

Current Business Environment

Kiyoshi Sato, President & CEO

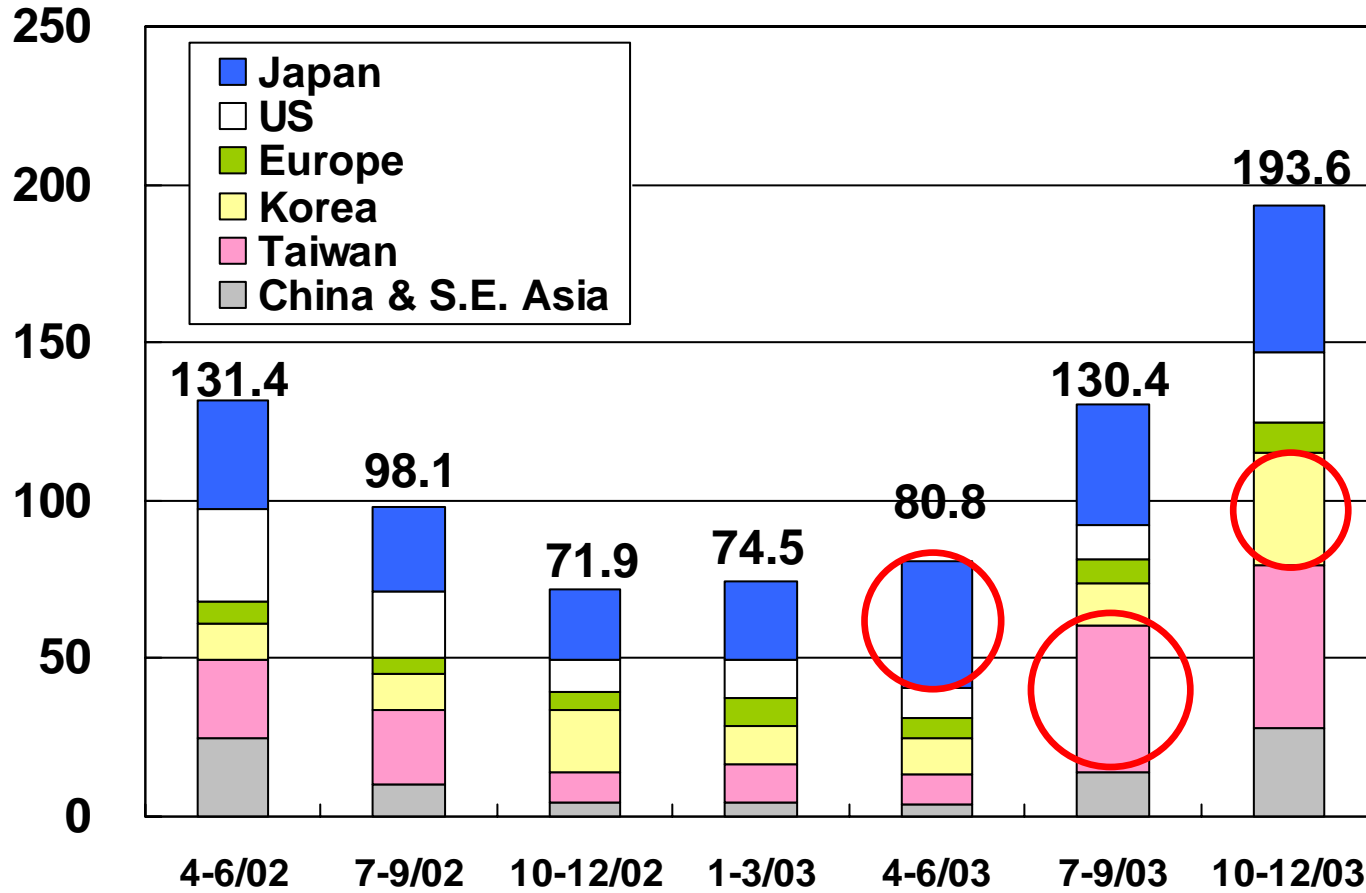
February 6, 2004



SPE Quarterly Orders Trend

(New orders, Non-consolidated)

(Billions of Yen)

