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

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended September 28, 2003

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 1-7882

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) 732-2400

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 November 7, 2003: 348,590,674.

Pursuant to Rule 12b-15 of the Securities Exchange Act of 1934, Item 6 of the Advanced Micro Devices, Inc. Quarterly Report on Form 10-Q for the quarter ended September 28, 2003 is amended as follows:

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- *10.44 (a-1) First Amendment to Amended and Restated Loan and Security Agreement, dated as of July 7, 2003, among AMD, AMD International Sales & Service, Ltd. and Bank of America NT & SA, as agent.
- **10.63 Loan Agreement, dated as of September 25, 2003, among FASL Japan Limited, Mizuho Corporate Bank, Ltd., and the banks party thereto.
- 10.64 Master Rental Agreement, dated July 16, 2003 among GE Capital Leasing Corporation, as Lessor, FASL Japan Limited, as Lessee, and Advanced Micro Devices, Inc. as Guarantor.
- 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 Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Previously filed.

** Confidential treatment has been requested with respect to certain parts of this Exhibit.

(b) Reports on Form 8-K

A Current Report on Form 8-K dated July 14, 2003 reporting under Item 5 – Other Events and Item 7 – Financial Statements, Pro Forma Financial Information and Exhibits, was filed announcing the creation of FASL LLC.

A Current Report on Form 8-K dated November 24, 2003 reporting under Item 5 – Other Events and Required FD Disclosure, was filed announcing the planned construction of a new manufacturing facility in Dresden, Germany.

SIGNATURES

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.

ADVANCED MICRO DEVICES, INC.

Date: November 26, 2003

By: /s/ Robert J. Rivet

Robert J. Rivet
Senior Vice President, Chief Financial Officer

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

*** Confidential treatment has been requested as to certain portions of this agreement. Such omitted confidential information has been designated by an asterisk and has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-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.

(Translation)

JPY18,000,000,000

LOAN AGREEMENT

FASL JAPAN LIMITED

as Borrower

MIZUHO CORPORATE BANK, LTD.

as Arranger and Agent

MIZUHO CORPORATE BANK, LTD.

[OTHER LENDERS]

as Lender

September 25, 2003

This translation is prepared pursuant to Clause 32.11 for reference purpose only. If there is a conflict between in any of the provision provided in this translation and that of the Japanese original, the Japanese original shall prevail.

TABLE OF CONTENTS

	<u>Page</u>
1. DEFINITIONS	1
2. RIGHTS AND OBLIGATIONS OF LENDERS	6
3. USE OF PROCEEDS	7
4. CONDITIONS PRECEDENT FOR EFFECTIVENESS OF THIS AGREEMENT	7
5. CONDITIONS PRECEDENT FOR LENDING OBLIGATIONS	7
6. MAKING OF LOANS	8
7. REFUSAL TO MAKE LOANS	8
8. EXEMPTION OF LENDER	9
9. INCREASED COSTS	9
10. REPAYMENT OF PRINCIPAL	10
11. INTEREST	10
12. PREPAYMENT	10
13. DEFAULT INTEREST	11
14. AGENT FEE	11
15. EXPENSES; TAXES AND PUBLIC CHARGES	11
16. PERFORMANCE OF BORROWER'S OBLIGATIONS	12
17. DISTRIBUTION TO LENDERS	13
18. BORROWER'S REPRESENTATIONS AND WARRANTIES	15
19. BORROWER'S COVENANTS	17
20. RESTRICTIONS ON COLLATERAL	20
21. FINANCIAL RESTRICTIONS	21
22. ACCELERATION	21
23. SET-OFF; EXERCISE OF FLOATING SECURITY INTERESTS	24
24. ARRANGEMENTS AMONG LENDERS	25
25. RIGHTS AND DUTIES OF THE AGENT	26
26. RESIGNATION AND DISMISSAL OF THE AGENT	28
27. CLARIFICATION OF THE INTENTION OF THE MAJORITY LENDERS	29
28. AMENDMENT TO THIS AGREEMENT	29
29. ASSIGNMENT OF LOAN RECEIVABLES	30
30. COLLECTION FROM THIRD PARTY	31
31. TERMINATION OF THIS AGREEMENT	32
32. GENERAL PROVISIONS	32
SCHEDULE ONE	37
SCHEDULE TWO	38
SCHEDULE THREE	39
SCHEDULE FOUR	40
SCHEDULE FIVE	41

LOAN AGREEMENT

FASL JAPAN LIMITED (hereinafter referred to as the "Borrower"); the financial institutions described in Part III of Schedule ONE (hereinafter respectively referred to as a "Lender", and collectively referred to as "All Lenders"); and MIZUHO CORPORATE BANK, LTD, (hereinafter referred to as the "Agent"), as of the date of September 25, 2003 enter into the following agreement (hereinafter referred to as this "Agreement").

1. DEFINITIONS

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

- 1.1 **Adjusted Tangible Assets** means all of the Borrower's assets, determined on a consolidated basis (provided that if the Borrower does not have a balance sheet made in consolidated basis, the stand alone balance sheet shall be applied) in accordance with the accounting standards which is generally accepted as fair and appropriate one in Japan, except (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 discount and expense.
- 1.2 **Adjusted Tangible Net Worth** means, at any date, (a) the book value (after deducting related depreciation, obsolescence, amortization, valuation, and other proper reserves as determined in accordance with the accounting standards which is generally accepted as fair and appropriate one in Japan) at which the Adjusted Tangible Assets would be shown on a balance sheet of the Borrower at such date prepared on a consolidated basis (provided that if the Borrower does not have a balance sheet made in consolidated basis, the stand alone balance sheet shall be applied) in accordance with the accounting standards which is generally accepted as fair and appropriate one in Japan less (b) the amount at which the Borrower's liabilities would be shown on such consolidated balance sheet (provided that if the Borrower does not have a balance sheet made in consolidated basis, the stand alone balance sheet shall be applied), including as liabilities all reserves for contingencies and other potential liabilities which would be required to be shown on such balance sheet.
- 1.3 **Affiliate** means, as to any person, any other person which, directly or indirectly, is in control of, is controlled by, or in under common control with, such person or which owns, directly or indirectly, ten percent or more of the outstanding equity interest of such person. A person shall be deemed to control another person if the controlling person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other person, whether through the ownership of voting securities, by contract, or otherwise.
- 1.4 **Agent Fee** means the fees that the Borrower shall pay to the Agent as separately agreed upon between the Borrower and the Agent.

- 1.5 “**Agent Services**” means the services set forth in the provisions of this Agreement whereby the Agent was entrusted by All Lenders to perform for the benefit of All Lenders.
- 1.6 “**Agent’s Account**” means the current account (*toza yokin*) (Account No. ***, Account Holder: FASL JAPAN LIMITED AGENT-GUCHI) held by the Agent at Mizuho Corporate Bank, Ltd. Head Office.
- 1.7 “**Aizu Facility**” means the Borrower’s existing and after acquired real property and improvements at its Aizu manufacturing facilities and ancillary facilities located in Aizu-Wakamatsu, Fukushima, Japan.
- 1.8 “**Applicable Interest Rate**” means the interest rate equal to the Base Rate plus the Spread.
- 1.9 “**Assignee**” means the person who receives the assignment of the Loan Receivables in accordance with Clause 29.1.
- 1.10 “**Assignor**” means the person who assigns the Loan Receivables in accordance with Clause 29.1.
- 1.11 “**Base Rate**” means the interest rate for the relevant Interest Period according to the Japanese Yen TIBOR (page 17097 of the Telerate) published by the Japanese Bankers Association at eleven (11) o’clock A.M. or at the nearest possible time after eleven (11) o’clock A.M. of the second Business Day prior to the commencement date of each Interest Period. Provided, however, that if such interest rate is not published for some reason, this 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 Interest Period in the Tokyo Interbank Market as of eleven (11) o’clock A.M. of the second Business Day prior to the commencement date of each Interest Period or the nearest time prior thereto.
- 1.12 “**Break Funding Cost**” means, in cases where the principal is repaid or set off before the Due Date of the Individual Loan, and where the Reinvestment Rate falls below the Applicable Interest Rate, the amount calculated as the principal amount with respect to which such repayment or set-off was made, multiplied by (i) the difference between the Reinvestment Rate and the Applicable Interest Rate, and (ii) the actual number of days of the Remaining Period. “**Remaining Period**” means the period commencing on the day the repayment or set-off was made and ending on the Interest Payment Date coming immediately thereafter, and the “**Reinvestment Rate**” means the interest rate reasonably determined by the Lenders 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, inclusive of first day and exclusive of 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.
- 1.13 “**Business Day**” means any day other than those that are bank holidays in Japan.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 1.14 “**Costs Increased Lender**” means a Lender that has incurred Increased Costs.
- 1.15 “**Debt For Borrowed Money**” means, as to person, debt for borrowed money or as evidenced by notes, bonds, debentures or similar evidences of any such debt of such person, the deferred and unpaid purchase price of any property or business (other than trade accounts payable incurred in the ordinary course of business and constituting current liabilities) and all obligation under Lease.
- 1.16 “**Drawdown Date**” means September 30, 2003.
- 1.17 “**Due Date**” means, with respect to the principal to the Loans, the Repayment Date, the interest in relation to the Loans, the Interest Payment 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.
- 1.18 “**Due Time**” means, if any Due Dates are provided for herein, eleven (11) o’clock A.M. of such Due Date.
- 1.19 “**Enhanced Covenant Period**” means any period that the Borrower fails to maintain minimum cash balance than 1 billion yen.
- 1.20 “**Exemption Event**” means (i) an outbreak of a natural disaster or war, (ii) an interruption or difficulty in the electrical, communications or various 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 that results in the Majority Lenders (if it is difficult to clarify the intention of the Majority Lenders, the Agent) determining that it is impossible to make the Loan.
- 1.21 “**FMH**” means Fujitsu Microelectronics Holding, Inc.
- 1.22 “**Guarantee**” means a guarantee made and submitted by the Guarantor to the Agent and All Lenders as of September 25, 2003, for the purpose of guaranteeing the obligations assumed by the Borrower under this Agreement in the form of Schedule FIVE.
- 1.23 “**Guarantor**” means Fujitsu Limited.
- 1.24 “**Increased Costs**” means the increased portion (the amount reasonably calculated by such Lender) of lending expenses, in cases where the Lender’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) 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) establishment or increase in capital reserves.
- 1.25 “**Individual Loan**” means a loan made by a Lender respectively pursuant to this Agreement.
- 1.26 “**Individual Loan Money**” means the money lent (or to be lent) by a Lender to the Borrower as an Individual Loan, and the “**Individual Loan Amount**” means the amount of the Individual Loan Money.

- 1.27 “**Interest Payment Date**” means an interest payment date set forth in Schedule TWO, and if such corresponding day falls on a day other than a Business Day, the following Business Day shall be the Interest Payment Date. If such following Business Day occurs in the next month, the immediately preceding Business Day shall be the Interest Payment Date.
- 1.28 “**Interest Period**” means each period set forth in Clause 11.1 in respect of the Loan.
- 1.29 “**Inventory**” means all of the Borrower’s now owned and hereafter acquired inventory, goods and merchandise, wherever located, to be furnished under any contract of service or held for sale or lease, all returned goods, raw materials, other materials and supplies of any kind, nature or description which are or might be consumed in the Borrower’s business or used in connection with the packing, shipping, advertising, selling or finishing of such goods, merchandise and such other personal property, and all documents of title or other documents representing them.
- 1.30 “**Investments**” means to any person, any acquisition of property by such person in exchange for cash or other property, whether in the form of an acquisition of stock, debt, or other indebtedness or obligation, or the purchase or acquisition of any other property, or a loan, advance, capitol contribution, or subscription.
- 1.31 “**Laws and Ordinances**” means the treaties, laws, cabinet orders, ministerial ordinances, rules, announcements, judgments, decisions, arbitral awards, directives, and policies of relevant authorities, which apply to this Agreement, the transactions pursuant hereto or the parties hereto.
- 1.32 “**Lease**” means any lease of property by the Borrower or its Subsidiary which, in accordance with the accounting standards which is generally accepted as fair and appropriate one in Japan, should be reflected as a lease on the consolidated balance sheet of the Borrower.
- 1.33 “**Lending Obligation**” means a Lender’s obligation to make Individual Loans to the Borrower upon the condition that the requirements set forth under each item of Clause 5 are satisfied.
- 1.34 “**Loan Receivables**” means the loan claim in relation to each Individual Loan.
- 1.35 “**Loan(s)**” means the aggregate of the Individual Loans made pursuant to this Agreement.
- 1.36 “**Majority Lenders**” means multiple Lenders whose Participation Ratios amount to 51% or more in total as of the Intention Clarification Time (provided, however, that, for the period after All Lenders’ Lending Obligations are extinguished, and where the repayment of all obligations pursuant to this Agreement in relation to the Loan have not been completed, the percentage shall be that of the total principal amount of the Outstanding Individual Loan Money per each Lender to the Total Outstanding Balance as of the Intention Clarification Time). “**Intention Clarification Time**” means, in cases where the Lender determines that any event requiring instructions by

