

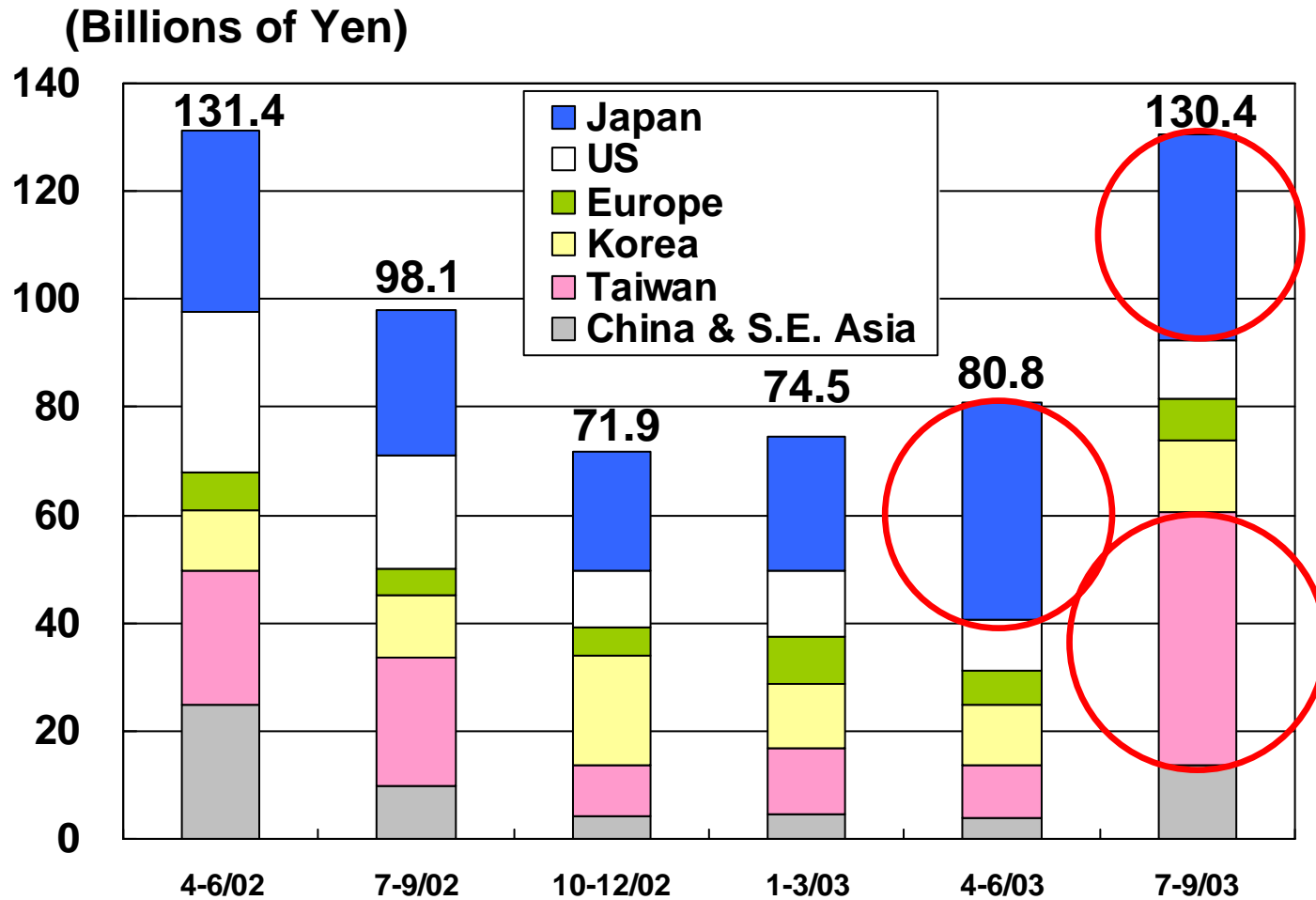
Current Environment and TEL's Efforts

Kiyoshi Sato, President & CEO

October 31, 2003

SPE Quarterly Orders Trend

(New orders, Non-consolidated)

