

# Financial Estimate of FY 3/2005

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# Structural Reforms in FY 3/2004



# Structural Reforms

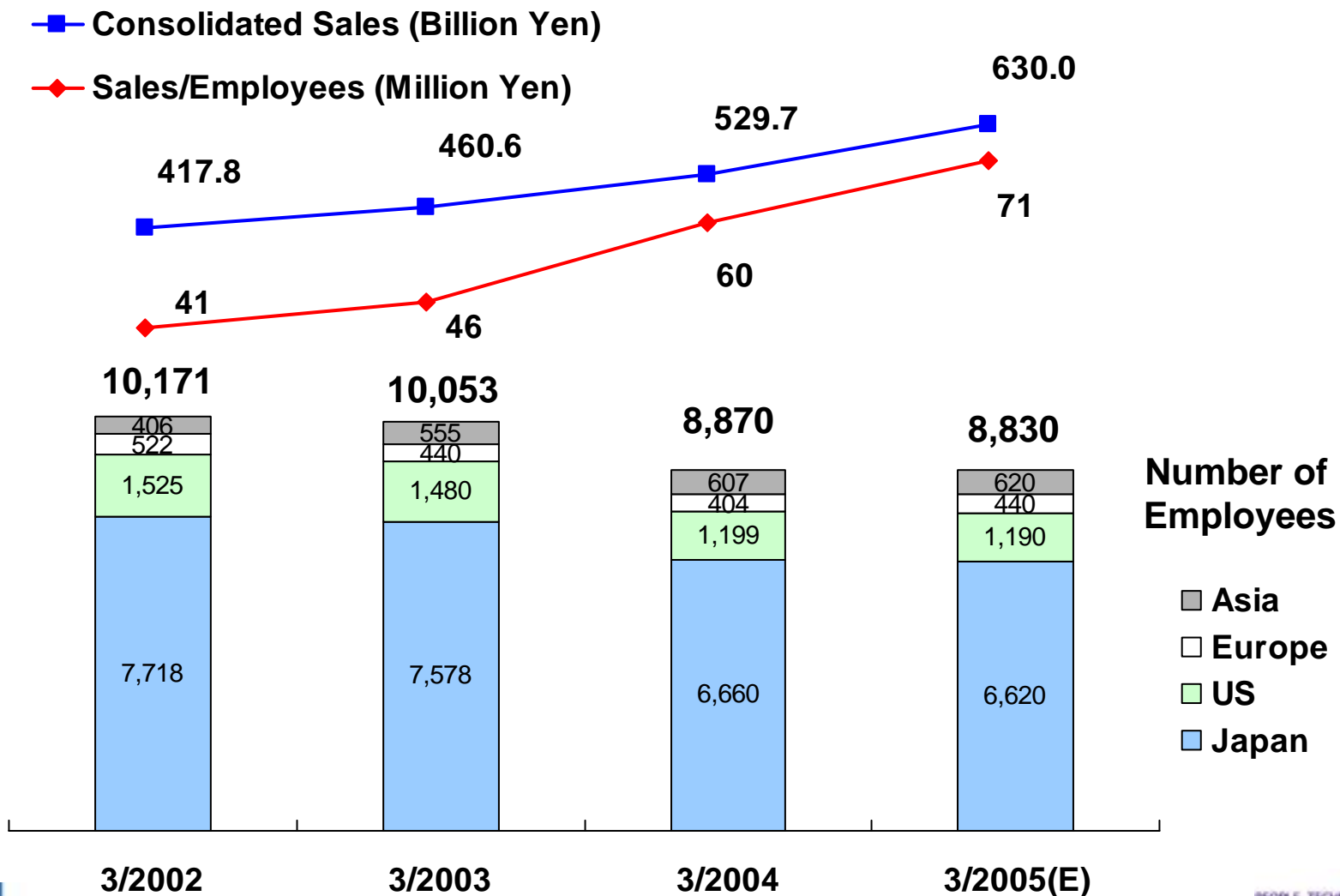
## Items which need continuous promotion

- **Production ramp up without increasing fixed costs**
- **Inventory reduction**
- **Shortening of manufacturing lead time**
- **Cost reduction**

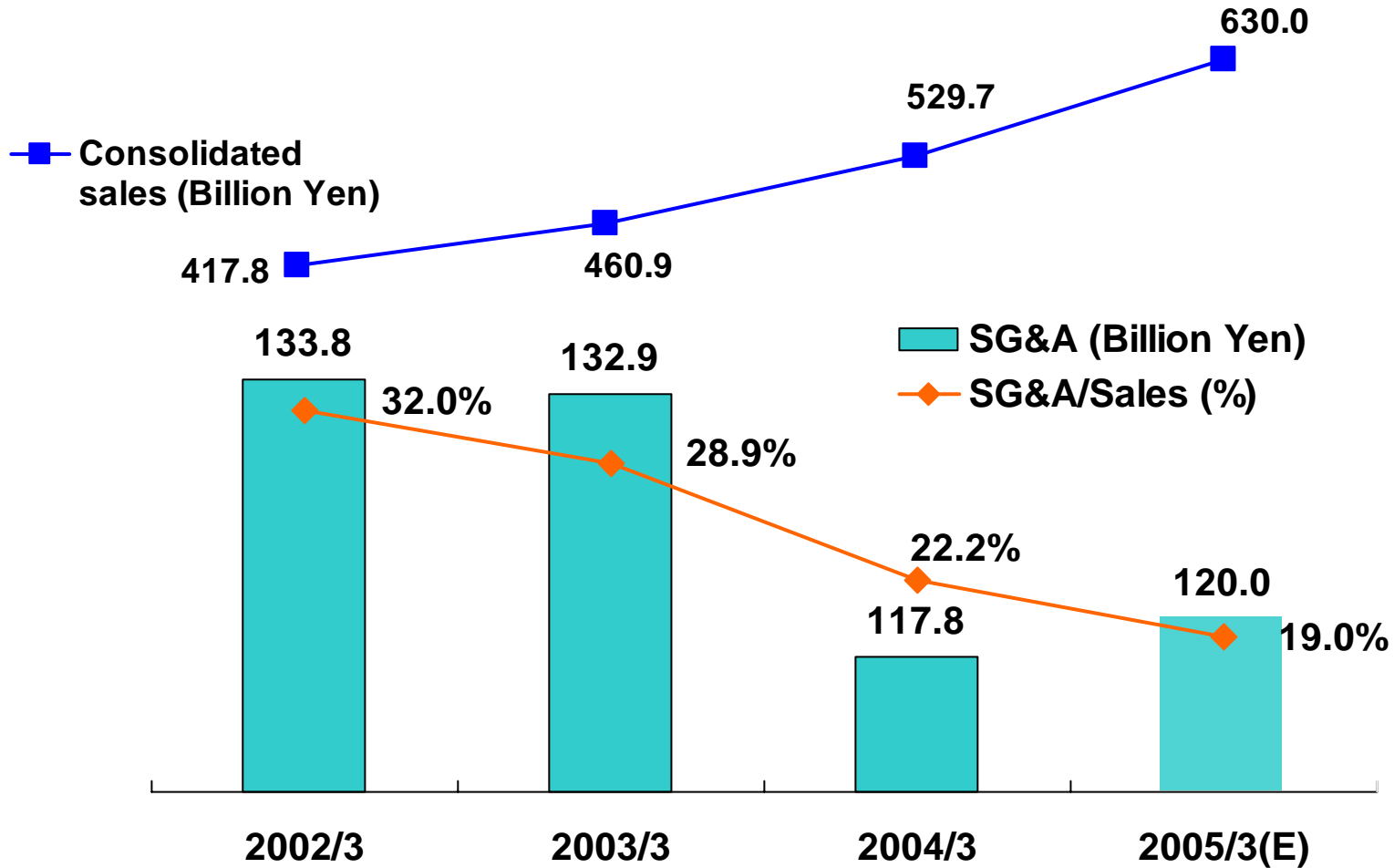
## Items concerning reducing fixed costs