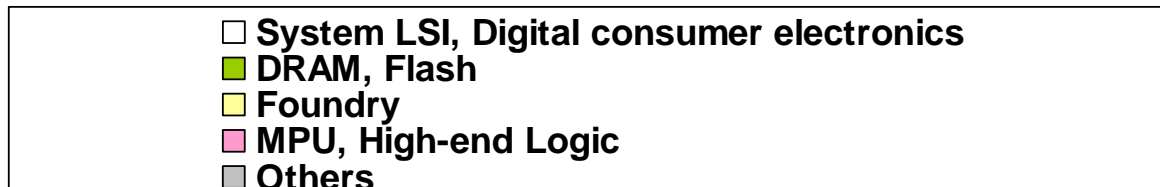
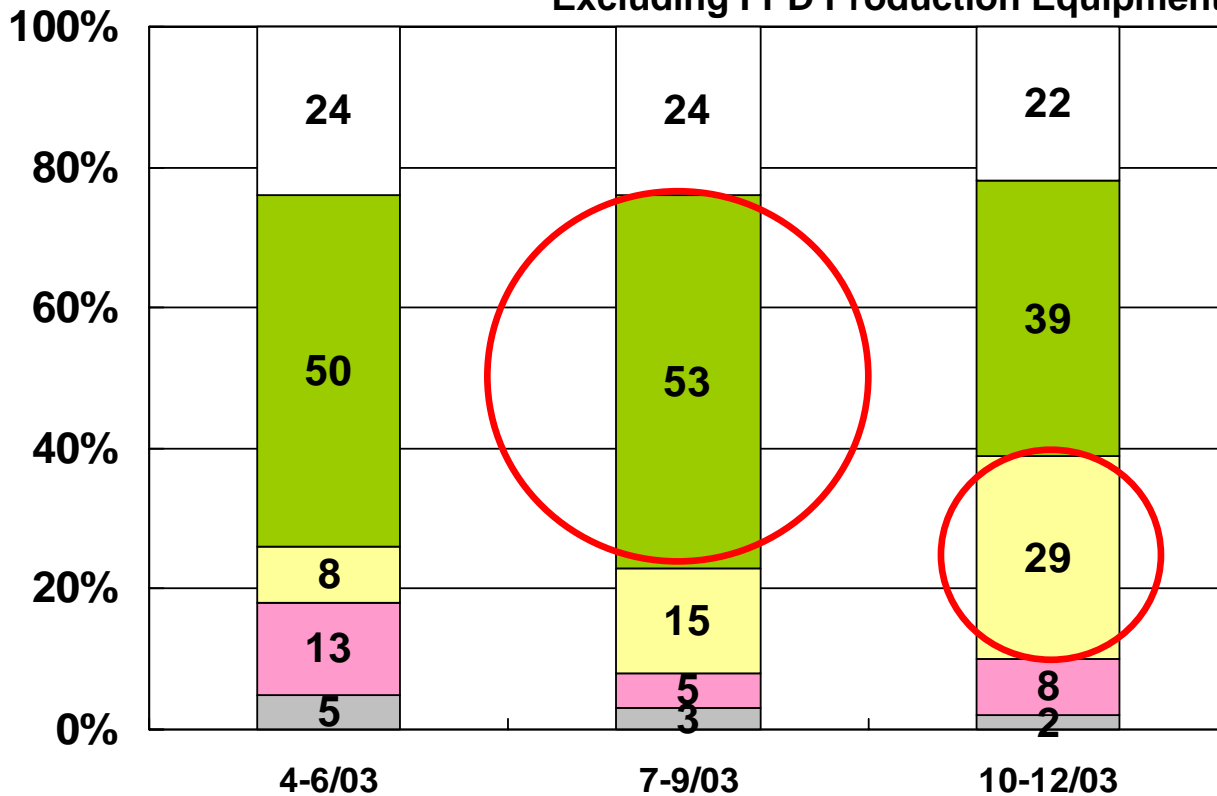


Orders for FPD production equipment are included.