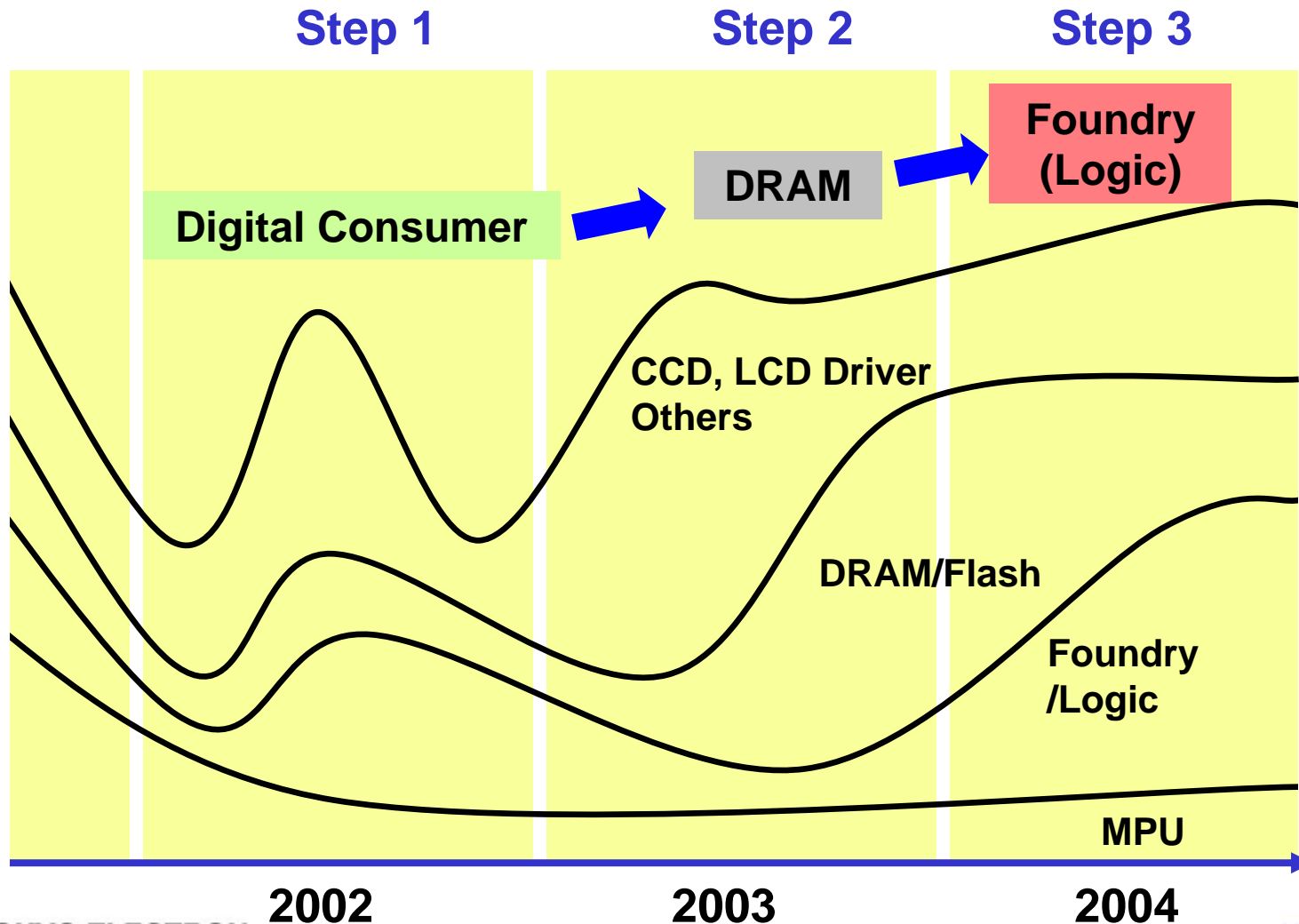


Orders for FPD production equipment are included.

