

# Outline of Structural Reform

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**TOKYO ELECTRON**

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# Business Environment and Structural Reform

1. **Semiconductor market recovery movement is intensifying in parts of the semiconductor market this fiscal year**  
**But, in general, visibility is still very low**
2. **Increase of strong competition in the global market**  
**➔ Progress of selection and consolidation within both semiconductor and SPE industry**
3. **TEL group:**  
**Strengthening of global competitiveness by structural reform is top priority**

# Business Structural Reform

1. Personnel reduction
2. Consolidation of business and facilities
  - i. Consolidation and restructuring of R&D function
  - ii. Restructuring of manufacturing facilities
  - iii. Restructuring of field service bases
3. Pursuit of operational efficiency
  - i. Cost reduction
  - ii. Promotion of supply chain management
  - iii. Improvement of cash flow

# **Business Structural Reform**

## **1. Personnel Reduction**

**Reduction of 1,000 jobs in worldwide**

**Domestic: 750**

**Overseas: 250**

**Effect: personnel cost reduction of 4-5 billion yen  
in FY 3/2004**

**Maximum output with minimum resources**

- Performance based payment and promotion**
- Introduction of shared service**

# Business Structural Reform

## 2. Consolidation of Business and Facilities

- i. Consolidation and restructuring of R&D function**
  - a. Domestic: Consolidation of R&D function of parent company and manufacturing subsidiaries**

**Effect: Speed-up (double)**  
**Improvement of development efficiency**
  - b. Overseas: Reorganization of leading edge technology development by centralization of “Albany NanoTech” as the key center**

# Business Structural Reform

## 2. Consolidation of Business and Facilities

### ii. Restructuring of manufacturing facilities

**Consolidation of TEL- AT and TEL- Tohoku  
(Restructuring of Yamanashi, Miyagi and Iwate factory)**

**Effect: Improvement of the efficiency by sharing  
and standardization of technologies**

**Restart operation of Miyagi factory**

**➡ Pursuit of the most optimized operation by  
introduction of new production system**

**Effect: Production lead time shortened by 1/2  
(New product: within 2 months)**

# Business Structural Reform

## 2. Consolidation of Business and Facilities

### iii. Restructuring of field service facilities

#### a. Strengthen Chinese bases

 Enhancement of training and support function  
Construction of new building in Shanghai  
(start from June, 2003)

#### b. Restructuring of service bases in worldwide

# Business Structure Reform

## 3. Pursuit of operational efficiency

### i. Cost reduction

**Production cost: 30% reduction targeted within 3 years  
(As a result of “Total Cost Down Project”)**

### ii. Promotion of supply chain management

**Review of procurement system  
(Number of suppliers: 30% reduction)**

### iii. Improvement of cash flow

**( Production lead time: 50% reduction  
Start-up lead time: 50% reduction )**

- Shortening of account receivable collection period  
    ➡ **Turnover: 30% reduction targeted within 2 years**
- Reduction of inventory  
    ➡ **Turnover: 30% reduction targeted within 2 years**



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The projections outlined in this presentation were created based on the best information available at the time they were created. The semiconductor production equipment industry is characterized by large and rapid technological change and fierce competition. There are also various factors such as world economic conditions and semiconductor market conditions which directly and indirectly impact the Company's results. As a result, future projections may differ from those in this presentation. The Company makes announcements when the changes are large.