- **Headcount reduction of 1,000 employees in all TEL group : 5.3 billion Yen**
- **Closing of Tokyo Electron Texas: 1.4 billion Yen**
- **Transfer of Eclipse business: 0.3 billion Yen**
- **Increasing 300mm product market shares: 3 billion Yen in 2 years**

# Improving Effectiveness per Employees

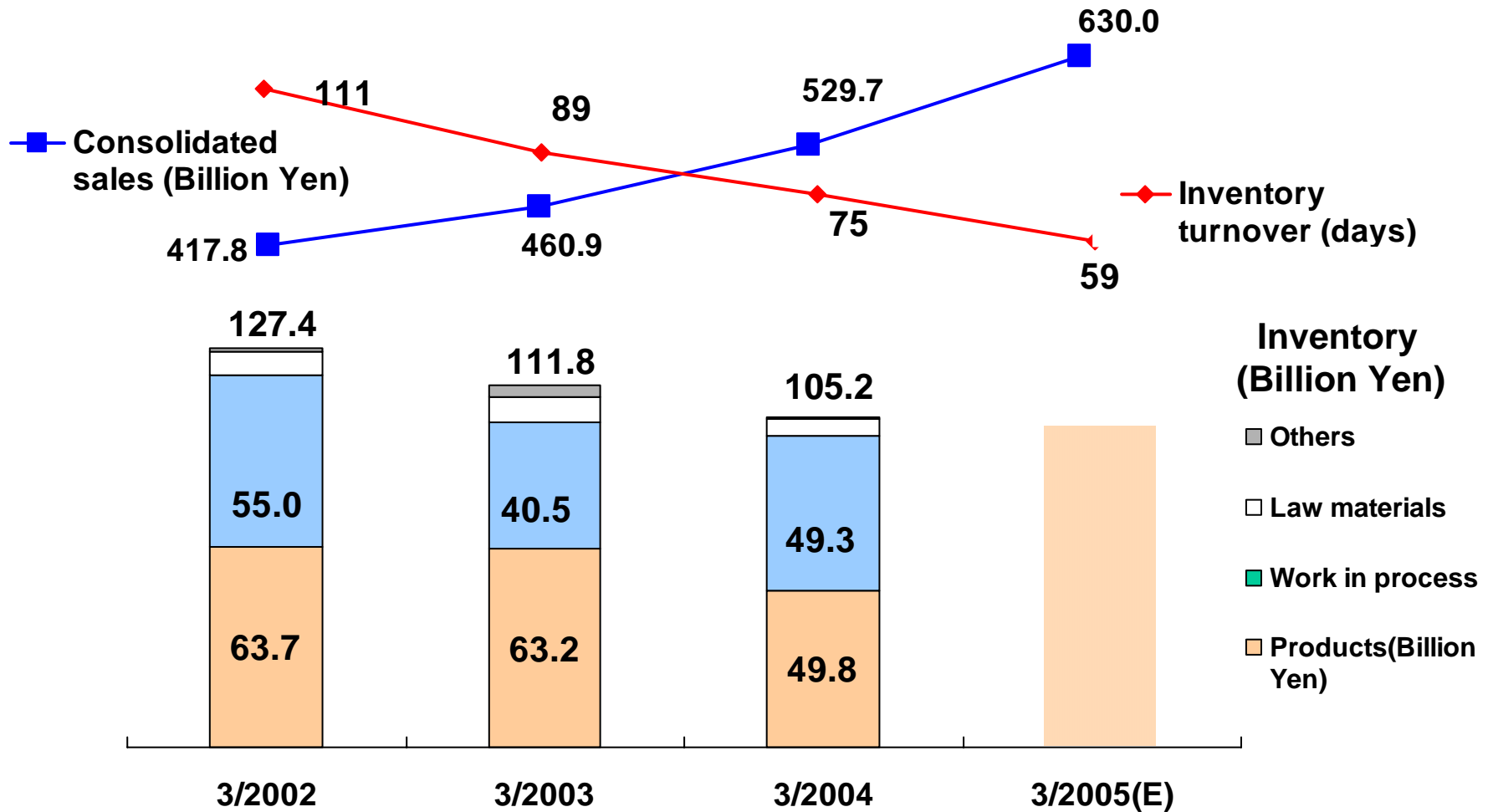


# Decrease of SG&A Ratio



Costs for field engineering, 14 billion Yen are transferred to COGS from FY 3/2004.

# Reducing Inventory



# Current Environment



# Current Business Environment

## Macro economy

Tax reduction in US, high growth of Asian market, recovery of Japanese corporate performance

## Electronics and manufacturing industry

Increase demand in PC and cell phone replacement

Firm sales of digital consumer electronics

Price appreciations of materials (metals, parts)

## Semiconductor, FPD

DRAM price appreciation, Flash demand increase,

Production increase of digital consumer electronics related devices (LCD drivers, image sensors, etc.)