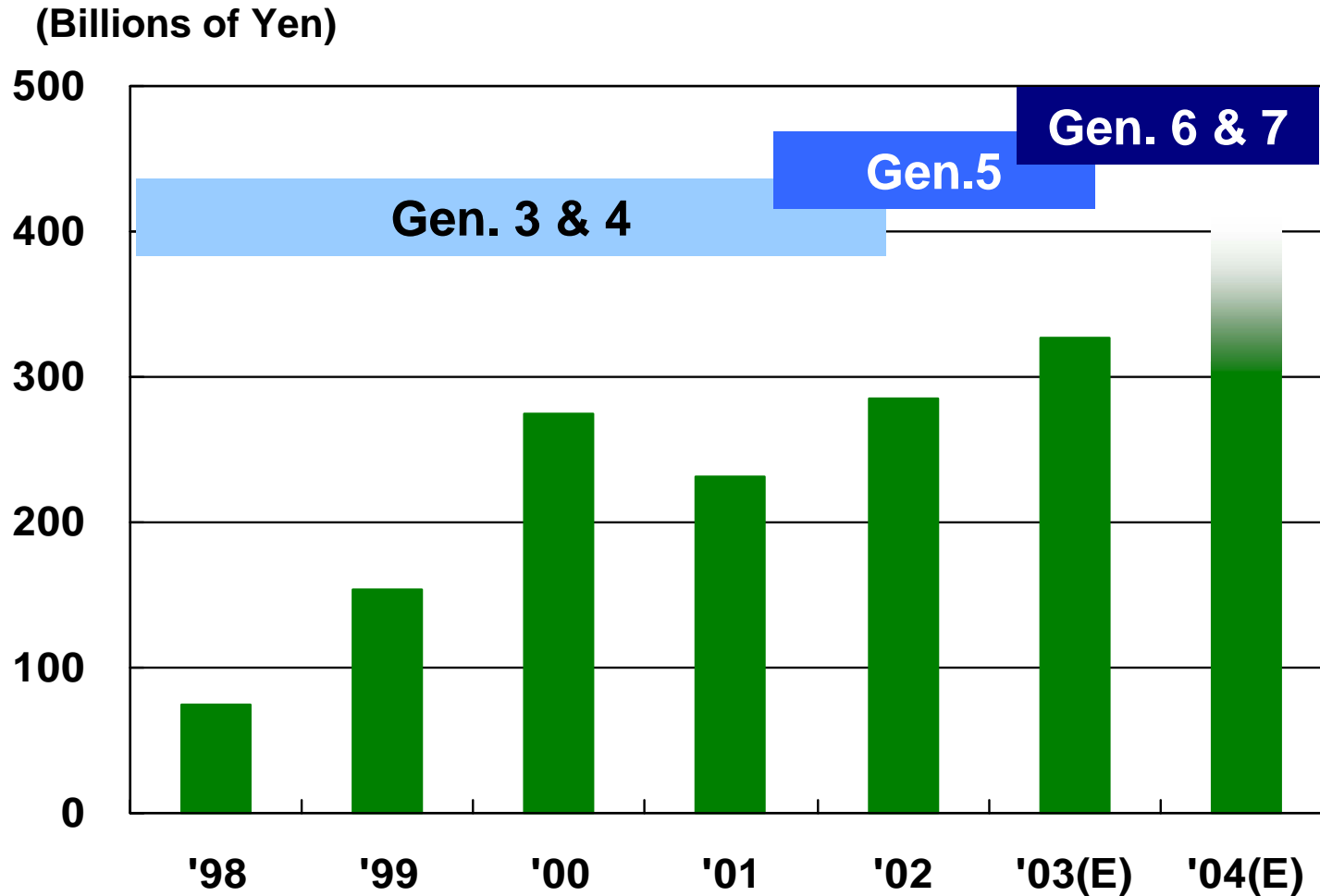
Analysis of 1st Half SPE Orders

Category	Investment Trend	Ratio to Q1 SPE Orders	Ratio to Q2 SPE Orders
Digital consumer electronics related devices (CCD, CMOS Sensor, LCD drivers etc.)	Capacity increase	About 30%	About 25%
DRAM, Flash	Capacity increase	About 50%	About 50%
Foundry	Shrinkage	About 10%	About 15%
MPU, High-end Logic	Shrinkage	About 10%	About 5%

View on the Movement of Capital Investment for WFE



TFT LCD Production Equipment Market



Source: SEAJ Sales Estimate of the Equipment made in Japan (2003.7) + TEL estimate

Our View for Semiconductor Industry

- **Supply deficiency of PC and mobile phone related devices**
- **Aggressive investment for DRAM**
- **Increase of inquiries from foundry makers**
- **US logic investment still cautious**

- **Favorable environment continuing for orders in short term**
- **Low visibility in long term due to shortening of business cycle**

Update for Main Products (1)

Thermal Processing System



- **Sales expansion of TELFORMULA**
Customers: System LSI, DRAM, Foundry
Applications: Oxidation, Nitridation, Cu anneal
High-k gate process

Coater / Developer



- **Shipment of LITHIUS has started**
The inquiry for mass-production use increasing
- **Development has started for emersion technologies**

Etching System



- **Improving reliability for high-end dielectric etching application (Dual damascene, high aspect ratio contact etch)**

Update for Main Products (2)

Single Wafer Deposition



- Good demand due to increase in memory investment
- Expansion of the applications of SPA, progressing equipment evaluation

Cleaning System



- Improving reliability for UW series (Especially high evaluation for the dryer)
- Progressing cost reduction by design improvement

Wafer Prober



- Sustaining high market share for 300mm memory and high-end logic customers (High reliability on alignment accuracy and temperature control)

Update for Main Products (3)

FPD Etch / Ash System



- **Maintaining high market share for the equipment designed for large glass substrate**