SPE Quarterly Orders Analysis

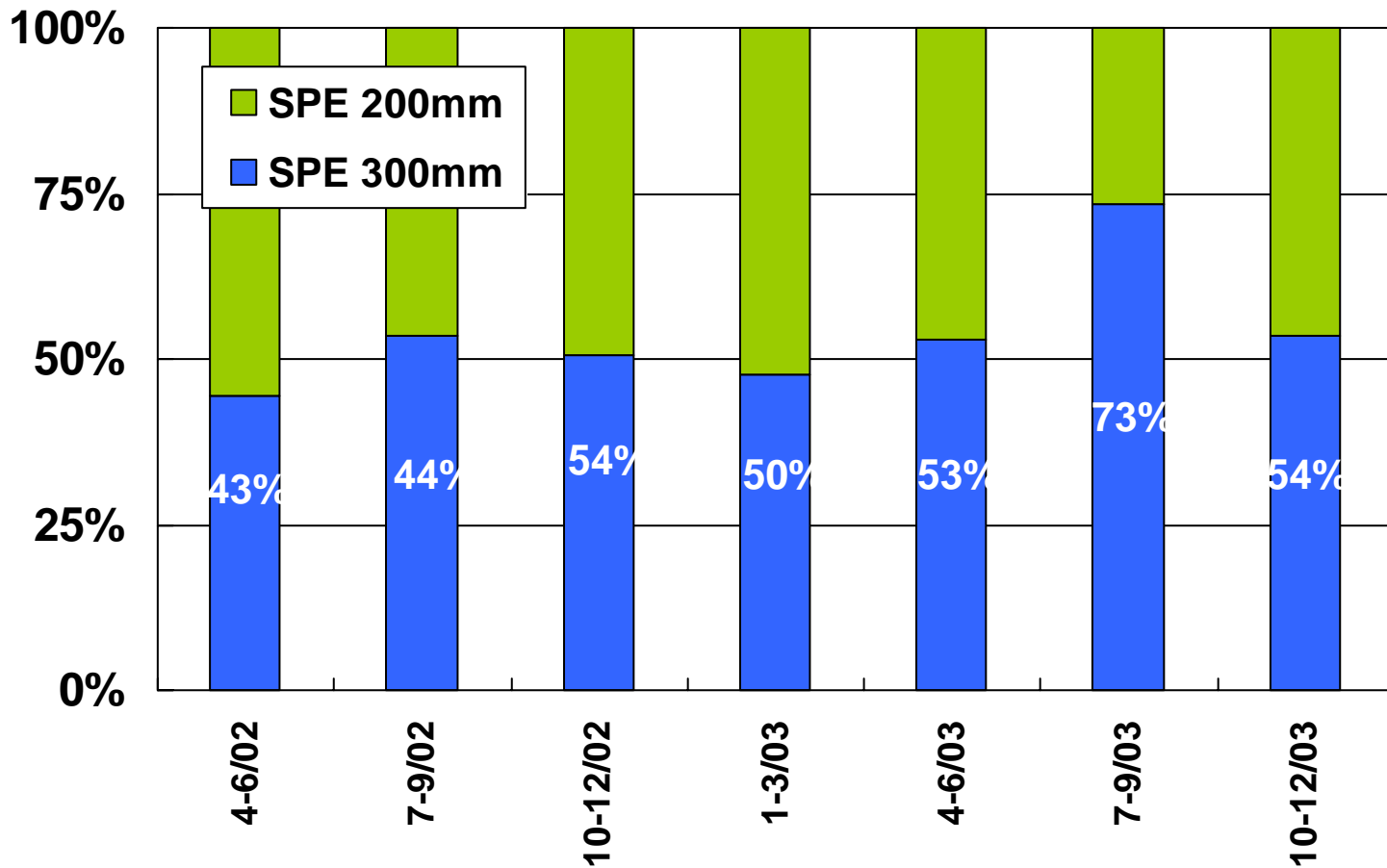
(by Applications, Non-consolidated)

*Excluding FPD Production Equipment



SPE Quarterly Orders Analysis

(200mm vs. 300mm, New Orders, Non-consolidated)