- the Majority Lenders has occurred, the point in time when the Agent receives notice under Clause 27.1(i), and in cases where the Agent determines it necessary to clarify the intention of the Majority Lenders, the point in time when the Agent gives notice under Clause 27.2.
- 1.37 “**Moody’s**” means Moody’s Investors Service, Inc.
- 1.38 “**Outstanding Individual Loan Money**” means the principal, the interest, default interest, Break Funding Costs and any other payment obligation that the Borrower owes pursuant to this Agreement with respect to Individual Loan, and the “**Outstanding Individual Loan Amount**” means the amount of such Outstanding Individual Loan Money.
- 1.39 “**Participation Amount**” means the amount described in Schedule ONE with respect to each Lender.
- 1.40 “**Participation Ratio**” means the percentage of the Participation Amount of each Lender to the Total Lending Amount.
- 1.41 “**Repayment Date**” means a repayment date set forth in the Attachment TWO, and if such corresponding day falls on a day other than a Business Day, the following Business Day shall be the Repayment Date. If such following Business Day occurs in the next month, the immediately preceding Business Day shall be the Repayment Date.
- 1.42 “**Reports**” means (i) an audited operating statement (*eigyō hōkokusho*) (balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto. If the Borrower’s consolidated Subsidiary or Affiliate is established, an operating statement based on the consolidated basis shall be included.) based on the stand alone basis prepared by the Borrower within 90 days from the end of the fiscal year, (ii) an unaudited operating statement (*eigyō hōkokusho*) (balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto. If the Borrower’s consolidated Subsidiary or Affiliate is established, an operating statement based on the consolidated basis shall be included.) based on the stand alone basis prepared by the Borrower within 45 days from the quarter-end of the fiscal year, (iii) an audited financial statement (balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto) based on the consolidated basis prepared by FASL LLC within 90 days from the end of the fiscal year, and (iv) an unaudited financial statement (balance sheet, profit and loss statement, statement of cash flow, and other documents incidental thereto) based on the consolidated basis prepared by FASL LLC within 45 days from the quarter-end of the fiscal year.
- 1.43 “**Spread**” means a spread described in Schedule THREE.
- 1.44 “**Subsidiary**” of a person means any corporation, association, partnership, joint venture or other business entity of which more than fifty percent of the voting stock or other equity interest (in the case of person other than corporation), is owned or controlled directly or indirectly by the person, or one or more of the Subsidiaries of the person, or a combination thereof.

- 1.45 “**Syndicate Account**” means the [checking/ordinary] deposit account (Account No. [], Account Holder: []) held by the Borrower at Mizuho Corporate Bank, Ltd. [[] Branch/[] Department].
- 1.46 “**Taxes and Public Charges**” means all public taxes or public charges including income taxes, corporate taxes and other taxes, which are applicable in Japan.
- 1.47 “**Temporary Advancement**” means, with respect to the Borrower’s repayment on a Due Date, the payment made by the Agent to the Lenders before the completion of the Borrower’s repayment of an amount equivalent to the amount to be distributed to the Lenders in accordance with Clause 17; or with respect to the Individual Loans made by the Lenders on the Drawdown Date, the payment made by the Agent to the Borrower before the Lender’s making the Individual Loan of an amount equivalent to the amount of the Individual Loan to be made to the Borrower.
- 1.48 “**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 that a Temporary Advancement is made and ending on the date 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 through the Temporary Advancement Period. The calculation method for such Temporary Advancement Costs shall be on a per diem basis, inclusive of first day and exclusive of 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.
- 1.49 “**Total Lending Amount**” means the total of the Participation Amounts of All Lenders.
- 1.50 “**Total Outstanding Balance**” means the total principal amount of the Outstanding Individual Loan Money owed to All Lenders.

2. RIGHTS AND OBLIGATIONS OF LENDERS

- 2.1 The Lenders shall owe the Lending Obligations.
- 2.2 Unless otherwise provided for in this Agreement, the obligations of each Lender under this Agreement shall be independent, and a Lender shall not be released from its obligations under this Agreement for the reason that any of the other Lenders fails to perform such obligations. A Lender shall not be responsible for any failure of other Lenders to perform their obligations under this Agreement.
- 2.3 If a Lender, in breach of its Lending Obligation, fails to make an Individual Loan on the Drawdown Date, such Lender 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 makes a drawdown as a result of the Individual Loan's failure to be made on the Drawdown Date, and (ii) the interest and other expenses that would have been required to be paid if the Individual Loan were made on the Drawdown Date.

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

3. USE OF PROCEEDS

The Borrower shall use the money raised by the Loan as long-term working capital and repayment fund for the borrowings of 18 billion yen (bridge finance) under Overdraft Loan Facility Agreement dated as of June 30, 2003 between Mizuho Corporate Bank, Ltd.

4. CONDITIONS PRECEDENT FOR EFFECTIVENESS OF THIS AGREEMENT

This Agreement shall take effect at such time that the Borrower and the Guarantor shall have submitted all of the following documents to the Agent and All Lenders, and the Agent and All Lenders are satisfied with the details thereof:

- (a) the certificate of seal registration of the representative of the Borrower and the Guarantor as of June 25, 2003 or thereafter, who shall sign and affix their seal to this Agreement and the Guarantee;
- (b) a certified copy of the certificate of corporate registration (an entire certificate of record matter or an entire certificate of present matter) of the Borrower and the Guarantor as of June 25, 2003 or thereafter;
- (c) the articles of incorporation of the Borrower and the Guarantor, with certification attached thereto certifying that it is a copy of the original (the date of such certification shall be June 25, 2003 or thereafter); and
- (d) the confirmation letter prepared by the representative director of the Borrower and certifying that all internal procedures of the company necessary for the execution of this Agreement and the drawdown pursuant to this Agreement have completed.
- (e) the confirmation letter prepared by the representative director of the Guarantor and certifying that all internal procedures of the company necessary for the execution of this Agreement and the making of the guarantee pursuant to this Agreement have completed.

5. CONDITIONS PRECEDENT FOR LENDING OBLIGATIONS

The Lender shall owe the Lending Obligations upon the condition (irrespective of whether or not notice under Clause 7.1 was given) that the conditions set forth in

each of the following items are satisfied at the time of the making of the Individual Loan. The satisfaction of such conditions shall be determined individually by each Lender, and no other Lender or the Agent shall be responsible for a Lender's determination or refusal to make a Loan.

- (1) The Lending Obligations of All Lenders have not been exempted pursuant to Clause 8.2.
- (2) All the matters described in each item of Clause 18 of this Agreement and each item of the Guarantee are true and correct.
- (3) The Borrower and the Guarantor have not breached any provision of this Agreement and the Guarantee, and there is no threat that such breach may occur on or after the Drawdown Date.
- (4) No consultation pursuant to the provisions of Clause 31 has been held.

6. MAKING OF LOANS

- 6.1 If a Lender does not give notice pursuant to Clause 7.1, and all conditions set forth in each item of Clause 5 are satisfied at the time of the drawdown of the Individual Loan, the Lender shall remit the Individual Loan Amount to the Agent's Account by eleven (11) o'clock of the Drawdown Date. The Individual Loan shall be deemed to have been made by that Lender as of the time that the Agent remits such money to the Syndicate Account.
- 6.2 When the Loan is made pursuant to Clause 6.1, the Borrower shall immediately send to the Agent a written receipt describing the amount of the Loan and the specifics of the Individual Loan. The Agent shall, upon receiving such receipt, promptly provide a copy thereof to the Lender who made the Individual Loan. The Agent shall retain the original receipt on behalf of that Lender until the Outstanding Individual Loan Money in relation to such Individual Loan is repaid in full.
- 6.3 If notice under Clause 7.1 has not been given, the Agent may make the Individual Loan on behalf of a Lender through Temporary Advancement. After such Temporary Advancement, the relevant Lender shall remit the full equivalent amount of the Individual Loan Money to the Agent's Account by eleven (11) o'clock of the Drawdown Date, and if such remittance is not completed by that time, the Lender shall, promptly upon the Agent's request, pay to the Agent the Temporary Advancement Costs making required in such Temporary Advancement.

7. REFUSAL TO MAKE LOANS

- 7.1 A Lender who decides not to make the Individual Loan for the reason that all or part of the conditions under Clause 5 are not satisfied (the "Non-Drawdown Lender") may notify the Agent, the Borrower, the Guarantor and all other Lenders of the decision with the reason affixed thereto by three (3) o'clock P.M. of the first Business Day prior to the Drawdown Date. Provided, however, that if, notwithstanding the satisfaction of all the conditions under Clause 5, such notice is given and the Individual Loan is not made, the Non-Drawdown Lender may not be released from liabilities arising from the breach of its Lending Obligations.

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

8. EXEMPTION OF LENDER

8.1 If an Exemption Event occurs with respect to a Lender, the Agent shall immediately notify the Borrower, the Guarantor and All Lenders of such event in writing.

8.2 All Lenders shall be exempted from their Lending Obligations during the Exemption Period.

9. INCREASED COSTS

9.1 A Costs Increased Lender may, by notifying the Borrower in writing via the Agent, request the Borrower to elect either to bear the Increased Costs or to prepay to the Costs Increased Lender. The Borrower shall respond to such request by giving written notice to the Costs Increased Lender via the Agent.

9.2 If the Borrower elects to bear the Increased Costs in response to the Costs Increased Lender's request under Clause 9.1, the Borrower shall pay, in accordance with the provision of Clause 16, the Costs Increased Lender the money equivalent to such costs.

9.3 If the Borrower elects to prepay to the Costs Increased Lender in response to the request under Clause 9.1, the Borrower shall notify the Agent and All Lenders in writing by tenth (10) Business Day prior to the date the Borrower desires to prepay (the "Desired Prepayment Date"), of (a) the desire to prepay, and (b) the Desired Prepayment Date.

9.4 If the notice under Clause 9.3 is given, the Borrower shall pay, in accordance with the provision of Clause 16, to the Costs Increased Lender on the Desired Prepayment Date all obligations the Borrower owes to the Costs Increased Lender under this Agreement. In this case, until the Borrower completes payment of all obligations the Borrower owes to the Costs Increased Lender 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.

9.5 If the Borrower completes repayment to the Cost Increased Lender pursuant to Clause 9.4, the Participation Ratio of the Lenders other than the relevant Cost Increased Lender shall be adjusted as follows;

- (i) the Participation Amount of the relevant Cost Increased Lender shall be subtracted from the Total Lending Amount before making the adjustment, and the Total Lending Amount shall be adjusted accordingly

- (ii) the Participation Ratio of the Lenders other than the relevant Cost Increased Lender shall be adjusted to the percentage of the respective Participation Amount of each Lender to the Total Lending Amount after making the adjustment under the preceding item.

10. REPAYMENT OF PRINCIPAL

The Borrower shall repay the principal of the Loan in the amount set forth in the Attachment TWO on the Repayment Date in accordance with the provision of Clause 16.

11. INTEREST

- 11.1 The Interest Period shall be 3 month and the period shall be from the Interest Payment Date (provided that the initial base date for the first Interest Period shall be the Drawdown Date) to the Interest Payment Date coming immediately thereafter.
- 11.2 The Borrower shall pay to each Lender in accordance with the provision of Clause 16, the total amount of interest calculated as the principal amount in relation to the Individual Loan granted by such Lender, multiplied by (i) the Applicable Interest Rate, and (ii) the actual number of days of the Interest Period, on the Interest Payment Date which is the final date of the relevant Interest Period.
- 11.3 The calculation method for interest under Clause 11.2 shall be on a per diem basis, inclusive of first and exclusive of 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.