FPE Coater / Developer



- **Steady start up of in customer's 6th generation line**
- **Planning market share increase for 6th generation equipment next year**

Present Status of Structural Reform (1)

- **Headcount reduction: 1,060 employees**
(Domestic: 858, Overseas: 202)
Contribution to personnel cost reduction:
5.3 billion Yen (FY3/2004 full year)
(Total personnel cost will stay flat compare to last FY because of increase cost such as expense related to retirement benefit)
- **Transfer of Eclipse business**
Loss caused by the transfer to Metron Technology N.V.
: 850 million Yen
Effect from next year: 300 - 400 million Yen per year
- **Closing of Tokyo Electron Texas**
Reduction of 1.4 billion Yen (including headcount reduction)

Present Status of Structural Reform (2)

- **Establishment of Tokyo Electron BP Limited**
Efficiency improvement and optimization for internal administrative service in TEL group
- **Shortening production lead time (in our factories)**
Target of present FY in main products: 2-3 months
Current lead time: 3-6 months
- **Reduction of production cost**
Target of present FY: 30% reduction compare to previous FY
Current cost reduction: approximately 10%
- **Reduction of inventory**
Achieved inventory reduction even in business up turn
Inventory reduction compare to previous FY: 6.6 billion Yen

Summary(1)

Current status

- **Environment for semiconductor investment towards next year is recovering**
- **Competitiveness for TEL products remains high**
- **Pricing pressure is continuously strong, but cost reduction is not fully effective yet**
- **Structural reforms are steadily in progress**

Summary(2)

Future challenges

- **Increase production capacity in response of increase in equipment demand**
- **Improve gross margin by promoting product differentiation**
- **Further cost reduction in production**
- **Review product line up and development item**
- **New product development**



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.