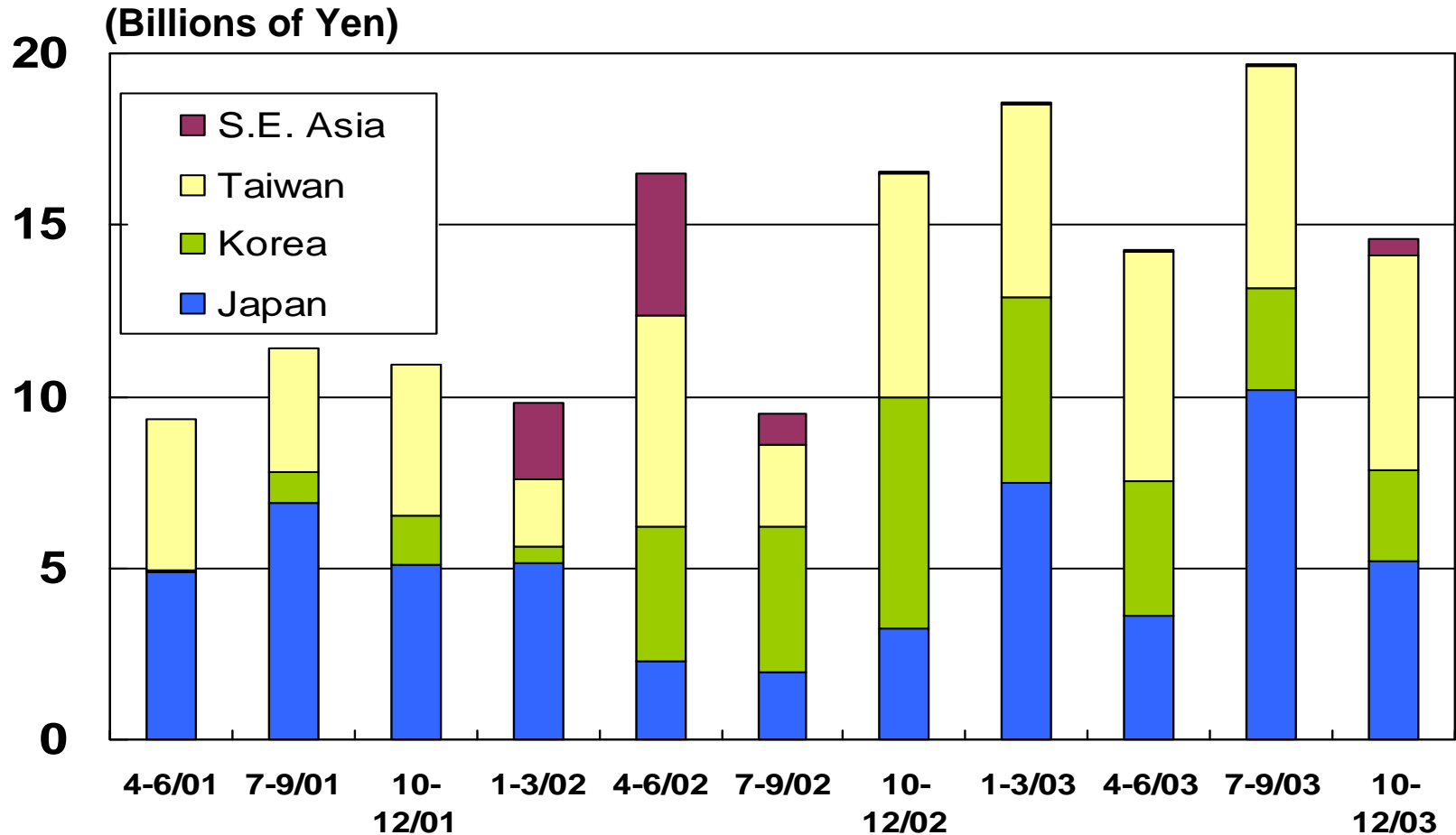


Forecast of Semiconductor and SPE investment by Research Firms

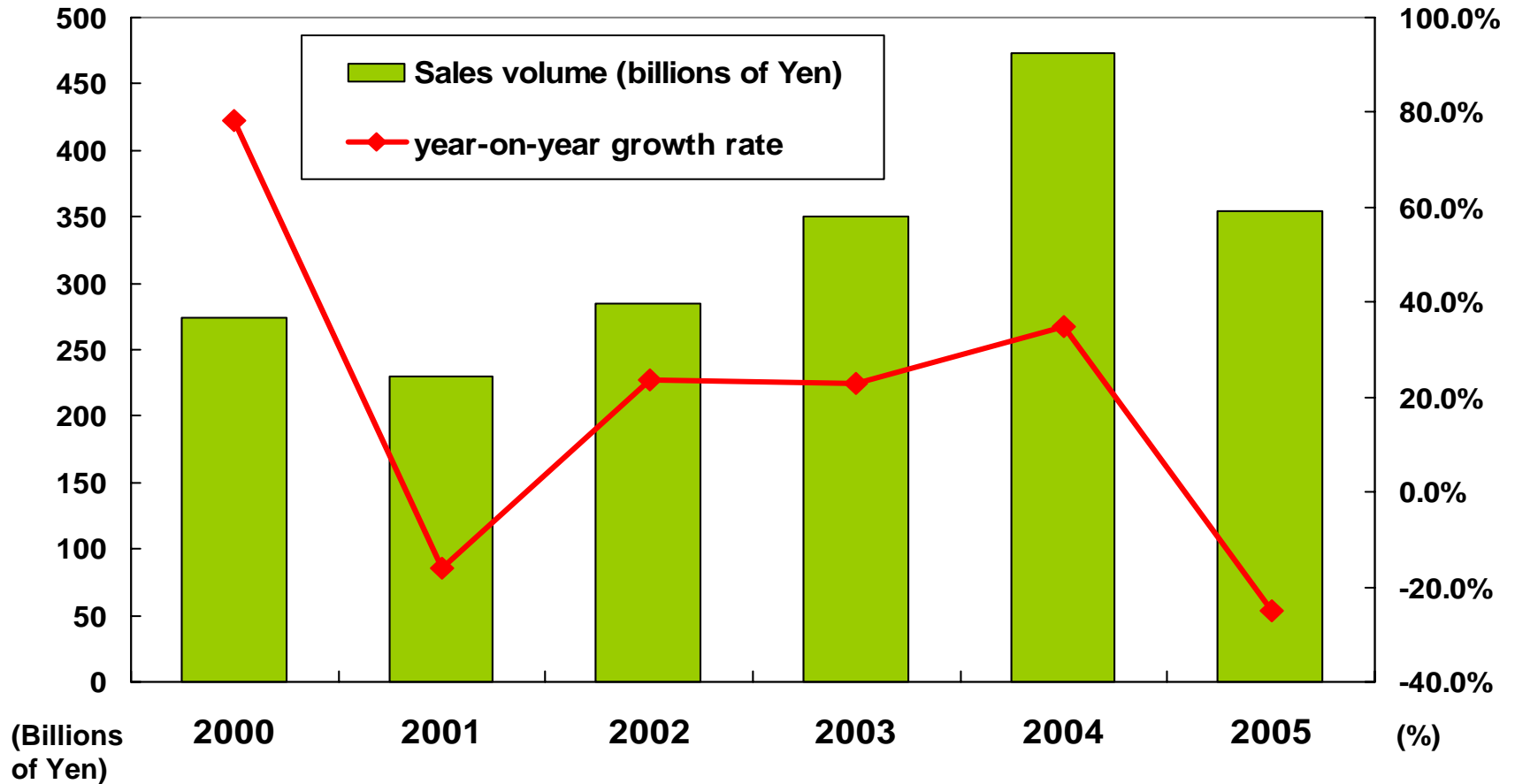
Source		2003	2004	2005
SEMI (Dec., 2003)	SPE	+8.0%	+38.6%	+18.0%
Gartner Dataquest (Jan., 2004)	Semiconductor	+11.7%	+20.1%	+17.7%
	SPE (WFE*)	+1.6%	+34.1%	+44.3%
VLSI Research (Jan., 2004)	Semiconductor	+17.9%	+32.9%	+34.8%
	SPE	+4.3%	+40.6%	+49.6%

*WFE=Wafer Fab Equipment

Quarterly Net Sales of FPD Production Equipment (Non-consolidated)