12. PREPAYMENT

- 12.1 The Borrower may not prepay all or any part of the principal of the Loan before its Due Date (a "Prepayment"). Provided, however, that this shall not apply if the Prepayment is made pursuant to Clause 9 or Clause 31, or if the Borrower, in accordance with the procedures set forth below, obtains the prior written approval of all of the Lenders who made the Loan in respect of which the Borrower gave notice of its desire to prepay ("Relevant Prepayment Lenders"), and the Agent.
- 12.2 If the Borrower desires to make a Prepayment, the Borrower shall give a written notice to the Agent by the tenth Business Day prior to the date the Borrower desires to make the Prepayment (the "Desired Prepayment Date"), stating (a) the principal amount the Borrower desires to prepay (not less than 1,800 million yen, in increments of 1,800 million yen), (b) that the Borrower will pay in full on the Desired Prepayment Date, the interest (the "Accrued Interest") on the principal amount desired to be prepaid that has accrued by the Desired Prepayment Date (inclusive), and (c) the Desired Prepayment Date. After receiving notice from the Borrower, the Agent shall notify the Relevant Prepayment Lenders of items (a) through (c) of this Clause 12.2 by the ninth Business Day prior to the Desired Prepayment Date, whereupon the Relevant Prepayment Lenders shall notify the Agent by the fifth Business Day prior to the Desired Prepayment Date of whether or not it approves such Prepayment. If such notice by any Relevant Prepayment

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- Lender does not reach the Agent by the fifth Business Day prior to the Desired Prepayment Date, it shall be deemed that the Relevant Prepayment Lender did not approve such Prepayment. The Agent shall judge the acceptability of the Prepayment by the fourth Business Day prior to the Desired Prepayment Date, and notify the result to the Borrower and the Relevant Prepayment Lenders.
- 12.3 If the Prepayment is approved in accordance with Clause 12.2, the Relevant Prepayment Lenders shall notify the Agent of the Break Funding Cost by the second Business Day prior to the Desired Prepayment Date. After receiving such notice, the Agent shall notify the Borrower of the same by the first Business Day prior to the Desired Prepayment Date. The Borrower shall pay, in accordance with Clause 16, the total of the principal, the Accrued Interest and the Break Funding Cost in respect of the Loan to be prepaid on the Desired Prepayment Date.
- 12.4 The amount prepaid under this Clause shall be preferentially appropriated to the obligation with respect to the later Repayment Date. The Borrower shall not be entitled to demand re-borrow the prepaid amount.
- 13. DEFAULT INTEREST**
- 13.1 If the Borrower fails to perform its obligations under this Agreement owing to a Lender or the Agent when due, the Borrower shall, immediately upon the Agent's request and in accordance with Clause 16, 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 not in violation of 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.
- 13.2 The calculation method for default interest under Clause 13.1 shall be on a per diem basis, inclusive of first and 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.
- 14. AGENT FEE**
- The Borrower shall pay the Agent Fee to the Agent as separately agreed between the Borrower and the Agent, for the performance of the Agent Services set forth in this Agreement.
- 15. EXPENSES; TAXES AND PUBLIC CHARGES**
- 15.1 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 and the Agent pursuant to this Agreement shall be borne by the Borrower to the extent that it is not in violation of

Laws and Ordinances. If any Lender or the Agent has paid these expenses in the place of the Borrower, the Borrower shall, immediately upon the Agent's request, pay the same in accordance with the provision of Clause 16.

- 15.2 The stamp duties and any other similar Taxes and Public Charges incurred in relation to the preparation, amendment or enforcement of this Agreement and any documents related hereto shall be borne by the Borrower. If any Lender or the Agent has paid 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 provision of Clause 16.

16. PERFORMANCE OF BORROWER'S OBLIGATIONS

- 16.1 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 the Due Date of which is provided for herein, or (ii) immediately upon the Agent's request, for those obligations the Due Date of which is not provided for herein. In such cases, the Borrower's obligations to the Agent or a Lender shall be deemed to have been performed upon the time of the remittance of the relevant amount to the Agent's Account.
- 16.2 Unless otherwise provided for in this Agreement, a payment by the Borrower directly to a Lender other than the Agent contrary to the provisions of Clause 16.1 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 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 the Borrower, upon giving prior written notice to the Agent, disposes (*nini-baikyaku*) the assets subject to floating security interest (*ne-tanpoken*) that have been granted in favour of a Lender as the secured party of the floating security interest, and directly pays to that Lender 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 give their prior written approval.
- 16.3 The Borrower's payments pursuant to this Clause 16 shall be applied in the order set forth below; provided, however, that the provisions of Clause 17.4 shall apply if any obligation of the Borrower becomes immediately due and payable pursuant to Clause 22:
- (i) those expenses to be borne by the Borrower under this Agreement, which the Agent has incurred in the place of the Borrower, and the Agent Fee;
 - (ii) those expenses to be borne by the Borrower under this Agreement, payable to a third party;
 - (iii) those expenses to be borne by the Borrower under this Agreement, which any Lender has incurred in place of the Borrower;

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- (iv) the default interest and the Break Funding Cost;
 - (v) the interest on the Loan; and
 - (vi) the principal of the Loan.
- 16.4 Upon the application under Clause 16.3, if the amount to be applied 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 remaining amount, after the application to the item of the next highest order of priority, shall be applied after the proration in proportion to the amount of the individual payment obligations owed by the Borrower regarding the Item Not Fully Covered, which have become due and payable.
- 16.5 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 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 the certificate of tax payment in relation to withholding taxes issued by the tax authorities or other competent governmental authorities in Japan.

17. DISTRIBUTION TO LENDERS

- 17.1 If there still exist any remaining amounts after deducting the amount equivalent to the amount described in Clause 16.3(i) and Clause 16.3(ii) from the amount paid by the Borrower pursuant to Clause 16, the Agent shall immediately distribute such remaining amount to the Lenders in accordance with the provision of this Clause 17. Provided, however, that if such money was paid by the Borrower pursuant to Clause 9.2 or Clause 9.4, notwithstanding the provision of this Clause 17, the Agent shall promptly distribute such money to the Costs Increased Lender.
- 17.2 If, prior to distribution by the Agent to the Lenders pursuant to this Clause 17, (a) an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) in relation to the Loan Receivables is served on the Borrower, or (b) an assignment in relation to the Loan Receivables is made, the rights and obligations of the Borrower, the Agent and the Lenders shall be regulated in accordance with the following provisions:
- (a) (i) If the Agent completes the distribution to the Lenders pursuant to this Clause 17 before receiving notice from the Borrower pursuant to Clause 19.4 that it has received service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to the Loan Receivables:

In this case, even if the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or

attachment (*sashiosae*), the Borrower, the Lenders or any other third party suffers damages, losses or expenses (the “Damages”) as a result of such distribution by the Agent, the Agent shall not be liable in relation thereto, and the Borrower shall deal with them 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, after the Borrower’s remittance of money to the Agent’s Account and before the completion of the distributions to the Lenders pursuant to this Clause 17, receives notice from the Borrower pursuant to Clause 19.4 that it has received service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to the Loan Receivables for which such distribution is made:

In this case, (1) with respect to the money relating to such notice, the Agent may withhold the distributions pursuant to this Clause 17, and may take other measures in the manner that the Agent deems reasonable; and (2) the Agent shall distribute to All Lenders other than the Lender subject to such notice, the money paid by the Borrower excluding those 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 or any other third party suffers 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 them 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 in accordance with Clause 29.1:

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, and the Agent shall be exempt insofar as the Agent treats the previous Lender 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 shall deal with them at their own cost and liability. The Borrower and the Assignor of such Loan Receivables shall jointly compensate the Agent for any Damages incurred by the Agent arising out of this Item (b).

- 17.3 The distributions by the Agent to the Lenders shall be made in order, starting from Clause 16.3(iii) to Clause 16.3(vii). If there is an Item Not Fully Covered regarding the amounts to be distributed, the application and distribution with respect to such Item Not Fully Covered shall be made in accordance with the provisions of Clause 16.4.

- 17.4 Notwithstanding Clause 16.3, Clause 16.4 and Clause 17.3, if the Borrower's obligations hereunder become immediately due and payable pursuant to Clause 22, the Agent shall distribute the remaining amount after deducting the amounts described under Clause 16.3(i) and Clause 16.3(ii) from the amount paid by the Borrower, in proportion to the amount of the obligations that the Borrower owes to the Lenders under this Agreement, in which case, the application shall be made in the order and method that the Agent deems appropriate.
- 17.5 If the remittance of money by the Borrower provided for in Clause 16.1 fails to be completed by the Due Time, the Agent shall be under no obligation to make the distributions set forth in Clause 17.1 on the same date. In such cases, the Agent shall make such distributions immediately after the remittance from the Borrower, and the Borrower shall bear any damages, losses and expenses incurred by the Lender or the Agent in connection therewith.
- 17.6 Upon request from the Agent, and if such request is based on a reasonable cause, the Lenders 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 17.1 shall arise at the time all such notices reach the Agent. In the case where a Lender delays this notice without reasonable cause, such Lender shall bear all damages, losses or expenses incurred by any Lender or the Agent due to such delay.
- 17.7 The Agent may make the distributions to Lenders by Temporary Advancement (provided that the Agent shall not be obligated to make such Temporary Advancement.). If the Temporary Advancement is not cleared by the Due Time, the Lender who received the distribution pursuant to this Clause 17.7 shall, immediately upon the Agent's request, reimburse to the Agent the amount of such Temporary Advancement that it received. The Lender shall, immediately upon the Agent's request, pay to the Agent any Temporary Advancement Costs required in making such Temporary Advancement, per the amount of Temporary Advancement that it received.

18. BORROWER'S REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to a Lender and the Agent that each of the following matters is true and correct at the execution date of this Agreement and at the Drawdown Date. In the event that any of the following matters is found to be untrue or incorrect, the Borrower shall fully indemnify all of the losses and costs incurred by the Lender and the Agent by such untrue or incorrect representation and warranty:

- (i) The Borrower is a stock company (*kabushiki kaisyā*) duly incorporated and validly existing under the laws of Japan.
- (ii) The Borrower has a legal capacity (*sui juris*) necessary for execution and performance of this Agreement, the execution and performance of this

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

- (iii) The execution and performance of this Agreement by the Borrower and any transactions associated herewith does not result in (a) any violation of Laws and Ordinances which bind the Borrower, (b) any breach of its Articles of Incorporation and other internal company rules of the Borrower, and (c) any material breach 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 signed or attached his/her name and seal to this Agreement is authorized to sign or attach his/her name and seal to this Agreement as the representative of the Borrower by all procedures necessary pursuant to the Laws and Ordinances, Articles of Incorporation or other internal company rules of the Borrower.
- (v) This Agreement constitutes legal, valid and binding obligations of the Borrower, and is enforceable against the Borrower in accordance with the terms of this Agreement.
- (vi) All Reports prepared by the Borrower are accurately and duly prepared in accordance with the accounting standards which is generally accepted as fair and appropriate one in Japan.
- (vii) After the last day of the fiscal year ended on March 31, 2003, no material change, which will cause a material deterioration of the business, assets, or financial condition of the Borrower described in the audited fiscal statement of that fiscal year and which may materially affect the performance of the obligations of the Borrower under this Agreement, has occurred.
- (viii) No lawsuit, arbitration, administrative procedure, or any other dispute has commenced or, to the knowledge of the Borrower, is likely to commence with respect to the Borrower, which will or may materially cause adverse effects on the performance of its obligations under this Agreement.
- (ix) No matter described in the items of Clauses 22.1 and 22.2 has occurred or is likely to occur.
- (x) The Guarantor owns 100% of the shares of FMH outstanding, FMH owns not less than 40% of the shares of FASL LLC outstanding, and FASL LLC owns 100% of the shares of the Borrower outstanding.
- (xi) The Borrower has not provided any collateral to any third party to secure the Borrower's obligations, other than the securities described in Schedule FOUR.

(xii) The assets described in Schedule FOUR will constitute all assets that are necessary to keep the Borrower's business and have been provided as collateral.

19. BORROWER'S COVENANTS

- 19.1 The Borrower covenants to perform, at its expense, the matters described in each of the following items on and after the date of this Agreement, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender and the Agent.
- (i) If any matter described in each item of Clause 22.1 or 22.2 (including the event which constitutes default when a default is not cured upon passage of the relevant curing period) has occurred, or is likely to occur, the Borrower shall immediately notify the Agent and All Lenders thereof.
 - (ii) The Borrower shall submit a copy of the Reports, within 45 days from the first quarter-end, second quarter-end, and third quarter-end of the fiscal year, respectively, to All Lenders through the Agent.
 - (iii) The Borrower shall submit a copy of the audited Reports, within 90 days from end of the fiscal year, to All Lenders through the Agent.
 - (iv) The Borrower shall submit to the Agent any documents, with the number of copies and in the form designated by the Agent, that could confirm the compliance of matters described in Article 20 and Article 21 below, respectively within 45 days from the end of each fiscal quarter and six months closing (mid-year), as well as within 90 days from the end of each fiscal year.
 - (v) The Borrower shall submit a copy of the Reports, within 45 days from the first quarter-end, second quarter-end, and third quarter-end of the fiscal year, respectively, of FASL LLC, to All Lenders through the Agent.
 - (vi) The Borrower shall submit a copy of the audited Reports of FASL LLC, within 90 days from end of the fiscal year of FASL LLC, to All the Lenders through the Agent.
 - (vii) Upon a request made by the Agent or a Lender through the Agent, the Borrower shall immediately notify to the Agent of the conditions of the assets, management, or businesses of the Borrower and its Affiliates (*kankei kaisyā*), and shall provide the necessary assistance to facilitate the investigations thereof.
 - (viii) If any material change has occurred, or is found to be likely to occur with the passage of time, to the conditions of the assets, management, or businesses of the Borrower and its Affiliates (*kankei kaisyā*), or if any lawsuit, arbitration, administrative procedure, or any other dispute, which 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 shall immediately notify the Agent thereof.