Full production of FPD

# Current Business Environment

## Semiconductor production equipment

**Japan: Continuous investment for digital consumer electronics related devices and memory**

**Korea: Bullish investment for memory**

**Taiwan and China: Increase foundry investment because of high fab utilization**

**US and Europe: Increase investment for DSP and MPU**

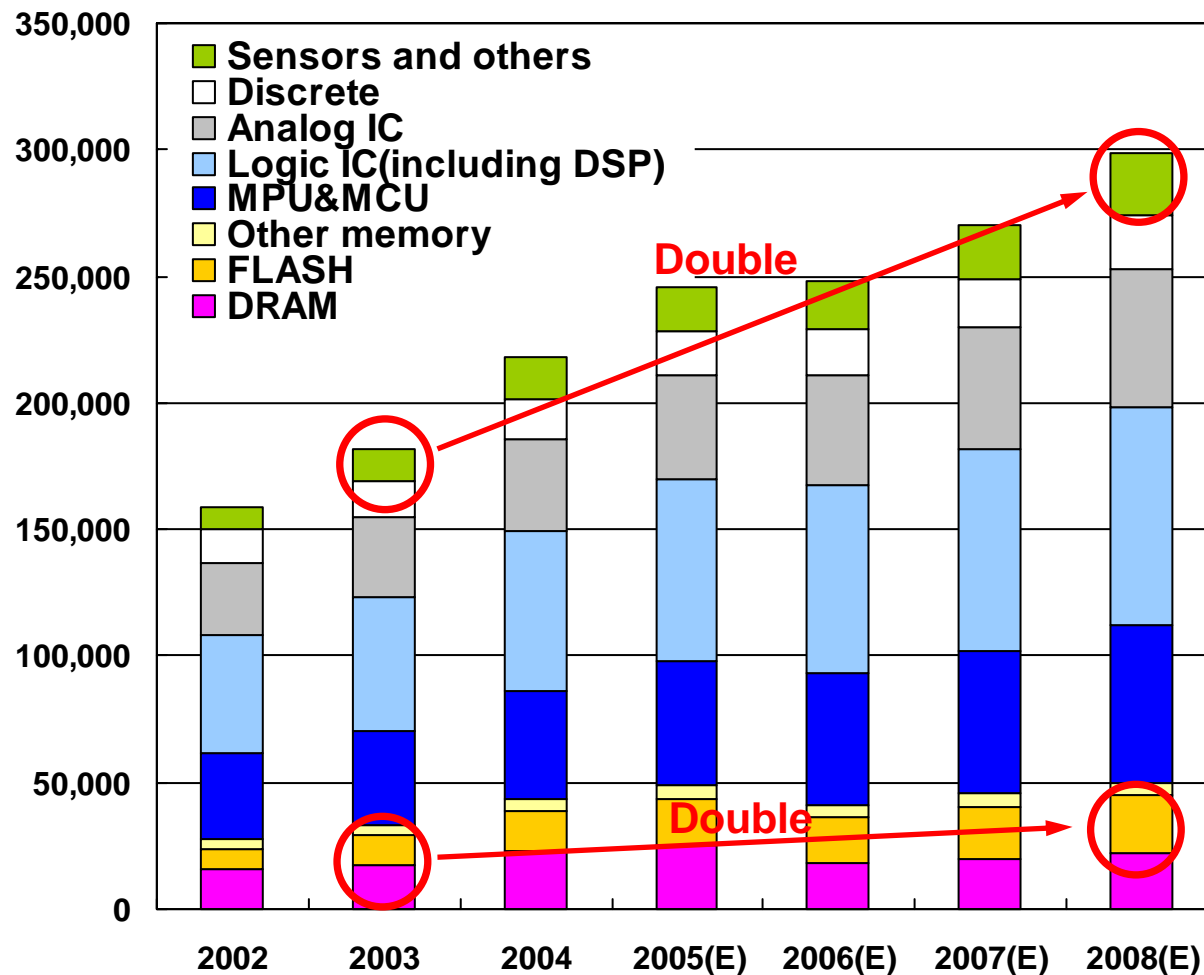
**➔ High level sales revenue until later part of FY3/2005**

## FPD production equipment

**Continuous investment for 6G equipment by panel makers**

# Semiconductor Production by Devices

(US\$ Million)



CAGR(2003-2008)

Total: 10.2%

Sensors & Actuators: 13.3%

Image sensors: 16.7%

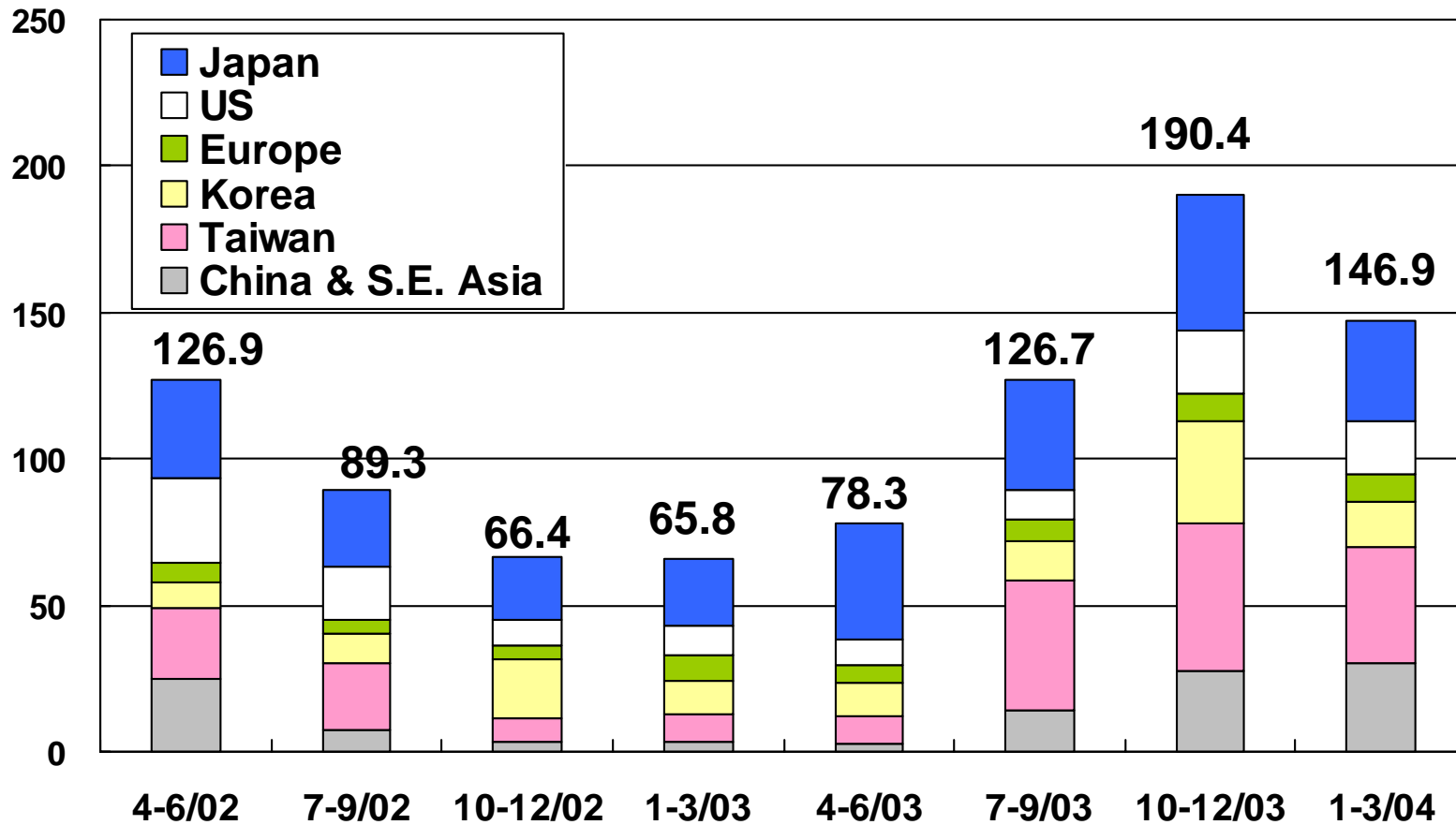
NAND Flash : 26.6%

Source: iSuppli (April, 2004)

