

# Business Environment and TEL's Policy

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# How We Observe the Markets

## Short Term (2003)

## Mid-to-long Term

### ❖ End products



- Stagnancy continues on in PC and Cell phone
- Consumer electronics are in good demand

- PC market will recover by replacement demand, but low growth rate
- Variety of digital consumer electronics will emerge

### ❖ LSI chips



- Production of CCD and LCD drivers is bullish
- Production of DRAM tends to glow

- Chips for digital consumer products and automobiles will grow
- CAGR approx. 10%

### ❖ Chip manufacturing equipment



- Almost flat on a YoY basis
- Recovery will be seen from the latter half of the FY

- Recovery will start CY2004 (CAGR approx. 10-30%)
- CAGR approx. 10% toward 2010

# Some Bright Signs Seen in the Chip Market

- ❖ Investments for DRAM capacities are expected to be vital late this year and next year.
- ❖ Investments of Japanese chipmakers, especially those for consumer LSIs, are expected to be active this year and the next.
- ❖ Utilization rate at foundries' high-end lines have already surpassed 90%. It won't take long before the investments are resumed.
- ❖ Yield for 130nm processes on 300mm wafers looks improving.

## TEL's view for business environment

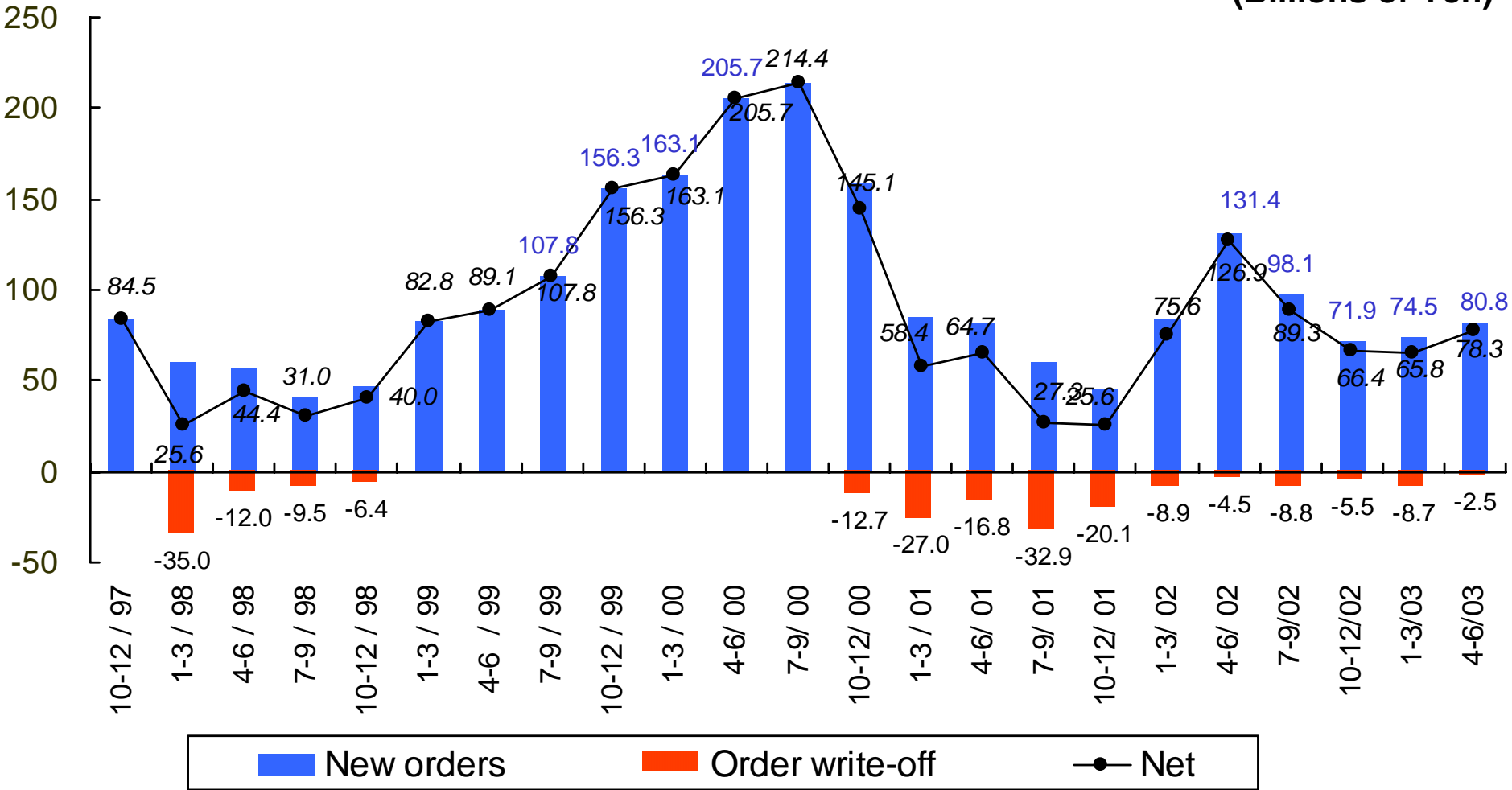
**Semiconductor business tends to recover toward CY 2004,  
but necessary to watch related markets carefully**



# SPE Quarterly Order Trend

## Non-consolidated Basis

(Billions of Yen)



Orders for FPD production equipment are included.