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- (ix) If any change occurs to the status of the establishment of the collateral described in Attachment FOUR, the Borrower shall immediately notify thereof to the Agent in writing.
 - (x) If any of the items described in Clause 18 is found untrue, the Borrower shall immediately notify thereof to the Agent.
- 19.2 The Borrower shall not offer any collateral to secure its obligations under this Agreement for the benefit of certain Lenders on and after the date of this Agreement, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender and the Agent, unless All Lenders and the Agent give prior written consent thereto.
- 19.3 The Borrower shall, on and after the date of this Agreement, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender and the Agent, affirmatively covenant to be in compliance with matters described in the items below. Upon applying the item (iv) and (v) below, any actions taken by the Borrower or any of its Subsidiaries and any events or circumstances occurring or arising during any time that is not Enhanced Covenant Period, which actions, events or circumstances were permitted under the terms of this Agreement at the time taken, occurring or arising, shall not constitute a breach of the applicable covenant referencing such Enhanced Covenant Period during any subsequent Enhanced Covenant Period notwithstanding that such actions, events or circumstances would not have been permitted under such covenant, or would have constituted such a breach, had such actions, events or circumstances been taken, occurred or arisen 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 material provisions of all Laws and Ordinances.
 - (ii) The Borrower will not change its main business.
 - (iii) The Borrower will not, unless otherwise specified in the 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 the foreclosure sale of the collateral), or at least will treat them equally.
 - (iv) The Borrower and its Subsidiaries will not, during Enhanced Covenant Period, enter into any transaction of merger, reorganization, or consolidation, or transfer, sell, assign, lease, or otherwise dispose of all or any part of property of it or any of its Subsidiaries, or agree to do any of the foregoing, except (a) sales of Inventory in the ordinary course of its business or such Subsidiary's business; (b) sales or other disposition of assets in the ordinary course of business that is obsolete, worn-out or no longer useable by the Borrower in its business; (c) Investments by the Borrower or any of its

Subsidiaries in the Borrower or any of its Subsidiary (provided that the amount of all such Investments made by the Borrower or any of its Japan Subsidiary during Enhanced Covenant Period may not exceed 3 billion yen in the aggregate); (d) sales or other dispositions of assets where the aggregate book value of assets so sold by the Borrower and its Subsidiaries, together, shall not exceed 6 billion yen form and after the execution date of this Agreement; (e) mergers or consolidations between the Borrower and any of its Subsidiaries and between any of its Subsidiaries and any other Subsidiaries of the Borrower (provide that, with respect to any such transaction involving the Borrower, the Borrower shall be continuing or surviving entity); (f) transfers of Inventory between the Borrower or its Subsidiaries, and among its Subsidiaries (provided that the terms of any such transactions shall be no less favourable to the Borrower and its Subsidiaries than would be obtained in a comparable arm's length transaction with a third party who is not the Affiliate); or (g) transactions set forth in the item (v) below. Notwithstanding anything to the contrary in this item (iv), and whether or not an Enhanced Covenant Period then exists, (I) the Borrower shall not at any time consolidate or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets to any person , and (II) the removal of the equipment from the Aizu Facility and the sale or other disposition of the Aizu Facility, which will substantially affect the Borrower's financial ability to fulfil repayment of debts under this Agreement, shall not be permitted without a consent of Majorities Lenders, except as permitted under the preceding clause (f).

- (v) The Borrower and its Subsidiaries will not declare or make, or incur any liability to make any of the payment or making of dividend, or the redemption or acquisition of any capital stock of the Borrower or its Subsidiaries or any option of such capital stock (hereinafter referred to as the "Distribution") more frequently than after the end of each fiscal quarter to the extent that no event of default of this Agreement and an agreement (other than this Agreement) entered into between the Borrower and the third party would occur after giving effect to any such payment and, during Enhanced Covenant Period, (a) declare or make, or incur any liability to make any Distribution, except (I) Distribution to the Borrower by its Subsidiaries, (II) Distribution by any wholly-owned Subsidiaries of the Borrower to the Borrower or any other wholly-owned Subsidiaries of the Borrower and (III) redemptions, repurchase, retirements or other acquisitions of any equity interests of the Borrower in exchange for other equity interests of the Borrower or out of the proceeds of the substantially concurrent sale (other than to its Subsidiaries) of other equity interests of the Borrower, or (b) make any change in its capital structure (including reduction of capital) which will substantially affect the Borrower's financial ability to fulfil repayment of debts under this Agreement.
- (vi) The Borrower will not change its accounting standard to the one not in accordance with the accounting standards which is generally accepted as fair and appropriate one in Japan.

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- (vii) The Borrower and its Subsidiaries will not make any borrowing from a third party or any lending to a third party which will substantially affect the Borrower's financial ability to fulfil repayment of debts under this Agreement.
 - (viii) The Borrower and its Subsidiaries will not make any transaction which will substantially affect the Borrower's financial ability to fulfil repayment of debts under this Agreement.
- 19.4 If the Borrower receives any service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) with respect to the Loan Receivables, the Borrower shall immediately notify thereof to All Lenders through the Agent in writing, together with a photocopy of such order.

20. RESTRICTIONS ON COLLATERAL

The Borrower shall not offer any collateral to secure its obligations or any third party's obligations (other than those under this Agreement) on and after the date of this Agreement, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender and the Agent, unless Majority Lenders and the Agent give prior written consent thereof. 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 collateral. For the purpose of this Clause 20, the offer of collateral shall mean the creation of security interests on any assets of the Borrower, the pre-engagement of the creation of security interests on the particular assets of the Borrower, or the promise not to offer the particular assets of the Borrower as collateral for the obligations other than specific obligations, and does not include any collateral pursuant to the Laws and Ordinances, such as lien or possessory lien.

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

21. FINANCIAL RESTRICTIONS

The Borrower shall promise to comply with the following items, on and after the date of this Agreement, and until this Agreement is terminated and the Borrower completes the performance of all of its obligations under this Agreement to each Lender and the Agent.

- (i) The Borrower will ensure to keep the asset exceeding the liability in each of its stand-alone basis balance sheets as of each fiscal year-ends and mid-year-ends (six months closing).
- (ii) The Borrower will maintain the Adjusted Tangible Net Worth, determined as of the last day of each fiscal quarter, of not less than 60 billion yen.
- (iii) The Borrower will maintain the total net income and depreciation as of the last day of each fiscal period set forth below of not less than the amount set forth below opposite such fiscal period:

<u>Period</u>	<u>Amount</u>
1-3 quarter fiscal year 2003	5,760million yen
Full fiscal year 2003	8,400 million yen
1 quarter fiscal year 2004	2,490 million yen
1-2 quarter fiscal year 2004	7,320 million yen
Full fiscal year 2004	22,920 million yen
Full fiscal year 2005	21,125 million yen
Full fiscal year 2006	19,500 million yen

- (iv) The Borrower shall not permit, as of the last day of any fiscal quarter, the ratio of (a) net income plus depreciation to (b) the sum of (1) interest expense for such period plus (2) scheduled amortization of Debt For Borrowed Money for such period including Lease rentals plus (3) maintenance capital expenditures for Aizu Facility, to less than:

<u>Period</u>	<u>Percentage</u>
2-4 quarter fiscal year 2003	90%
1 quarter fiscal year 2004	100%
2 quarter fiscal year 2004	110%
3-4 quarter fiscal year 2004	120%
Full fiscal year 2005	120%
Full fiscal year 2006	120%

22. ACCELERATION

- 22.1 If any of the events described in the items below has occurred to the Borrower or the Guarantor, all of the Borrower's debts under this Agreement payable to All Lenders and the Agent shall automatically become due and payable without any notice or demand by a Lender or the Agent, and the Borrower shall immediately pay the principal of the Loan 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 16, whereby All Lenders' Lending Obligations shall cease to be effective:
- (i) If any payment by the Borrower or the Guarantor has been suspended, or if a petition (including similar petition filed outside Japan) of specific conciliation (*tokutei-chotei*), bankruptcy (*hasan*), commencement of civil rehabilitation procedures (*minjisaieituzuki-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 against the Borrower or the Guarantor;
 - (ii) If the resolution for dissolution is adopted or the Borrower or the Guarantor receives order of dissolution;
 - (iii) If the Borrower or the Guarantor abolishes its business;
 - (iv) If transactions of the Borrower or the Guarantor have been 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 such procedure taken outside Japan) has been sent out, or any adjudication that orders an enforcement of preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) has been rendered, with respect to the deposit receivables or other receivables held by the Borrower or the Guarantor against a Lender. In this case, the said Lender shall immediately notify the Borrower, the Guarantor, all other Lenders, and the Agent of the occurrence of any such matters.
- 22.2 If any of the events described in the items below has occurred with respect to the Borrower or the Guarantor, all of the Borrower's debts under this Agreement payable to All Lenders and the Agent shall become due and payable upon notice to the Borrower from the Agent, the notice of which is requested by a Majority Lender, and the Borrower shall immediately pay the principal of the Loan 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 16, whereby All Lenders' Lending Obligations shall cease to be effective:
- (i) If the Borrower or the Guarantor has failed to perform its payment obligations when due, whether under this Agreement or not, payable to a Lender or the Agent in whole or in part;
 - (ii) If any matters described in the items of Clause 18 of this Agreement and Clause 2 of the Guarantee have been found to be untrue;
 - (iii) Except for the cases described in the preceding two items, if the Borrower or the Guarantor breached any of its obligations under this Agreement or the Guarantee, and such breach has not been remedied for five (5) or more Business Days;

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- (iv) If any order or notice of attachment (*sashiosae*), provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or provisional disposition (*kari-shobun*) (including similar procedure taken outside Japan) has been sent out or auction procedures (*keibaitetuzuki*) have been commenced with respect to anything that is the subject of collateral offered by the Borrower;
 - (v) If any order or notice of attachment (*sashiosae*) has been sent out or auction procedures (*keibaitetuzuki*) have been commenced with respect to anything that is the subject of collateral offered to a financial institution (including the Lender) by the Guarantor;
 - (vi) If any of the Borrower's debts other than those under this Agreement has become due and payable; or if any of the Borrower's guaranty obligations for the benefit of a third party has become due and payable, and the Borrower is unable to perform such obligations (provided that the aggregate amount of such obligations shall exceed 200 million yen for this provision to apply);
 - (vii) If any of the Guarantor's pecuniary obligation other than those under this Agreement have not been performed within five Business Days after giving notice (provided that the aggregate amount of a single pecuniary obligation shall exceed 1 billion yen for this provision to apply);
 - (viii) Notwithstanding any matters described in the foregoing items, when the Borrower's or the Guarantor's business condition or financial condition has deteriorated, or when there is a fear that the Borrower's or the Guarantor's business condition or financial condition will deteriorate and all of the Borrower's obligation must be considered to have become default in order to preserve the rights and benefits of the Lender; or
 - (ix) If the Borrower or the Guarantor has suspended its business or received dispositions such as suspension of business or others from the competent government authority.
- 22.3 If the notice dispatched pursuant to Clause 22.2 has been delayed or has not been delivered to the Borrower due to fault of the Borrower or the Guarantor, all of the Borrower's debts under this Agreement shall become due and payable by the time such request or notice should have been delivered, and the Borrower shall immediately pay the principal of the Loan 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 16, whereby All Lenders' Lending Obligations shall cease to be effective.
- 22.4 If a Lender has become aware of the occurrence of any events described in the items of Clauses 22.1 or 22.2 with respect to the Borrower or the Guarantor, the Lender shall immediately notify the Agent of such occurrence, and the Agent shall notify all other Lenders of the occurrence of such events.