# SPE Quarterly Order Trend

## (Net orders, Non-consolidated)

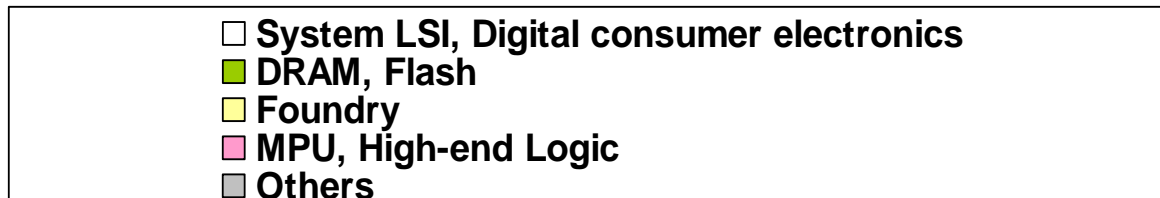
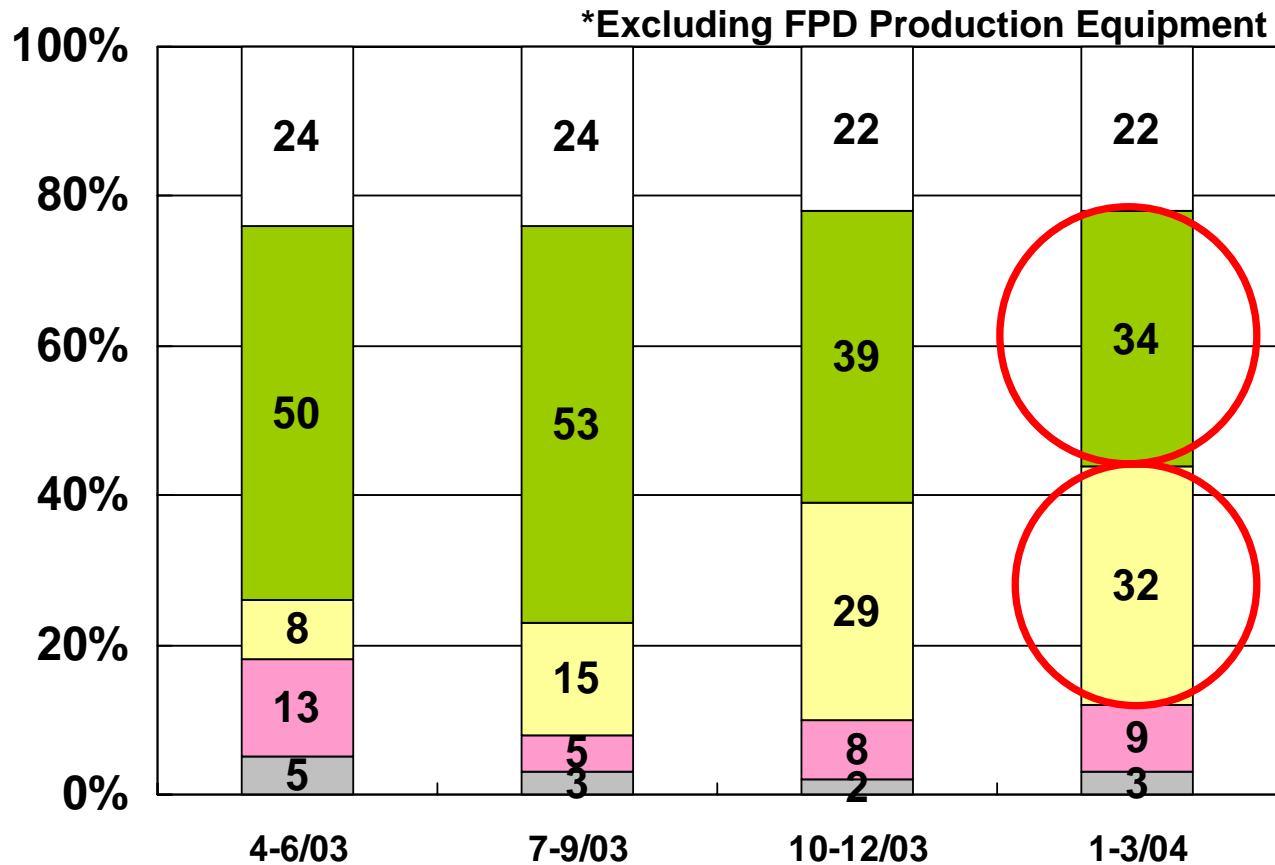
(Billions of Yen)



Orders for FPD production equipment are included.

