "Current Provisions" in the following chart contained in the Trust Agreement will be replaced so that such provisions will be read to have the respective meanings set forth in the column labeled "Provisions after Replacement," and that after the replacements that are otherwise necessary to correspond to the renewal of such agreements have been made, the Trust Agreement will continue to be effective notwithstanding the provisions of Clause 4 and Clause 1.49(2) of the Trust Agreement.

Clauses	Current Provisions	Provisions after Replacement (Amendments are underlined)
Clause 1.70	" Floating Pledge Agreement " means the Floating Pledge Agreement entered into between the Settlor and the Lenders as of March 25, 2004 (as amended).	" Floating Pledge Agreement " means the Floating Pledge Agreement entered into between the Settlor and the Lenders as of March 25, 2005 (as amended).
Clause 1.78	" Loan Agreement A " means the Revolving Line Agreement (A) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. and The Norinchukin Bank, and the Settlor as of March 25, 2004.	" Loan Agreement A " means the Revolving Line Agreement (A) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd., Shinkin Central Bank, The Bank of Yokohama, Ltd., The Toho Bank, Ltd. The Norinchukin Bank, and the Settlor as of March 25, 2005.

Clause 1.79 “**Loan Agreement B**” means the Revolving Line Agreement (B) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd. and the Settlor as of March 25, 2004.

“**Loan Agreement B**” means the Revolving Line Agreement (B) (as amended or renewed) entered into by Mizuho Corporate Bank, Ltd. Shinkin Central Bank, The Bank of Yokohama, Ltd., The Norinchukin Bank, and the Settlor as of March 25, 2005.

(Application for Approval on Creating Second-Priority Floating Pledge as of March 25, 2005)

Party B-1:
Mizuho Corporate Bank, Ltd.:

Agent and Second-Priority Pledgee

Mizuho Corporate Bank, Ltd.

(Application for Approval on Creating Second-Priority Floating Pledge as of March 25, 2005)

Party B-2:

Second-Priority Pledgee

Shinkin Central Bank

(Application for Approval on Creating Second-Priority Floating Pledge as of March 25, 2005)

Party B-3:

Second-Priority Pledgee

The Bank of Yokohama, Ltd.

(Application for Approval on Creating Second-Priority Floating Pledge as of March 25, 2005)

Party B-4:

Second-Priority Pledgee

The Norinchukin Bank

(Application for Approval on Creating Second-Priority Floating Pledge as of March 25, 2005)

Spansion Japan:

Pledgor

Spansion Japan Limited

March 25, 2005

To: Mizuho Corporate Bank, Ltd.
Shinkin Central Bank
The Bank of Yokohama, Ltd.
The Norinchukin Bank
Spansion Japan Limited

Approval on Creating Second-Priority Floating Pledge

We approve without objection the creation of the floating pledge on the Security Beneficial Interests and other matters stated in your Application for Approval on Creating Second-Priority Floating Pledge dated March 25, 2005.

We also represent and acknowledge that we have direct rights and obligations to the Agent under the Trust Agreement, understand the details of such rights and obligations, and have no objection thereto.

(Trustee)

Mizuho Trust & Banking Co., Ltd.

Date Certified by Notary Public

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Hector de J. Ruiz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Hector de J. Ruiz

Date: May 6, 2005

Hector de J. Ruiz
Chairman of the Board, President, Chief Executive
Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert J. Rivet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2005

/s/ Robert J. Rivet

Robert J. Rivet
Executive Vice President, Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 27, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2005

/s/ Hector de J. Ruiz

Hector de J. Ruiz
Chairman of the Board,
President, Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 27, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2005

/s/ Robert J. Rivet

Robert J. Rivet
Executive Vice President,
Chief Financial Officer