23. SET-OFF; EXERCISE OF FLOATING SECURITY INTERESTS

- 23.1 When the Borrower is required to perform its obligations to a Lender upon their due date, upon acceleration or otherwise, (a) the Lender may set off the receivables it has against the Borrower under this Agreement against its deposit obligations or other obligations owed to the Borrower whether or not such obligations are due and payable, regardless of Clause 16.2, and (b) the Lender may also omit giving prior notice and following established procedures, may take the deposited amount on behalf of the Borrower, and apply this amount to the payment of obligations. The interest, Break Funding Cost and default interest and others for the receivables and obligations involved in such a set-off or application to 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, shall be applied. If the amount to be set-off or applied to payment is not sufficient to extinguish all of the Borrower's debts, the Lender may apply such set-off amount in the order and method it deems appropriate, and the Borrower shall not object to such application.
- 23.2 The Borrower may, upon the Due Date of payment of the Loan, and if it is necessary for the Borrower to preserve its deposit receivables or any other receivables that it has against a Lender that became due, set off such receivables against its obligations owed to the Lender under this Agreement, regardless of Clause 16.2. In this case, the Borrower shall give written set-off notice to the Lender and immediately submit to the Lender the receivable 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 a 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 figured in accordance with each agreement, and the foreign exchange rate at the time such calculation is made, as reasonably determined by the Lender, shall be applied. If the Borrower's receivables to be set-off are not sufficient to extinguish all of its debts, the Borrower may apply 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 applied in the order and method deemed appropriate by each Lender, and the Borrower shall not object to such application.
- 23.3 When the Borrower is required to perform its obligations to a Lender when due or upon acceleration or otherwise, the Lender may exercise its floating security interest (the "Exercise of Floating Security") over the receivables against the Borrower under this Agreement, regardless of Clause 16.2.
- 23.4 If a set-off is performed pursuant to Clause 23.1 or 23.2 above, or if the Exercise of floating security interest is carried out pursuant to Clause 23.3, the Lender in the case described in Clauses 23.1 and 23.3 and the Borrower in the case described in Clause 23.2 shall immediately notify the Agent of the details thereof in writing. If any damage, loss, or expenses are incurred by the Lender or the Agent due to delay of such notice without any reasonable cause, either the Lender or the Borrower who has failed to give such notice shall bear such damages.

24. ARRANGEMENTS AMONG LENDERS

- 24.1 If a set-off is performed by a Lender pursuant to Clause 23.1 (such Lender, hereafter, a “Set-off Initiating Lender”), the Lender shall make arrangements for each Individual Loan subject to the set-off (such Individual Loan, in this Clause 24.1, a “Set-off Individual Loan”) by way of assigning receivables pursuant to the procedures described in the items below:
- (i) The Agent shall calculate each amount (the “Intended Distribution Amount”) that the Lender (hereafter in this Clause 24.1, the “Remaining Lender”), who has made the Individual Loan (other than the Set-off Individual Loan) (hereafter in this Clause 24.1, the “Remaining Individual Loan”) should have received pursuant to Clauses 17.1 through 17.4 assuming that the amount of debt obligations in relation to a Set-off Individual Loan, which has been extinguished due to the performance of a set-off, had been paid to the Agent.
 - (ii) The Set-off Initiating Lender shall purchase from the Remaining Lender the loan receivables of the amount equivalent to the Intended Distribution Amount from and among the Remaining Individual Loan at their face value; provided, however, that the Remaining Lender may refuse such sale.
 - (iii) If the assignment under the immediately preceding item is made, the Remaining Lender shall, at its own expense, notify the Borrower immediately after the assignment by a document bearing a confirmed date (*kakutei-hizuke*) pursuant to Article 467 of the Civil Code.
- 24.2 If a set-off is performed by the Borrower against a Lender pursuant to Clause 23.2 (such Lender, hereafter, a “Set-off Receiving Lender”), only if a Lender other than the Set-off Receiving Lender requests, the Lender shall make arrangement for each Individual Loan subject to the set-off (such Individual Loan, in this Clause 24.2, a “Set-off Individual Loan”) by way of assigning receivables pursuant to the procedures described in the items below:
- (i) The Agent shall calculate each Intended Distribution Amount that the Lender (hereafter in this Clause 24.2, the “Remaining Lender”), who has made the Individual Loan (other than the Set-off Individual Loan) (hereafter in this Clause 24.2, the “Remaining Individual Loan”) should have received pursuant to Clauses 17.1 through 17.4 assuming that the amount of debt obligations in relation to a Set-off Individual Loan, which has been extinguished due to the performance of a set-off, had been paid to the Agent.
 - (ii) The Set-off Receiving Lender shall purchase from the Remaining Lender the loan receivables of the amount equivalent to the Intended Distribution Amount from and among the Remaining Individual Loan at their face value.
 - (iii) If the assignment under the immediately preceding item is made, the Remaining Lender shall, at its own expense, notify the Borrower

immediately after the assignment by a document bearing a confirmed date (*kakutei-hizuke*) pursuant to Article 467 of the Civil Code.

- 24.3 If a Lender exercises its floating security interest pursuant to Clause 23.3, or if a Lender 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 security interest through a foreclosure by a third party, the assignment of receivables described in Clause 24.1 will not be performed. Provided, however, that if a Lender exercises its security interest of the security established by the Borrower's violation of the provisions of Clause 19.2, or if a Lender receives any repayment of debt obligations it has against the Borrower under this Agreement based on such security interest, the Lender shall assign receivables pursuant to the provisions of Clause 24.1 above.
- 24.4 The provisions of Clause 24.1 shall apply to the cases where a Lender receives any repayment of debt obligations it has against the Borrower under this Agreement as a result of compulsory execution or exercise of security interest (excluding any security interest offered upon consent pursuant to the proviso of Clause 19.2 and Clause 20) through foreclosure by the Lender's petition with respect to certain assets of the Borrower (hereafter, in this Clause 24.4, the "Compulsory Execution"), or as a result of the Lender requesting a distribution in relation to the Compulsory Execution by any third party. Provided, however, that upon applying the provisions of Clause 24.1, the amount equal to any expenses arising from its performance of Compulsory Execution (including attorney's fees) or any expenses arising from its request for a distribution in relation to the Compulsory Execution by any third party (including attorney's fees) shall belong to the Lender, and the Agent shall calculate the Intended Distribution Amount assuming that the amount of any proceeds earned as a result of the Compulsory Execution, less such expenses, were paid to the Agent.

25. RIGHTS AND DUTIES OF THE AGENT

- 25.1 The Agent shall, pursuant to the entrustment by All Lenders, perform the Agent Services and exercise rights for the benefit of All Lenders, and shall exercise the rights which, in the Agent's opinion, are ordinarily necessary or appropriate, upon performing the Agent Services. The Agent shall not be liable for the duties other than those expressly specified in each provision of this Agreement, nor shall be liable for any non-performance of obligations by the Lenders under this Agreement. The Agent shall be an agent of the Lenders and, unless otherwise provided, shall never act as an agent of the Borrower.
- 25.2 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 believed by the Agent 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.
- 25.3 The Agent shall perform its duties and exercise its authorities provided for in this Agreement with the due care of a good manager.

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- 25.4 Neither the Agent nor any of its directors, employees or agents shall be liable to the Lenders 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 negligence. The Lenders (other than Lenders 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 and paid in order 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 not reimbursed by the Borrower, and only for the amount outstanding after deducting the portion for which the Agent should contribute, calculated pursuant to the Agent's Participation Ratio. Provided, however, that if any of the Lenders cannot perform the indemnity for which it is liable, the Agent's Participation Ratio shall be figured by dividing the Agent's Participation Ratio by the aggregate of the Participation Ratio of the Lenders other than such non-indemnifying Lenders.
- 25.5 The Agent shall not be liable for the validity of this Agreement, nor shall guarantee any matters represented by the parties in this Agreement. The Lenders shall enter into, and conduct transactions contemplated in, this Agreement at its sole discretion by conducting investigations as to the necessary matters including creditworthiness of the Borrower on the basis of the documents, information and other data as it has deemed appropriate.
- 25.6 In cases where the Agent is also acting as a Lender, the Agent shall have the same rights and obligations as each other Lender, irrespective of the Agent's obligations under this Agreement. The Agent may engage in commonly accepted banking transactions with the Borrower other than under this Agreement. In this case, the Agent shall not be required to disclose to other Lenders the information in relation to the Borrower it has obtained through the transactions with the Borrower other than under this Agreement, nor shall the Agent be required to distribute to other Lenders any money it has received from the Borrower through transactions with the Borrower other than 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 under this Agreement, and the Agent shall not be required to disclose any of the same to other Lenders.)
- 25.7 In cases where the Agent is also acting as a Lender, the calculation of the amounts to be distributed to each Lender pursuant to the provisions of Clause 17 shall be made in accordance with the following: (i) for amounts to be distributed to each Lender other than the Agent, any amount less than one yen shall be rounded down, and (ii) for amounts to be distributed to a Lender who is also appointed as the Agent shall be the difference between the aggregate of the amounts to be distributed to All Lenders and the aggregate of the amounts distributed to other Lenders.
- 25.8 Except for the cases under Clause 25.7, all calculations of fractions less than one yen that are required under this Agreement shall be made in the manner the Agent deems appropriate.

25.9 If the Agent receives any notice from the Borrower which is required to be given to each Lender in relation to this Agreement, the Agent shall immediately inform All Lenders of the details of such notice, or if the Agent receives any notice from a Lender which is required to be given to the Borrower or other Lenders, the Agent shall immediately inform the Borrower or All Lenders, as the case may be, of the details of such notice. The Agent shall make any documents, which the Agent has obtained from the Borrower and has kept, available for review by a Lender during the ordinary business hours.

26. RESIGNATION AND DISMISSAL OF THE AGENT

26.1 The resignation of the Agent shall follow the procedures described below:

- (i) The Agent may resign its position as the Agent by giving written notice to All Lenders 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 may appoint a successor Agent upon obtaining consent from the Borrower.
- (iii) If a successor Agent is not appointed by the Majority Lenders within thirty (30) days (including the same day of notice) after the notice of resignation is given as described in Item (i) above, or if the entity being appointed by the Majority Lenders as a successor Agent does not accept its 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.

26.2 The dismissal of the Agent shall follow the procedures described below:

- (i) The Majority Lenders may dismiss the Agent by giving written notice thereof to each of the other Lenders, 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 gives notice pursuant to the preceding item, the Majority Lenders may appoint a successor Agent upon obtaining consent from the Borrower.

26.3 If the entity appointed as the successor Agent pursuant to Clause 26.1 or 26.2 accepts the assumption of the office, the former Agent shall deliver to the successor Agent all documents and the 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.

26.4 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.

27. CLARIFICATION OF THE INTENTION OF THE MAJORITY LENDERS

27.1 The clarification of the intention of the Majority Lenders shall follow the procedures described below:

- (i) If a Lender deems that any event which requires the instructions of the Majority Lenders in this Agreement has occurred, such Lender may give notice to the Agent to request the clarification of the intention of the Majority Lenders.
- (ii) The Agent shall, upon receipt of a notice described in the preceding item, immediately give to All Lenders notice to seek the clarification of the intention of the Majority Lenders.
- (iii) Each Lender 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 is made pursuant to the preceding three items, the Agent shall immediately notify the Borrower and All Lenders of such decision as the instruction by the Majority Lenders.

27.2 If the Agent deems that any event which requires the clarification of the intention of the Majority Lenders occurs, other than in the case of Clause 27.1, the Agent may give to All Lenders notice to seek such clarification. In such case, procedures to be taken after giving the notice shall follow the provisions of Items (ii) through (iv) of Clause 27.1.

28. AMENDMENT TO THIS AGREEMENT

This Agreement may be amended in the case agreed upon in writing by the Borrower, the Guarantor, Majority Lenders, and the Agent. Provided, however, that the agreement in writing by the Borrower, the Guarantor, All Lenders, and the Agent shall be required to amend the following matters which materially affect the right and obligation of the Lender;

- (i) the amendment to and waiver of the precedent condition set forth in Clause 4 and Clause 5.
- (ii) the addition and expansion of the obligation of the Lender.
- (iii) the reduction of the amount of the principal and interest of the Individual Loan and other amount paid by the Borrower under this Agreement.
- (iv) the postponement of the payment date of the principal and interest of the Individual Loan and other obligation of the Borrower under this Agreement.

- (v) the decrease of the Spread or the Applicable Interest Rate set forth in the Clause 1.
- (vi) the change of the percentage for determining the Majority Lenders set forth in Clause 1.
- (vii) the change of the restrictions on collateral set forth in Clause 20
- (viii) the change of the financial restrictions set forth in Clause 21
- (ix) the change of the event of default set forth in Clause 22
- (x) the amendment to Clause 28.
- (xi) any other material matter that the Agent finds it as diminishing the ability to perform the right or obligation of the Lender, or increasing the obligation of the Lender.