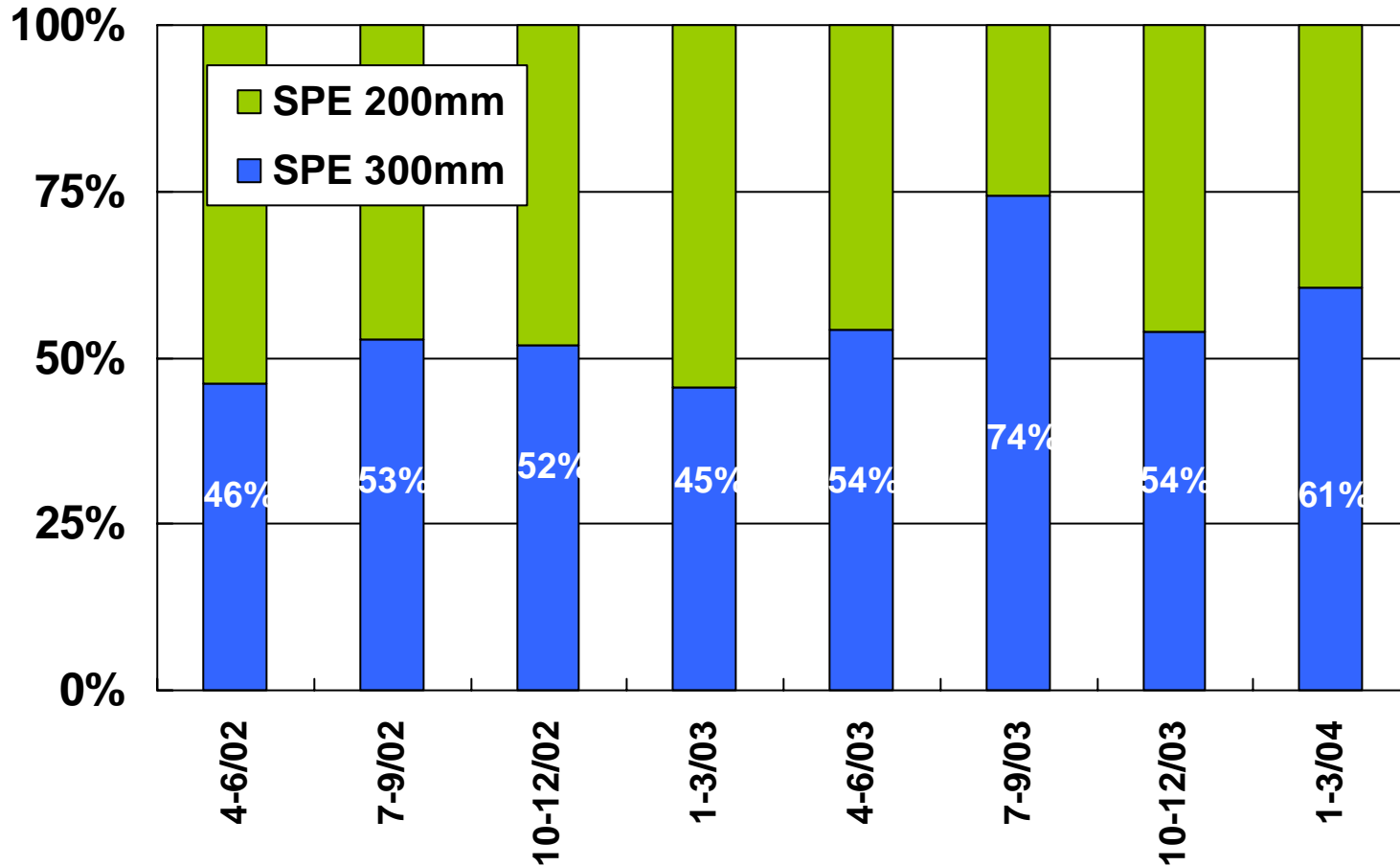
# SPE Quarterly Orders Analysis

## (by Applications, Non-consolidated)



# SPE Quarterly Orders Analysis

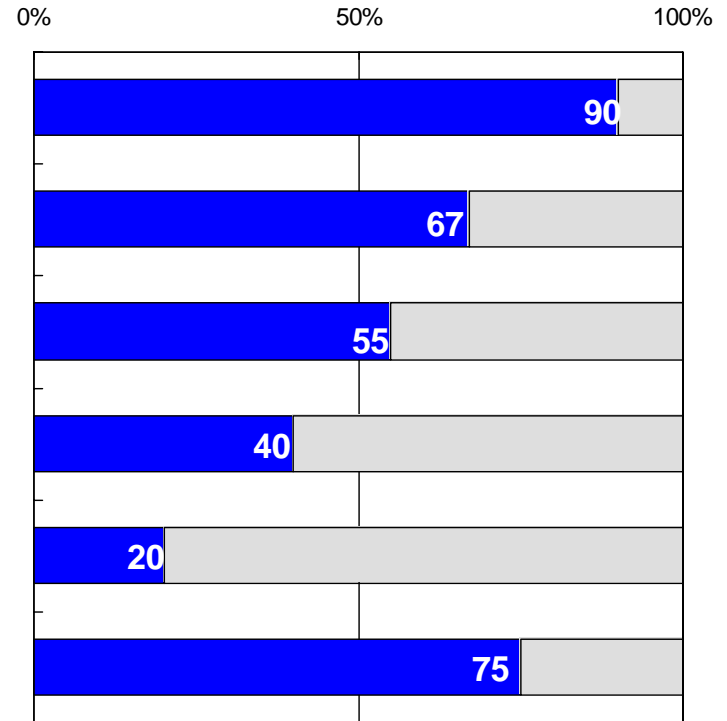
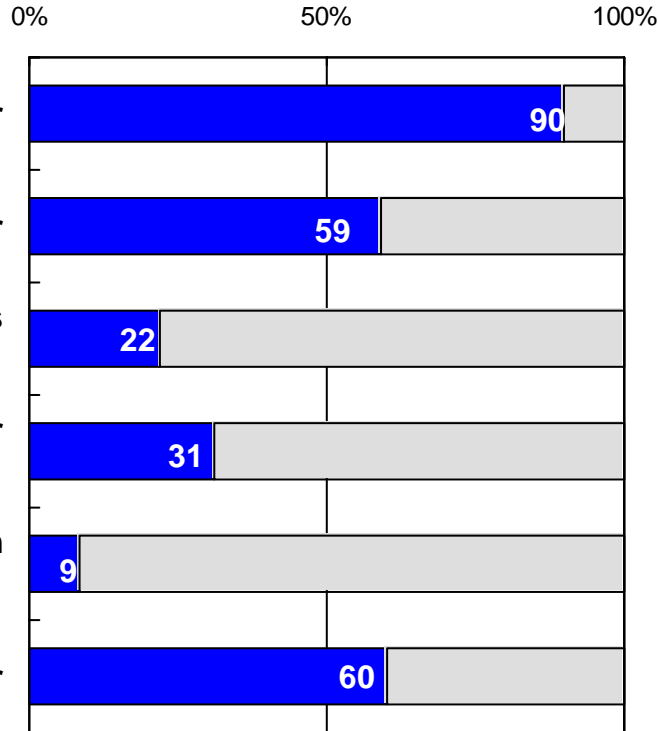
(200mm vs. 300mm, Net Orders, Non-consolidated)



# Increasing Market Shares of TEL 300mm products

**FY 3/2002**

**FY 3/2004**



TAM

\*1 Non-tube LP-CVD (Metal CVD)

\*2 Wet bench

(TEL estimate)



# FY 3/2005 Financial Estimates



# FY 3/2005 Financial Estimates

(Billions of Yen)

	FY2004 Full Year	FY2005(E)			Y/Y Change
		1H(E)	2H(E)	Full Year (E)	
<b>Net Sales</b>	529.7	310.0	320.0	630.0	+18.9%
<b>SPE</b>	425.7	220.0	220.0	440.0	+22.1%
<b>FPD</b>		36.5	43.5	80.0	
<b>CN</b>		9.0	10.0	19.0	
<b>EC</b>		44.0	46.0	90.0	
<b>Others</b>		0.5	0.5	1.0	
<b>Operating Income</b>	22.3 (4.2%)	27.0 (8.7%)	31.0 (9.7%)	58.0 (9.2%)	+35.7 bil. Yen
<b>Ordinary Income</b>	21.2 (4.0%)	28.0 (9.0%)	32.0 (10.0%)	60.0 (9.5%)	+38.8 bil. Yen
<b>EBIT</b>	14.9 (2.8%)	28.0 (9.0%)	32.0 (10.0%)	60.0 (9.5%)	+45.1 bil. Yen
<b>Net Income</b>	8.3 (1.6%)	24.0 (7.7%)	28.0 (8.8%)	52.0 (8.3%)	+43.7 bil. yen

From FY2005, sales of FPD production equipment are separately stated on a consolidated basis.