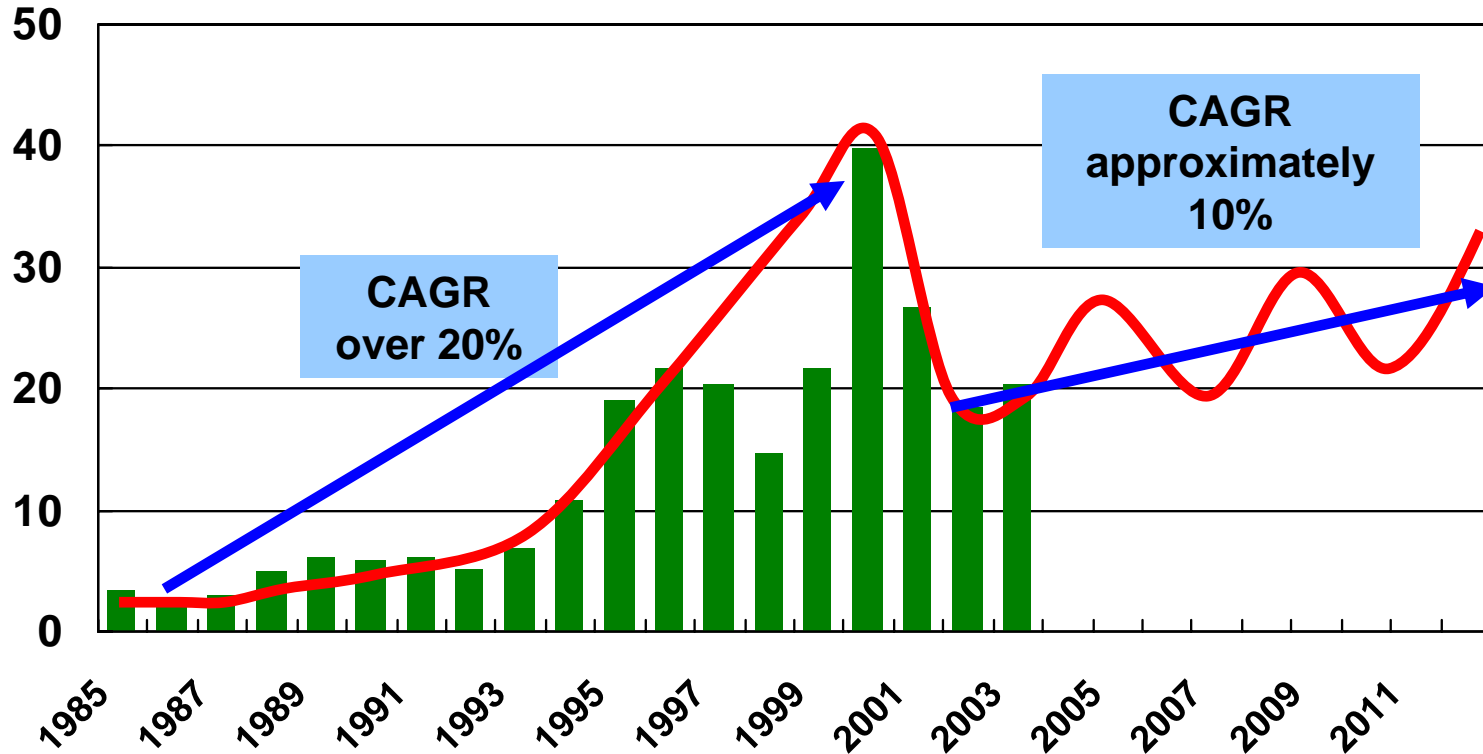
**TOKYO ELECTRON**

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# Projection of Worldwide Semiconductor CAPEX

(\$ Billion)



Dataquest (April 2003)

# TEL Basic Policy

## 1. Continuous execution of structural reform

Pursuance of operational efficiency and quick operation  
Pursuance of cost reduction

## 2. Promotion of business expansion

To become the market leader in SPE industry  
Aim for sales growth exceeding market growth rate

# Present Situation of Structural Reform (1)

**i. Headcount reduction: 1,060 people (as of 3/31/2004)**

**(Domestic: 858, Overseas: 202)**

 **Contribution to reduction of personnel cost:  
5.3 billion Yen (FY3/2004 full year)**

**ii. Transfer of Eclipse business**

**Transfer Eclipse PVD Line to Metron Technology N.V.  
(Details will be fixed within August, 2003)**

**iii. Suspension of R&D activities in Tokyo Electron Texas**

**Concentration of US R&D functions to Albany Nanotech Project**

# Present Situation of Structural Reform (2)

## i. Reorganization of group companies

**Combination of Tokyo Electron AT and Tokyo Electron Tohoku  
Consolidation of three service related subsidiaries**

## ii. Shortening of production lead time

**Target of this FY : Shorten to three months for main products**

## iii. Improvement of cash flow

**Target toward FY3/2005: Shorten receivables & inventory  
turnover period by 30%**

## iv. Shortening of R&D lead time

**Target of this FY : Shorten development term by 30%  
for ongoing project**



# Basic Product Strategies

## i. Expansion of product line up

Expansion of product line up for BEOL applications by utilizing technologies developed by TEL, consortia and the alliance with other suppliers

## ii. Review of existing products

- Improvement on profitability by introduction of new model
- Review of unprofitable products

 Pursuance of profit growth and business expansion

# Summary

**Premise : Approximately 10% growth of SPE market**

- **Construction of business structure which can generate profits even in the current market**
- **Fulfillment of business expansion by launching new products into the market**

 **To seek further improvement of enterprise and shareholders value**

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COMMITMENT.<sup>TM</sup>

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.