29. ASSIGNMENT OF LOAN RECEIVABLES

29.1 The Lender may assign its Loan Receivables in the event that prior written consent by the Borrower and the Agent (except for the assignment of the Loan Receivables set forth in Clause 24) is obtained and all requirements described in each item below are satisfied. The Borrower and the Agent may not unreasonably refuse to such assignment. The Assignor and the Assignee shall perfect the assignment against the third parties and the obligor 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 has occurred pursuant to this Clause 29.1, the Assignee shall be treated as a Lender upon applying each provision in relation to the Loan Receivables under this Agreement.

- (i) The Assignee agrees that the Loan Receivables it has succeeded to will be bound upon by each provision in relation to the Loan Receivables under this Agreement. (The Assignee shall not bear any Lending Obligations.)
- (ii) The Assignee is a company located in Japan (any of the head office, branch office or business office thereof shall be established in Japan and be registered under the Japanese laws), and is either a financial institution (bank, insurance company or institutional investor etc.) or a special purpose company established for the purpose of securitization of assets (or so called liquidation of assets (*shisan-no-ryudoka*) under the Japanese law).
- (iii) If the assignment is made in divided portions of the Loan Receivables, the value of each Loan Receivables after such division is equal to or more than 1 billion yen.

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- (iv) No withholding tax or other taxes arise from the assignment, and there will be no increase in the amount of the Borrower's interest expense payable to the Assignee.
- 29.2 All expenses incurred from the assignment set forth in Clause 29.1 shall be borne by the Assignor or the Assignee, as the case may be. The provision of Clause 9 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, the amount of 500,000 yen per Assignee, together with applicable consumption tax, as consideration for administrative duties performed in connection with the assignment.

30. COLLECTION FROM THIRD PARTY

- 30.1 No repayment of the Borrower's debt obligations under this Agreement by any party other than the Borrower is allowed, unless it obtains prior written consent from the Agent and All Lenders.
- 30.2 The Borrower shall not, on or after the date of this Agreement, consign any third party to guarantee (including any guarantee by property) the Borrower's performance of its debt obligations under this Agreement, nor shall the Borrower make any third party assume its debt obligations under this Agreement, unless it obtains prior written consent from the Agent and All Lenders.
- 30.3 If a Lender 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 have obtained prior written consent of the 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 24.1 shall be made.
- (i) The third party shall have the same obligations as a Lender has against the Agent, other Lenders and the Borrower under this Agreement with respect to any exercise of its right for recourse and the contractual rights hereunder arising as a result of the performance of its guarantee obligation.
 - (ii) The third party shall be bound upon by each provision of this Agreement.
 - (iii) The third party is a company located in Japan (any of the head office, branch office, or business office thereof shall be established in Japan and be registered under the Japanese laws), and is a financial institution (bank, insurance company or institutional investor etc.) or a special purpose company established for the purpose of securitization of assets (or so called liquidation of assets (*shisan-no-ryudoka*) under the Japanese law), and as of September 25, 2003, neither the third party nor the Borrower is the Subsidiary or the Associated Company (*kanren kaisyu*) of either party.
 - (iv) The value of the Loan Receivables that the third party obtains by subrogation is equal to or more than 1 billion yen.

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- (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 arise from any such obtainment by subrogation.

In the case of any acquisition of the Loan Receivables by subrogation by the third party pursuant to the provisions of Item (i) above, such acquisition by subrogation shall be considered an assignment of the Loan Receivables pursuant to Clause 29, and the provisions of Clauses 29.2 shall apply.

31. TERMINATION OF THIS AGREEMENT

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

32. GENERAL PROVISIONS

32.1 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 has been given pursuant to the provisions of Clause 7.1, or if any of the events described in the items of Clause 22.1 or 22.2 have occurred, or if the clarification of the intention of the Majority Lenders has been required pursuant to the provisions of Clause 27, the Agent and a Lender may, by imposing a confidentiality obligation to the receiving party, disclose any 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, to the extent reasonably required.
- (ii) Upon the assignment of status pursuant to Clause 29 or the assignment of Lending Obligations pursuant to Clause 29, a Lender may disclose any information with regard to this Agreement to the Assignee (including the Successive Lender set forth in the provisions of Clause 29 or a person considering becoming an Assignee (including an intermediary of such assignment), on the condition that those agree to be bound by the confidentiality obligations. The 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 thereto, and any information regarding the contents of the Lending Obligations 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.

32.2 Risk Bearing; Exemption, Compensation, and Indemnification

- (i) If any documents furnished by the Borrower to the Agent or each Lender have been lost, destroyed, or damaged for any unavoidable reasons such as incidents or natural disasters, 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 Lender or the Agent. The Borrower shall, upon request of the Agent or a Lender through the Agent, forthwith prepare substitute documents and furnish them to the Agent or the Lender through the Agent.
- (ii) If each Lender 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 impression submitted by 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 seal.
- (iii) The Borrower shall bear any damages, loss and expenses arising with respect to a Lender or the Agent as a result of the Borrower's breach of this Agreement or as a result of a Lender not performing indemnity pursuant to the provisions of Clause 25.4.

32.3 Severability

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

32.4 Exceptions to the Application of the Bank Transactions Agreement

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

32.5 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 address of the receiving party described in Attachment ONE. Each party to this Agreement may change its address 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 notice among Lenders and the Agent).

- (ii) The notice 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.

32.6 Changes in Notified Matters

- (i) In the case of changes in the matters of which a Lender or the Borrower notified to the Agent, such as the trade name, representative, agent, signature, seal, or address, the Lender and 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, the Agent shall immediately notify All Lenders 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 notify as described in the preceding item, such notice shall be deemed to have arrived at the time when it should have normally arrived.

32.7 Funds Transfer

- (i) Any settlement of funds between the Agent and the Lender shall be made through National Bank Data Communication System (“Zengin System”), and if the Lender desires to make such settlement through Bank of Japan Data Communication System (“Nichigin Net”), the relevant Lender shall consult with the Agent in advance. Provided, however, that if the Lender is not a member of Zengin System, the settlement of funds shall be made with the bank account established at a bank which is a member of Zengin System. In such case, the Lender shall designate the bank which is a member of Zengin System.
- (ii) The party who shall make the transfer the funds, as provided in the preceding item, shall bear any costs in connection therewith.

32.8 Calculation

Unless otherwise expressly provided for with respect to any calculation under this Agreement, all calculation shall be inclusive of first and last day, on a per diem basis assuming 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.

32.9 Preparation of the Notarized Deed

The Borrower shall, at any time upon the request of the Agent or a Majority Lender, 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.

32.10 Governing Law and Jurisdiction

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

32.11 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 the English translation of this Agreement, however, the Agent does not warrant the truthfulness and correctness of such translation and is not responsible for the truthfulness and correctness.

32.12 Consultation

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

IN WITNESS WHEREOF, the representatives or the agents of the parties hereto have caused this Agreement to be signed and sealed herein, and the Agent has kept the original and has distributed a copy thereof to each of the Borrower and Lender upon confirming that such copy is the same content as its original.

September 25, 2003

THE BORROWER:

FASL JAPAN LIMITED

By: _____

Name:

Title:

THE AGENT AND LENDER:

MIZUHO CORPORATE BANK, LTD.

By: _____

Name:

Title:

THE LENDER:

By: _____

Name:

Title:

Master Rental Agreement
[Translation]

Contract No.L5LEAA05
July 16, 2003

[Lessee] :FASL JAPAN LIMITED

[Lessor] : GE Capital Leasing K.K.

The Lessor and the Lessee and Guarantor have reached an agreement regarding the Master Rental Agreement (the "Agreement") as specified below, and have prepared this Agreement in duplicate, both of which are signed (or printed name) and sealed by the Lessor and the Lessee and Guarantor, each of whom shall retain one original hereof.

Article 1. Rental

1. The Lessor and the Lessee shall reach 143 specific rental agreements (the "Specific Agreement") based on this Agreement. The Lessor hereby agrees to purchase from a seller designated by the Lessee and referred to in column (a) of the Specific Agreement (the "Seller") the equipment specified by the Lessee and listed in column (b) of the Specific Agreement (the "Equipment") and to rent the Equipment to the Lessee, and the Lessee agrees to receive the same and make payment of rent. In case where a copy of the Specific Agreement is attached hereto, the Specific Agreement shall be deemed to be executed simultaneous to this Agreement without respect to existence of the signature (or printed name) and seal on such copy of the Specific Agreement.
2. The Specific Agreement shall be reached under the terms and conditions provided for in the following articles.
3. This Agreement and the Specific Agreement shall not be cancelled or terminated except as provided in this Agreement.

Article 2. Delivery of the Equipment

1. The Lessor shall instruct the Seller to deliver the Equipment to the Lessee at the place referred to in column (c) of the Specific Agreement.
2. Upon receipt by the Lessee of the delivery notice of the Equipment from the Lessor, the Lessee, at its own expense, shall: (1) immediately take steps to inspect such Equipment and accept such delivery upon confirming that it is in good operation and there is no defect in it; (2) sign (or print name) and fix a seal on the Acceptance of the Delivery of the Equipment in the form prescribed by the Lessor; and (3) deliver the same to the Lessor (the date of delivery mentioned in the Acceptance of Delivery of the Equipment shall be hereinafter referred to as the "Acceptance Date").
3. Except in the case that the Lessee refuses to accept the delivery of the Equipment due to a defect in the Equipment, as referred to in Paragraph 2 of this Article, if the Lessee refuses or delays the acceptance of delivery of the Equipment, the Lessor may, at its option, recover from the Lessee any damages caused by such refusal or delay, or terminate the Specific Agreement in accordance with the provision of Article 11, Paragraph 1, Sub-Paragraph 8 and demand and receive payment from the Lessee of the stipulated loss value (the "Stipulated Loss Value") in accordance with the provision of Article 11, Paragraph 3.
4. From the date of installation until the date of acceptance of delivery of the Equipment, the Lessee shall, at its own responsibility and expense, maintain the Equipment with due care.

Article 3. Use and maintenance of the Equipment

1. The Lessee shall use the Equipment from the Acceptance Date at the place specified in column (c) of the Specific Agreement and for the term specified in column (d) of the Specific Agreement (the "Basic Rental Term"). The Basic Rental Term and rental term(s) renewed pursuant to Article 12 of this Agreement and the Specific Agreement shall collectively be referred to as the "Rental Term".
2. The Lessee shall use the Equipment in the ordinary course of business with due care, in accordance with the proper method of use and in compliance with applicable laws and regulations including environmental related laws and in accordance with the recommendations of the manufacturer listed in column (b) of the Specific Agreement.
3. The Lessee shall, at its responsibility and expense, regularly conduct inspection and maintenance of the Equipment (including the statutorily required inspection and maintenance) in accordance with the maintenance plan recommended by the manufacturer of the Equipment so that the Equipment can always be kept in a good working condition and, in the event that such Equipment is damaged for any reason whatsoever, shall cause the manufacturer of the Equipment or a third party approved by the Lessor to repair and restore the same at Lessee's responsibility and expense.
4. In the event that the Lessee or any third party, including the Lessee's employee, suffers personal injury, property damage or any other types of loss due to the Equipment itself or to the installation, maintenance, use, change of location, or return of the Equipment, (including any damages suffered after the Specific Agreement has expired or terminated due to any reasons), the Lessee shall settle such case at its own responsibility and expense, irrespective of the reason for such injury or damage. The Lessor, its employees, successors, and assignees shall have no responsibility or liability regardless of any negligence.
5. In the event that the Lessor (including its employees and successors and assignees) is requested directly by a third party to pay compensation for damages by reason of the Lessor being the lessor or owner of the Equipment, the Lessee shall immediately settle such case in place of the Lessor at its own responsibility and expense; In such case, if the Lessor is obliged to pay compensation, the Lessee shall pay the compensation to the third party instead of the Lessor, and the Lessee shall have no right to demand from the Lessor any reimbursement of such payment. In the event that the Lessor was forced to make payment of compensation to any third party, the Lessee shall immediately reimburse the Lessor for the amount paid including the expenses for the payment without any conditions.

This is the English translation of the Japanese original and will not be considered as original.

6. The Lessor shall, at the request of the Lessee, provide the Lessee with the information which the Lessor has regarding the damage or the claim arising under Paragraphs 4 and 5.