# Net Sales & Profit Ratio

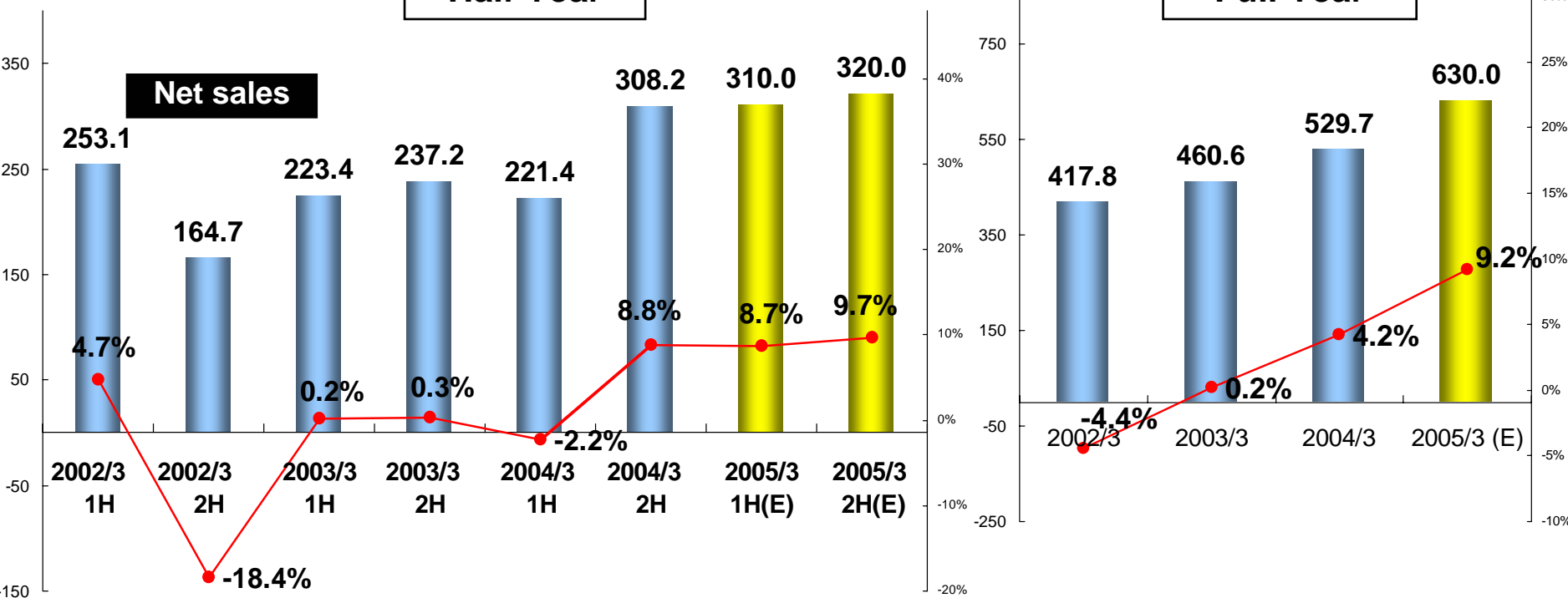
(Billions of Yen)