Forecast on Sales Volume of FPD Production Equipment Manufactured in Japan



Source: SEAJ Forecast Japanese Equipment Sales Volume

Our View on Semiconductor Industry in Fiscal Year 2005

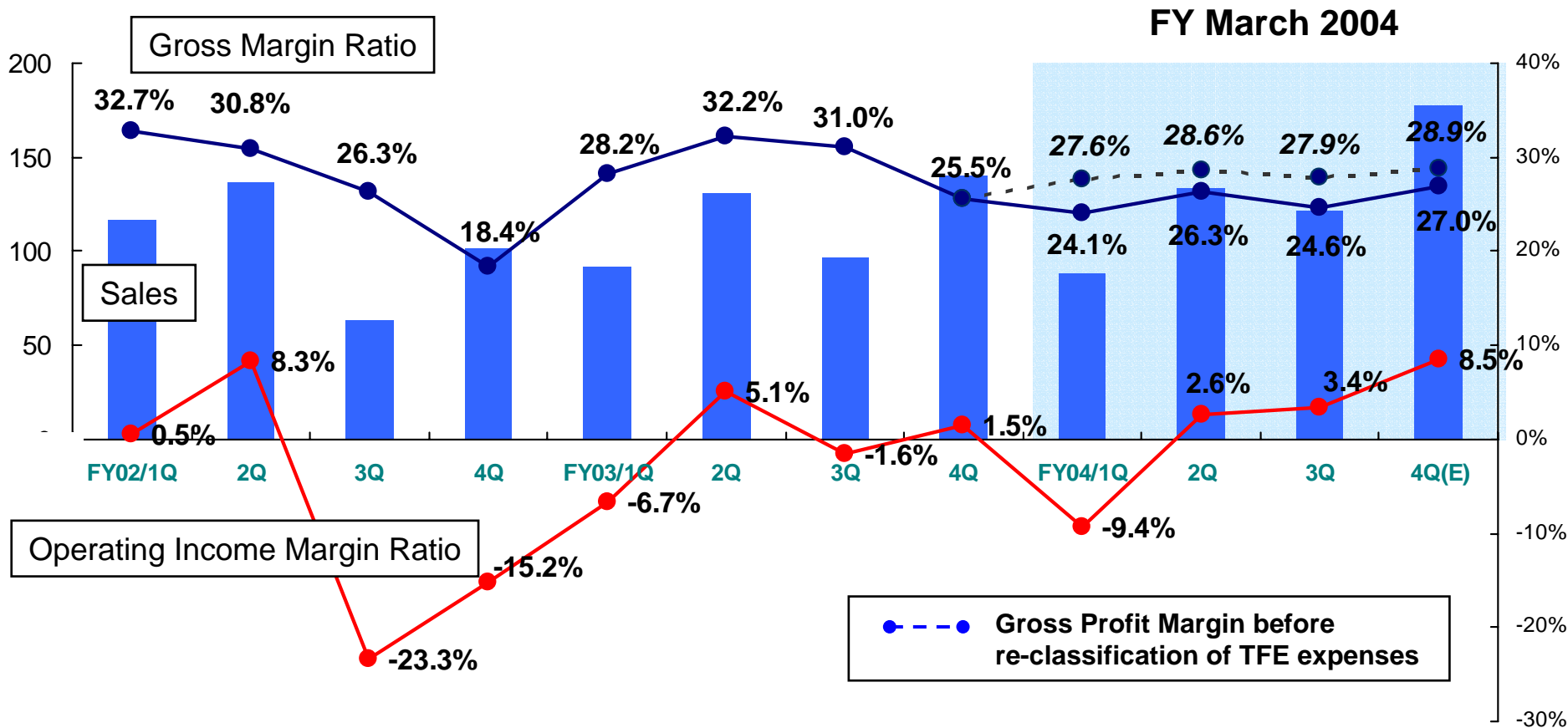
- **Continuance of investments in Japan for System LSI and digital consumer electronics**
- **Continuance of global investments for Memory**
- **Increase of Foundry makers' investments, especially in China and South East Asia**
- **Except for some, US semiconductor manufacturers as same as current fiscal year**
- **Increase of FPD investments focused on 6G**

Progress of Structural Reforms

- **Cost reduction**
 - Labor cost: 5.3billion Yen in this FY
(Estimated next FY effect = 8.2billion Yen)
 - R&D: 4.9 billion Yen
 - Effect of the consolidation and sell of low profitability division: 1.7-1.8 billion Yen
- **Inventory reduction**
 - Selling products and parts: - 13.8 billion Yen
 - Increased by sales volume: 10.5 billion Yen
- **Shortening of manufacturing lead time for major products: 2.5 - 4.0 months (Mar. 03)**
→ 2.0 - 3.5 months (Dec. 03)

Projected Quarterly Net Sales and Profits (Consolidated)

(Billions of Yen)



Summary

- **Semiconductor industry continues to be favorable in 2004**
- **TEL maintains and improves high share by strengthening competitiveness**
- **Priority issue: improvement of profit ratio**
- **Ongoing implementation of Structural Reform (Phase 2 will begin from May, 2004)**

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COMMITMENT.

TM



TEL

TOKYO ELECTRON



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.