Article 4. Rent

1. The Lessee shall pay to the Lessor the rent specified in column (e) of the Specific Agreement at the first day of each month starting from the month that includes the Acceptance Date (provided that for the month that includes Acceptance Date, it is the Acceptance Date. Hereinafter referred as the "Standard Payment Date"). However, in the case where the payment date listed in column (f) of the Specific Agreement is different from the Standard Payment Date, the payment date in such column shall prevail. In addition to the monthly rent, the Lessee shall pay to the Lessor an amount equal to the consumption tax and the local consumption tax imposed on the rent as stated in column (e) of the Specific Agreement (the rent and consumption tax including the local consumption tax are hereinafter collectively referred to as the "Rent"). In the event that the amount of consumption tax or the local consumption tax is increased, the amount of such increase shall be paid forthwith immediately upon demand made by the Lessor, in addition to the Rent.
2. The Lessee shall pay to the Lessor the Rent in accordance with the payment method specified in column (g) of the Specific Agreement.
3. In the event that the acceptance of delivery of the Equipment takes place on any day within the period between the second day of a calendar month and the last day of the same calendar month, the Rent for the first month (i.e., the Rent for the period between the Acceptance Date and the last day of the same month. The same shall hereafter apply) shall be the full amount of the monthly Rent, irrespective of the number of days of rental. However, the Lessee shall not be obliged to pay the Rent for the calendar month during which the Rental Term expires. In this case, if the Specific Agreement has ended (including in case of termination), at any time during the first month of the Rental Term and the month immediately preceding the last month of the Rental Term, the Lessee shall pay the Rent for the period until the last day of the month in which the Specific Agreement has ended as if such month has elapsed while the Specific Agreement was still in effect.
4. In the event that acceptance of delivery of the Equipment takes place on the first day of a calendar month, if the Specific Agreement has ended (including in case of termination) prior to the end of the Rental Term, the month during which such Specific Agreement has ended shall be deemed to have elapsed while the Specific Agreement was still in effect, and the Lessee shall pay the Rent for the period until the last day of such month.
5. The Lessee shall not be relieved of the obligation to pay any part or whole amount of the Rent to the Lessor during any period of the Rental Term, even if during any part thereof the Lessee does not use the Equipment or is prevented from using it for any reasons whatsoever.

Article 5. Damages for delay

1. In case the Lessee fails to pay the Rent when due under Article 4 of this Agreement or in case any other monetary obligations under the Specific Agreement become overdue, the Lessee shall pay damages for delay in the amount of fourteen point six per cent (14.6%) per annum on the amount due until payment in full (for all periods of less than one year, the damages for delay shall be calculated on a per diem basis on the basis of a year of 365 days).

Article 6. Property damage insurance of the Equipment

1. The Lessor shall, during the Rental Term, procure from an insurance company property damage insurance for the Equipment (other than the software) as specified in column (h) of the Specific Agreement, with the Lessor named as the party that procured the insurance and also the insured party. With respect to Comprehensive Property Insurance, no insurance money shall be paid to cover damages arising from natural calamity such as earthquake, volcanic eruption and *Tsunami*, Lessee's willful misconduct or its gross negligence, or other accidents falling under an exemption clause stipulated in the insurance policy.
2. In the event that damage or loss of the Equipment occurs, and the Lessee notified the Lessor of such damage or loss in writing together with all documents necessary for the receipt of the insurance proceeds, if such damage or loss qualifies for the payment of the insurance proceeds under Paragraph 1 of this Article, the Lessor shall:
 - (1) in the event of repairable damage of the Equipment, and only if the Lessee repairs and restores the Equipment in accordance with Article 3, Paragraph 3, take the appropriate steps to enable the Lessee to receive the insurance proceeds; or
 - (2) in the event where the Lessor received the insurance proceeds as a result of accidents provided in Article 8 Paragraph 1, the Lessor shall, apply in full or in part, the insurance proceeds to the payment of the Stipulated Loss Value, or if the Stipulated Loss Value has been paid in full by the Lessee, return to the Lessee part or whole of the amount of the Stipulated Loss Value already paid within the limit of the amount of the insurance proceeds corresponding to the Stipulated Loss Value.

Article 7. Defects of the Equipment, etc.

1. The Lessee shall not be entitled to make any claim, objection, or demand for payment of any compensation for damages or any other demands at all against the Lessor in the cases specified in sub-paragraphs (1), (2) and (3) below (in respect of sub-paragraphs (2) and (3), the same shall apply only after acceptance of delivery of the Equipment); provided, however, that, if the Lessee requests in writing the Lessor to assign to the Lessee such right to claim compensation for damages or any other rights (excluding the right to rescind the contract for sale between the Lessor and Seller) that the Lessor might have against the Seller and to directly exercise such claim and rights aforementioned, the Lessor shall assign such rights to the Lessee. In the event that the Lessee exercises such assigned rights against the Seller, the Lessee shall not be relieved of the obligation to pay the Rent to the Lessor.
 - (1) Delay in delivery or impossibility of delivery of the Equipment due to any reason not solely attributable to the Lessor, including, without limitation, natural calamity, strikes, other events of force majeure, and acts or omissions of the Seller or transporter.
 - (2) Defects in the specifications, structure, quality or any other defects of the Equipment, (and its software), and any other matters relating to the Equipment.
 - (3) Mistake of the Lessee in the selection or determination of the Equipment.
2. The Lessor shall make an assignment of rights mentioned in the preceding paragraph without judgment of the existence of events and circumstances specified in sub-paragraphs (1), (2) and (3) of the preceding paragraph or the existence of the rights that constitute the object of assignment, and the Lessor shall not be liable at all with regard to the existence of such events and circumstances or such rights, as aforementioned, the financial ability of the Seller or any negotiations between the Lessee and the Seller.

Article 8. Loss, etc. of the Equipment

1. In the event that the Equipment is lost or irreparably damaged for any reason, including, without limitation, natural calamity or other force majeure, the Lessee shall send a notice informing the Lessor of such loss or damage in writing so that such notice arrives within 10 days of learning of the information set forth, and the Specific Agreement shall be ended when the Lessor acknowledges such loss or damage. In such event, if the Equipment exists, upon obtaining the Lessor's consent in writing, the Lessee shall be entitled, at its own responsibility and expense, to dispose of the Equipment pursuant to relevant laws and regulations (including the laws regarding waste disposal), and shall report to the Lessor thereafter.

2. In the event the Specific Agreement has ended during the Rental Term in accordance with preceding paragraph for any reason, the Lessee shall immediately pay to the Lessor the Stipulated Loss Value specified in column (i).

Article 9. Prohibition of infringement of ownership in the Equipment, etc.

1. Upon the Lessor's request, the Lessee shall immediately make indication on the Equipment as to the Lessor's ownership thereof at the Lessee's own responsibility and expense, in accordance with the Lessor's instructions. The indications shall be placed in a prominent position on each unit of the Equipment.
2. The Lessee shall not perform any of the acts specified below or any other acts that may infringe the Lessor's ownership:
 - (1) to take the Equipment outside Japan;
 - (2) to create security interest over the Equipment; or
 - (3) to assign or transfer the possession of the Equipment to any third party (except in a case permitted in accordance with any of the following paragraphs).
3. The Lessee shall not perform any of the following acts unless the Lessor gives its prior written consent thereto:
 - (1) to attach the Equipment to other real estate or movable property;
 - (2) to amend or process the Equipment or make any other changes to the original state of the Equipment;
 - (3) to sub-lease the Equipment to any third party or to assign the Lessee's rights or interest hereunder or under the Specific Agreement to any third party; or
 - (4) to move the Equipment from the place of use specified in column (c) of the Specific Agreement.
4. The ownership of any property attached to the Equipment shall belong to the Lessor free of any charge to the Lessor, unless the Lessor acknowledges in writing the ownership of such annexed property by the Lessee.
5. If any third party claims any right over the Equipment or attempts to infringe the Lessor's ownership of the Equipment by way of provisional seizure, provisional disposition or compulsory execution, the Lessee shall, in order to prevent such infringement, present this Agreement and the Specific Agreement or notarial deed relating to this Agreement and the Specific Agreement to claim and prove that the Lessor is the owner of the Equipment, and at the same time deliver written notice to the Lessor of such situation immediately.

Article 10. Notices, reports, etc.

1. In case any of the events specified below occurs with respect to the Lessee, the Lessee shall so notify the Lessor in writing:
 - (1) a change of its name or its trade name;
 - (2) a change of address;
 - (3) a change of representatives;
 - (4) a material change of the business;
2. Upon the Lessor's request, the Lessee shall explain to the Lessor the present condition of its business and submit to the Lessor its business report or other related documents specified by the Lessor.

Article 11. Termination of the Agreement

1. The Lessor shall have the right to terminate this Agreement and the Specific Agreement (but not retrospectively) immediately upon written notice thereof without [making any demand for payment or any other relevant act] in the event that (a) the event or circumstance stated in sub-paragraph (1) or (2) below occurs, (b) any of the events or circumstances stated in sub-paragraphs (3) through (9) below occurs with respect to the Lessee, or (c) any of the events or circumstances stated in sub-paragraphs (4) through (6) below occurs with respect to any Guarantor:
 - (1) the sale and purchase agreement between the Lessor and the Seller is rescinded;
 - (2) any Rent is not paid on the due date therefor;
 - (3) any cheque, promissory note or bill of exchange is not honored at maturity;
 - (4) any application is filed for the procedure of provisional seizure, provisional disposition, compulsory execution, public auction, collection of public dues and imposts or any other similar procedure, or any application is filed for commencement of company arrangement, civil rehabilitation, bankruptcy, corporate reorganization or any other similar procedure;
 - (5) any resolution is passed to discontinue business or to dissolve, or any government agency orders discontinuance of business or takes other actions that prevent continuance of business; or, if the Lessee is a natural person, the Lessee dies or the court orders a guardianship for the Lessee on the ground of mental disability (as provided for in the Japanese Civil Code) or a voluntary guardian (supervisor) is appointed;
 - (6) the Lessee's business conditions materially deteriorate, or there is a reasonable ground to assume that such event is likely;
 - (7) necessary maintenance (including, but not limited to inspection and maintenance conducted in accordance with the maintenance plan recommended by the manufacturer of the Equipment) is not performed on the Equipment; or
 - (8) the Lessee breaches any provision of this Agreement or any other agreement with the Lessor and the Lessee does not rectify such breach within five days after the Lessor demands a rectification of the same within such period.
 - (9) *[Breach of covenant – for details please see the agreed Financial Covenants to be sent shortly.]*
2. In the event that the Lessee falls within any one of the sub-paragraphs of the preceding Paragraph, the Lessor shall have the right, upon notice but without any prior demand for rectification:
 - (1) to terminate any agreements between the Lessor and the Lessee other than this Agreement; and
 - (2) to accelerate any benefit of time that the Lessee may have in respect of any agreements between the Lessor and Lessee other than this Agreement.
3. In the case of termination of the Specific Agreement, the Lessee shall pay to the Lessor the Stipulated Loss Value specified in column (i) of the Specific Agreement (In the event that the Specific Agreement is terminated between the date of execution of the Specific Agreement and the Acceptance Date, the amount is the basic amount. After commencement of the Rental Term monthly diminishing sum shall be deducted from the Stipulated Loss Value every month. However, in the event that acceptance of delivery of the Equipment takes place on any date between the second day and the last day of a calendar month, the monthly diminishing sum for the first month shall be the full amount of the monthly diminishing sum prescribed for such calendar month irrespective of the number of elapsed days, and there will be no deduction for the calendar month during which the Rental Term should expire. Further, in such case, if the Specific Agreement is terminated at any time during the starting month of the Rental Term and the month immediately preceding the last month of the Rental Term, the month during which the Specific Agreement was terminated shall be deemed to have elapsed, and the full amount of the monthly diminishing sum shall be deducted for such month. In the event that the acceptance of delivery of the Equipment takes place on the first day of a calendar month and the Specific

Agreement has ended during the Rental Term, the month during which the Specific Agreement ended shall be deemed to have elapsed and the full amount of the monthly diminishing sum shall be deducted for such month.)

4. If the Specific Agreement is terminated, the Lessee shall immediately return the Equipment, in its own responsibility and at its own expense, in accordance with Article 14.
5. In the event that Lessee delays in returning the Equipment, and when the Lessor or its appointee recovers the Equipment from the place where it is located, the Lessee, its agents and employees shall not reject such recovery. Further, the Lessee shall have no right to make any claim or objection, or prevent such recovery from occurring, or demand compensation for damages incurred with respect to such recovery. However, in the case of any delay in return, the Lessor shall have the right to claim damages against the Lessee in the amount equivalent to the Rent for the number of days of such delay. In such case, the Lessee shall comply with all provisions of this Agreement concerning the Equipment, including, without limitation, Article 3 and Article 9.
6. Notwithstanding Paragraph 4, the Lessee shall keep the Equipment with due care at its own responsibility and expense if the Lessor so requests.
7. The Lessor may, without notice to the Lessee, use or sell the Equipment at the place of use without paying any fee for using the place on which the Equipment is located and without entering into any property damage insurance agreement for the Equipment, during the time that the Lessee keep the Equipment in accordance with the preceding paragraph.
8. As to the Equipment, the Lessor shall pay to the Lessee an amount determined under either of the following two sub-paragraphs, and the Lessor shall have the sole discretion to select which of the two sub-paragraphs shall apply. Provided, however, that the Lessor shall pay such amount to the Lessee only in the event that the Lessee has paid to the Lessor the entire amount of the Stipulated Loss Value, and provided further that the amount of the Lessor's payment to the Lessee shall not exceed the Stipulated Loss Value. In the event that the Lessee has not paid the Lessor the full amount of the Stipulated Loss Value, or has otherwise failed to perform any of its obligations to the Lessor hereunder, the Lessor shall have the right to apply any amounts due to be returned to the Lessee to the amount of any of the Lessee's unperformed obligations hereunder, including, without limitation, payment in full of the Stipulated Loss Value.
 - (1) The value determined in accordance with a fair standard, less all expenses incurred after the Lessor recovers possession until the date that the said value of the Equipment is determined, and less the estimated value determined by the Lessor as the residual value of the Equipment as of the expiration of the Basic Rental Term in accordance with a fair standard; or
 - (2) Any amount that may be realized by disposal of the Equipment at a fair price less all expenses incurred after the Lessor recovers possession until the date of such disposal, and less the estimated value determined by the Lessor as the residual value of the Equipment as of the expiration of the Basic Rental Term in accordance with a fair standard.