Half Year

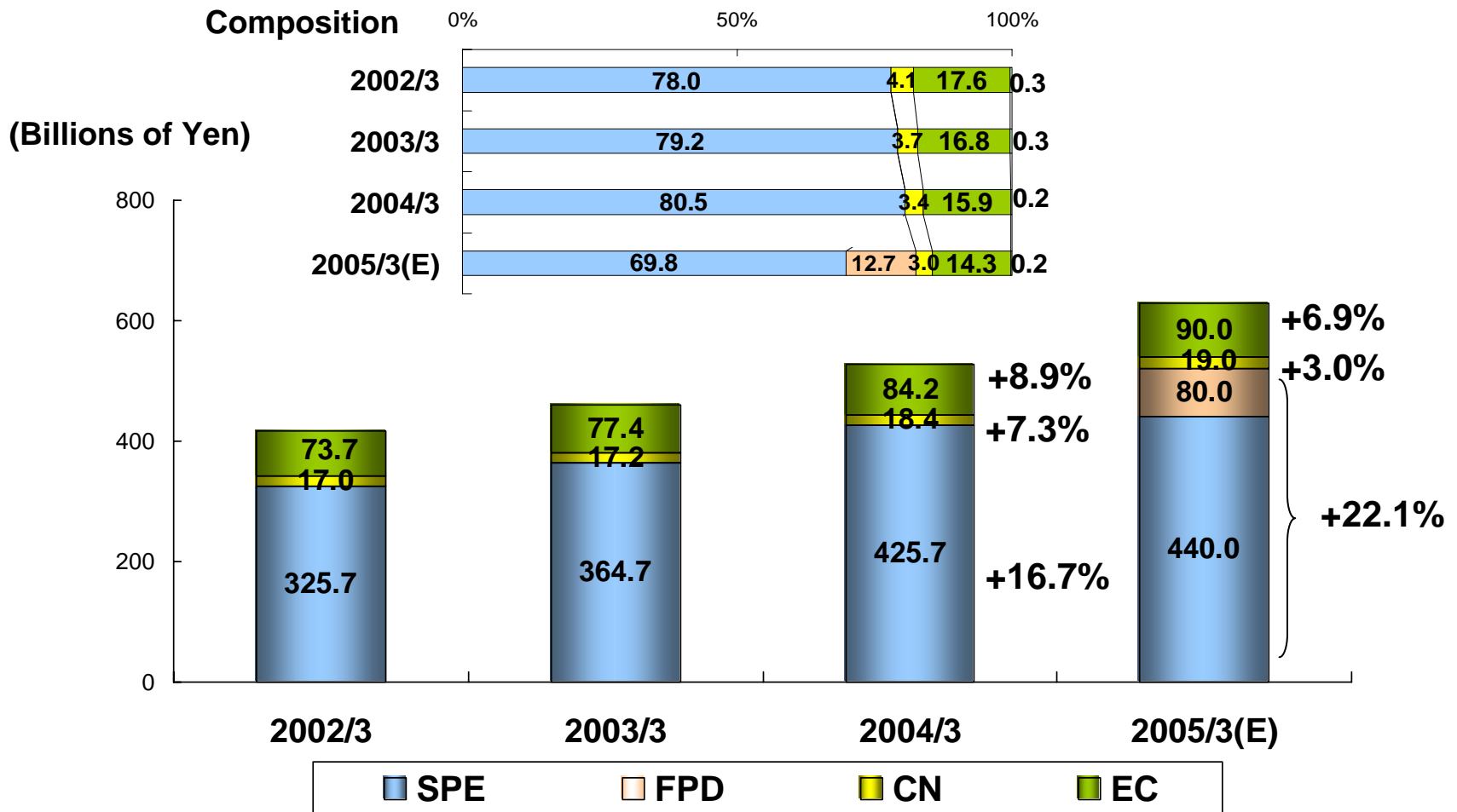
Full Year

Net sales

Operating income margin

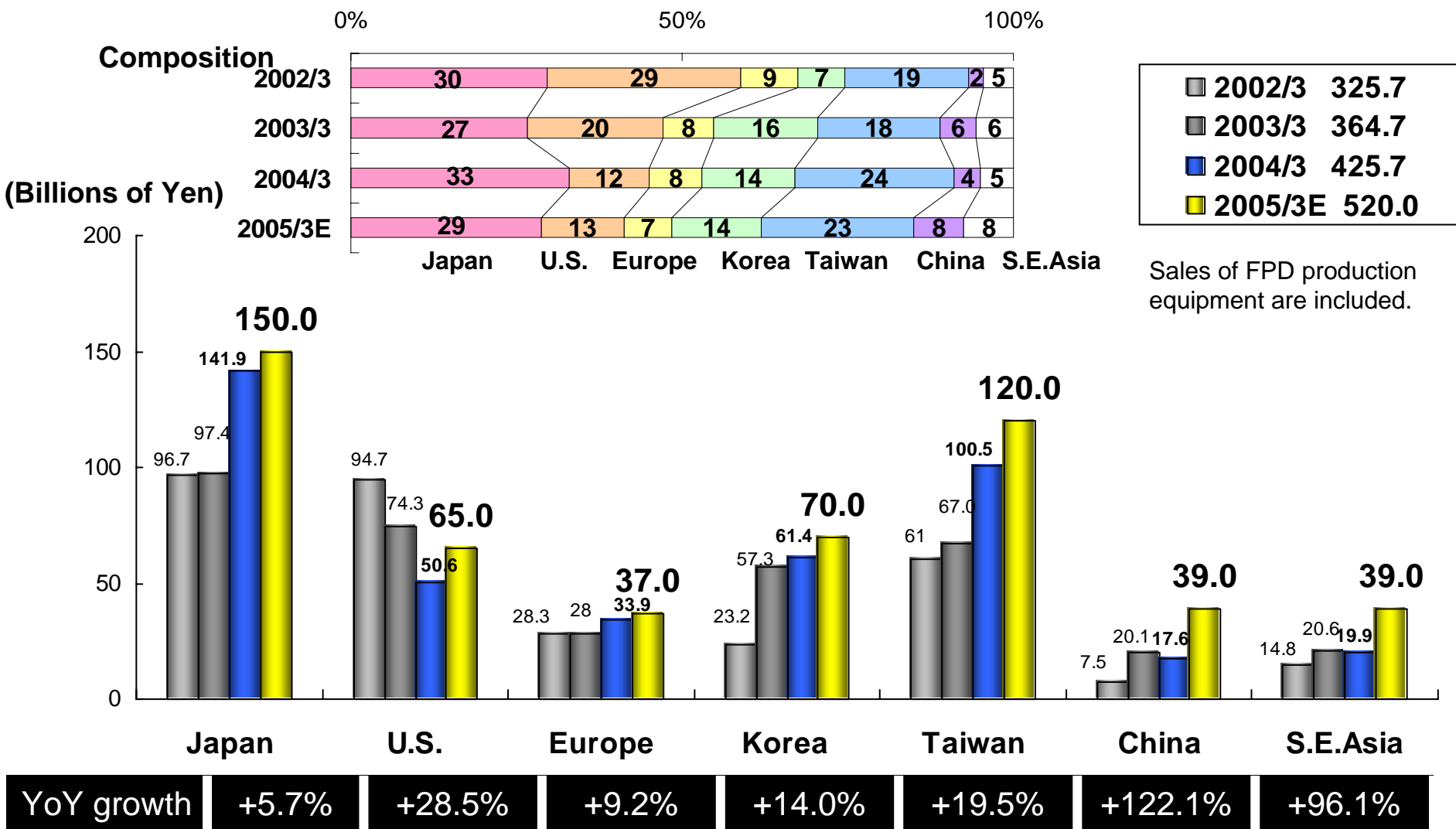


# Projected Net Sales by Division

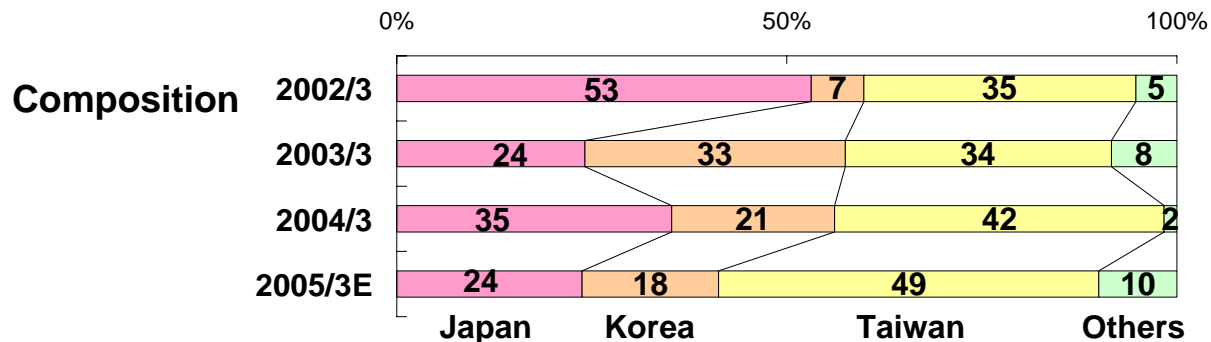


- From FY2005, sales of FPD production equipment are separately stated on a consolidated basis.
- Other sales for 2004/3: 1.2 Billion yen, 2005/3(E): 1.0 billion yen