Article 12. Lessee's Option at expiration of the Rental Term

1. The Lessee has the option to (1) return the Equipment in accordance with Article 14 or (2) purchase the Equipment in accordance with Article 13. The Lessee must notify the Lessor of its intent to return or purchase the Equipment in writing, so that such notice arrives at the Lessor at least the number of days specified in column (j) of the Specific Agreement prior to the expiration date of the Rental Term.
2. If such notice does not reach the Lessor by the due date set forth in the preceding paragraph, the Specific Agreement shall be automatically renewed under the same terms and conditions of this Agreement until the end of the month which includes the last date of the designated period specified in column (j) of the Specific Agreement starting upon arrival of the notice of the Lessee to the Lessor. The Lessee shall pay the Rent for such renewed term upon request of the Lessor.
3. Even if the Specific Agreement renewed under the preceding paragraph is ended either by loss of the Equipment or by termination, the Lessee shall not be released from its obligation to pay the Rent to the Lessor after such renewal.
4. Regardless of which option (set forth in each item of Paragraph 1) the Lessee chooses, the Lessee may return or purchase all of (but not just a part of) the Equipment.
5. Paragraphs 1 through 4 of this Article shall also apply to the Specific Agreement renewed pursuant to Paragraph 2 of this Article.

Article 13. Purchase at expiration of the Rental Term

1. If the Lessor receives the notice of the Lessee's intention to purchase the Equipment (the "Purchase Notice") as referred to in Article 12, Paragraph 1, (2), the Lessor shall agree to conclude a purchase agreement in accordance with the terms and conditions designated by the Lessor and the following paragraphs, taking into consideration the status of the granting of credit from the Lessor to the Lessee and any other situation.
2. The Equipment shall be purchased on an "as is, installed" basis.
3. The purchase price shall be the Fair Market Value specified by the following sub-paragraphs:
 - (1) The Lessor shall determine the Fair Market Value.
 - (2) If the Lessor and the Lessee are unable to reach an agreement referred to in the preceding sub-paragraph by forty-fifth (45th) day after the due date specified in Article 12, Paragraph 1, the price determined by the independent appraiser whom the Lessor appoint shall determine the purchase price.
 - (3) The independent appraiser's determination in the preceding sub-paragraph shall be final, binding and conclusive, and the Lessee may not make any objection in respect of such determined price.
 - (4) Any parts or additional items attached to the Equipment shall be valued as attached to the Equipment.
 - (5) The minimum purchase price shall be equal to the Stipulated Loss Value calculated at the end of the Basic Rental Term.
4. The Lessee shall bear all costs associated with any such appraisal.
5. In the event that the Purchase Notice is delivered to the Lessor after the expiration of the period specified in preceding Article, Paragraph 1, the Lessor may, in its sole discretion, decide whether the Lessee should be allowed to purchase the Equipment at the end of the Rental Term.

Article 14. Return of the Equipment

1. At the end of the Rental Term, or upon any early termination of the Specific Agreement, the Lessee agrees, at its own expense and in its own responsibility, as follows:
 - (1) to make any repairs and to replace any parts necessary for returning the Equipment to its original condition (the condition it was in when it was first received by the Lessee), provided that this shall not be applicable to any reasonable wear and tear;
 - (2) to clean the Equipment in accordance with the recommendations of the manufacturer listed in column (b) of the Specific Agreement and in accordance with the best practices of dealers who deal in second-hand equipment that is similar to the Equipment;
 - (3) to cause the removal of all the Lessee-installed markings or labels that are not necessary for the operation, maintenance or repair of the Equipment;
 - (4) to ensure that the Equipment is in compliance with all applicable laws, rules and regulations;

- (5) to cause the Equipment to be disassembled, uninstalled and packed in accordance with the recommendations of the manufacturer listed in column (b) of the Specific Agreement by or under the supervision of such manufacturer or any other person acceptable to the Lessor (including, but not limited to the Lessee causing all internal fluids to be drained and disposed of or filled and secured in accordance with the recommendations of the manufacturer listed in column (b) of the Specific Agreement and in accordance with all laws, rules and regulations); and
 - (6) to arrange for the Equipment to be delivered by a delivery company designated by the Lessor by making advance payment of the premium for insurance relating to such delivery or to directly deliver the Equipment in a manner consistent with the recommendations of the manufacturer listed in column (b) of the Specific Agreement and practices to any location as the Lessor shall direct and to have the Equipment unloaded at such location on a date specified by the Lessor.
 - (7) Each Equipment (including any part or component thereof) to be returned must match the serial numbers specified in the related Specific Agreement. The Equipment or any part or component thereof whose serial number does not match the serial number in the Specific Agreement shall not be acceptable, even if they are of a quality similar or equal to that of the Equipment.
2. The Lessee shall maintain the Equipment with due care, in compliance with applicable laws and regulations including environmental related laws and in accordance with the recommendations of the manufacturer listed in column (b) of the Specific Agreement, until the Lessee completes Return of the Equipment.
 3. In the event of delay of returning the Equipment as set forth in the preceding paragraph, upon the Lessor's request, the Lessee shall pay delinquency charges in the amount equal to the Rent in proportion to the number of days that elapsed until Equipment is completely returned to Lessor.
 4. Terms and conditions mentioned in column entitled "Terms and Conditions of Return of the Equipment" of the Specific Agreement shall constitute an integral part of this Agreement and shall prevail over other provisions hereof if there is any redundancy or inconsistency.

Article 15. Rights of the Lessor

1. If the Lessor takes any action necessary for the purpose of protecting or restoring its rights hereunder and under the Specific Agreement or in order to defend any claims or objections by any third party, the Lessor shall be entitled to request the Lessee to pay any and all costs for transportation of the Equipment, attorney's fees and all other expenses.
2. The Lessor shall have the right, without the consent of the Lessee, to give as security and/or assign to any financial institution or any other parties any of its rights hereunder and under the Specific Agreement, its ownership of the Equipment or all its rights and obligations hereunder together with its contractual position under this Agreement and the Specific Agreement. The Lessee hereby agrees to the foregoing provision without making any objection.
3. Upon the request of the Lessor or the Lessor's designee, the Lessee shall at any time permit inspection or examination by the Lessor or the Lessor's designee, and/ or provide any requested report on inspection or examination concerning the Equipment.
5. The Lessee agrees, at its own expense, upon the Lessor's request, to conduct all necessary procedures designated by the Lessor from time to time to protect the Lessor's rights in the Equipment.
6. All of the Lessor's rights under this Agreement and Specific Agreement shall survive the expiration of the Rental Term, or after the Specific Agreement ends prior to the expiration of the Rental Term for any reason whatsoever, and are enforceable by the Lessor, its successors and assignees.

Article 16. Right of entry

The Lessor and the Seller, their employees, or the Lessor's designee may enter into the place where the Equipment is located for the purpose of installation, maintenance and preservation of the Equipment.

Article 17. Costs and expenses

All costs and expenses related to the conclusion of this Agreement and the Specific Agreement and the performance of the Lessee's obligations hereunder and under the Specific Agreement shall be borne and paid by the Lessee.

2. Fixed asset tax shall be borne and paid by the Lessor.

Article 18. Notices of the Lessor

If any notice under Article 11, Paragraph 1 or other written declaration of intention of the Lessor under this Agreement and the Specific Agreement does not reach the Lessee in spite of the fact that such notice was dispatched to the Lessee's address specified in this Agreement or the Specific Agreement or the Lessee's address which is notified pursuant to Article 10 hereof, such Notice shall be deemed to have reached on the fifth day after the dispatch thereof.

Article 19. Prohibition of set-off

The Lessee shall not set off any obligation it owes to the Lessor under the Specific Agreement against any of the Lessee's claims owed by the Lessor, its successors or assignees.

Article 20. Application of payment

If the Lessee's payment of any obligation under the Special Agreement is less than the total amount of the obligation then due, the Lessor may apply any amount received to any obligation then due in any order and using any method it deems appropriate.

Article 21. Credit Information Organization

The Lessee and the Guarantor(s) hereby agree that objective information regarding credit transactions between the Lessee and the Guarantor arising in relation to this Agreement and the Specific Agreement will be registered with the credit information organization of which the Lessor is a member (the **Credit Information Organization**) and that the information registered (or to be registered) with the Credit Information Organization or other credit information organization with which the Credit Information Organization is in a cooperative relationship (the **Associated Credit Information Organizations**) will be used by members of the Credit Information Organization or the Associated Credit Information Organization for the purpose of investigating the paying capacity of the Lessee or the Guarantor.

Article 22. Joint and Several Guarantor(s)

1. The Guarantor(s) shall guarantee the performance of any and all obligations of the Lessee owing to the Lessor under this Agreement and the Specific Agreement, including, without limitation, payment of the Stipulated Loss Value, and shall be responsible for the performance thereof jointly and severally with the Lessee.
2. If the Lessor deems it necessary, the Lessor shall have the right to request the Lessee to change the Guarantor and/or provide one or more additional Guarantor(s). In such event, the Lessee shall immediately provide a Guarantor(s) acceptable to the Lessor.

3. In the event that any Guarantor discharges a part of the obligations under the Specific Agreement, the Guarantor shall be entitled to exercise the right of subrogation only where the Lessor gives prior written consent thereto.

Article 23. Notarial deed

1. The Lessee and Guarantor(s) hereby agree not to make any objection if a compulsory execution takes place upon the default of any monetary obligations under Articles 2, 4, 5, 8, 11, 12, 13 or 14 hereof, any monetary obligation under special provisions set forth in this Agreement and Specific Agreement or any monetary obligation under the terms and conditions set forth in the Specific Agreement in relation to the return of the Equipment.
2. Upon the Lessor's request, the Lessee and Guarantor(s) shall, at the Lessee's expense, cooperate with the Lessor to execute the Specific Agreement based on this Agreement in the form of a notarial deed which states that the parties agree to accept the compulsory execution referred to in Paragraph 1 of this Article.

Article 24. Governing Law / Jurisdiction

This Agreement and the Specific Agreement are governed and construed in accordance with the laws of Japan. The Lessor and the Lessee and the Guarantor hereby submit to the exclusive jurisdiction of the Tokyo District Court or other District Court which has jurisdiction over any place where the Equipment is located pursuant to the MLA and the Specific Agreement, including but not limited to the place where the Equipment is delivered or used, with respect to any dispute arising out of this Agreement and the Specific Agreement.

Article 25. Special provisions etc.

In the event that any special provisions are mentioned in columns entitled "Special Provisions" of this Agreement and the Specific Agreement, such provisions shall constitute an integral part of this Agreement and shall have priority over other provisions hereof. In the event that any special provisions in "Special Provisions" column of this Agreement, are redundant or inconsistent with the special provisions in "Special Provisions" column of the Specific Agreement, the special provisions of the Specific Agreement shall prevail over special provisions hereof. Provided, however, that terms and conditions mentioned in column entitled "Terms and Conditions of Return of the Equipment" of Specific Agreement shall have priority over special provisions hereof.

2. This Agreement and the Specific Agreement thereto constitute the entire agreement of the parties with respect to the rental of the Equipment. No variation or modification of this Agreement shall be valid unless in writing and signed by an authorized representative of the parties hereto or by those that signed or affixed their seal on this Agreement or the Specific Agreement.

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)) 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) 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
 - c) 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: November 26, 2003

/s/ Hector de J. Ruiz

Hector de J. Ruiz
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)) 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) 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
 - c) 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: November 26, 2003

/s/ Robert J. Rivet

**Robert J. Rivet
Chief Financial Officer**