# Projected SPE Sales by Region

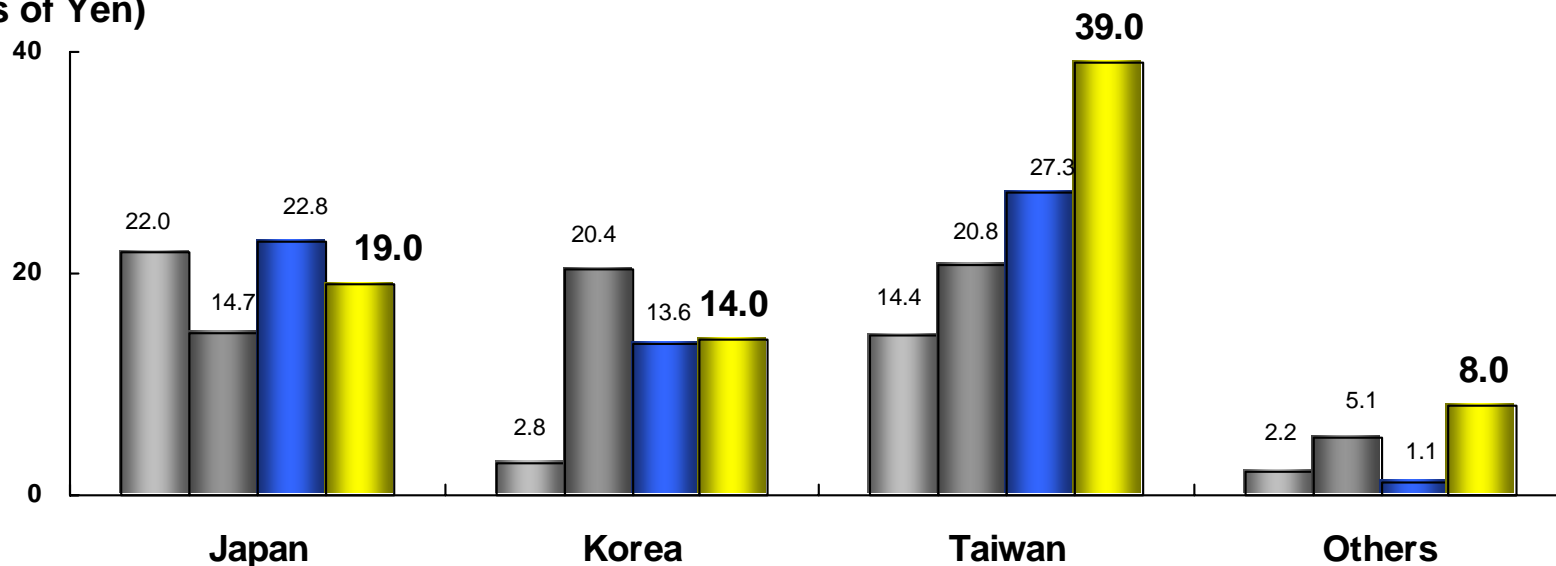


# FPD Production Equipment Sales



2002/3	41.4
2003/3	61.0
2004/3	64.8
2005/3E	80.0

(Billions of Yen)



YoY Growth

-16.7%

+2.9%

+42.9%

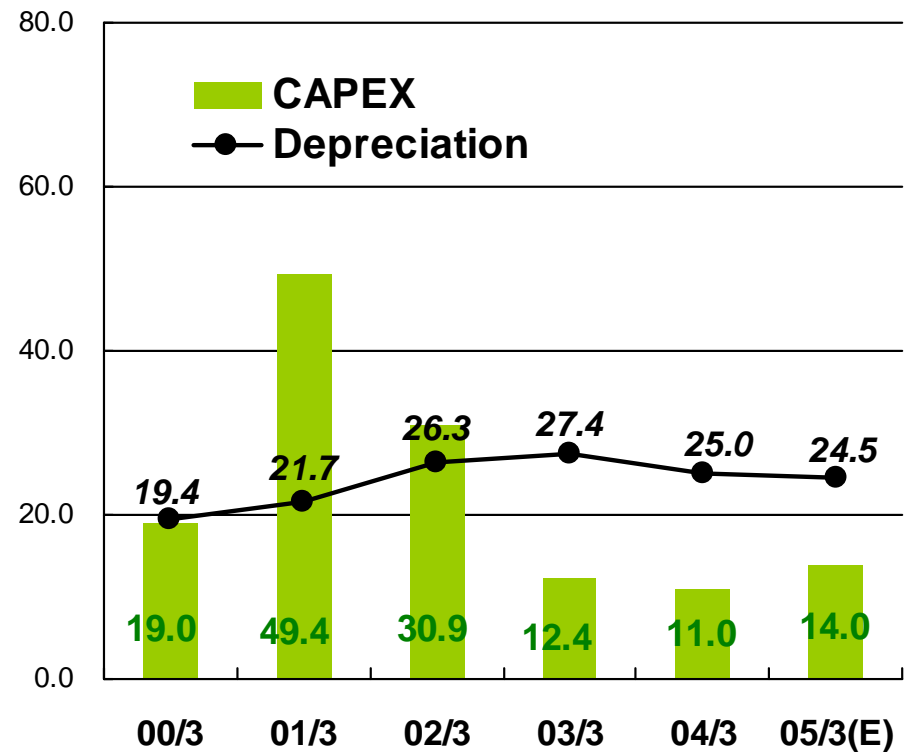
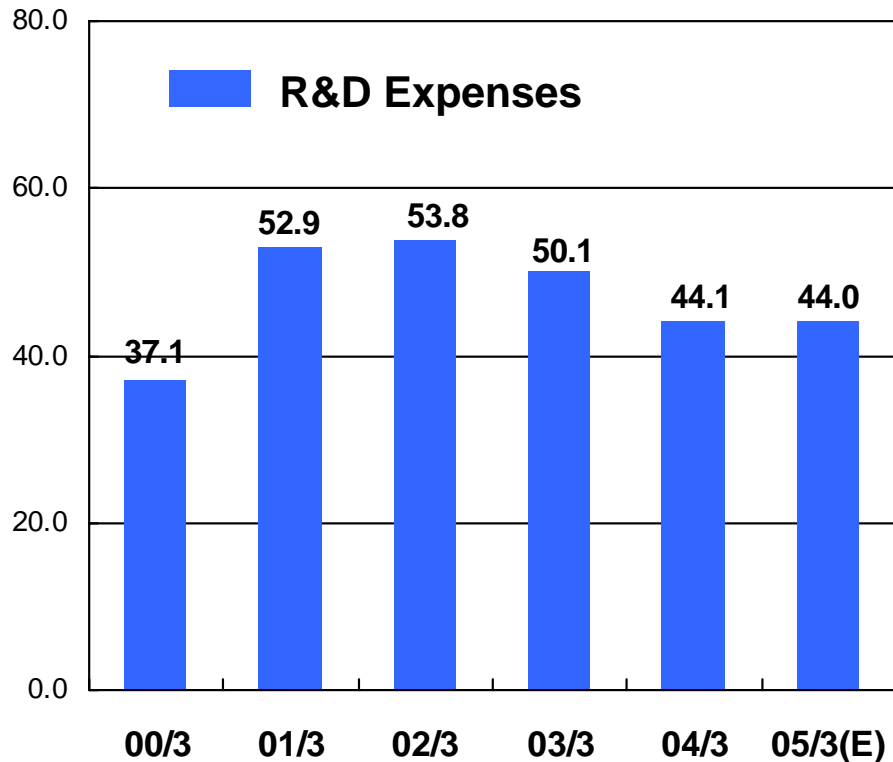
+627.3%

● The results are on a non-consolidates basis and the forecast for FY2005 is on a consolidated basis.



# Projected R&D Expenses and Capital Expenditures

(Billions of Yen)



# Example of New Equipment

- **New application of TELFORMULA and SPA**
- **Integrated metrology tools (Timbre)**
- **Spin on deposition system (ACT, Ectus)**
- **Coater/Developer for mask production (ACT-M)**
- **FPD spin-less Coater/Developer**
- **New batch cleaning equipment**
- **Expansion of product lineup by strategic partnership (iStar: Ion implanter, eScan: EB defect inspection system)**

# Summary

- **Business environment of this fiscal year is expanding, low possibility of big down turn**
- **Profit ratio is recovering by the effect of structural reforms**
- **High level of TEL market shares are maintained (especially in 300mm equipment)**
- **Launching new products to the market**
- **Enhancement of higher value-added service and promotion of used equipment and modification business seeking further customer satisfaction**

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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.**