

# Current Business Environment

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**President & CEO**

**November 11, 2004**



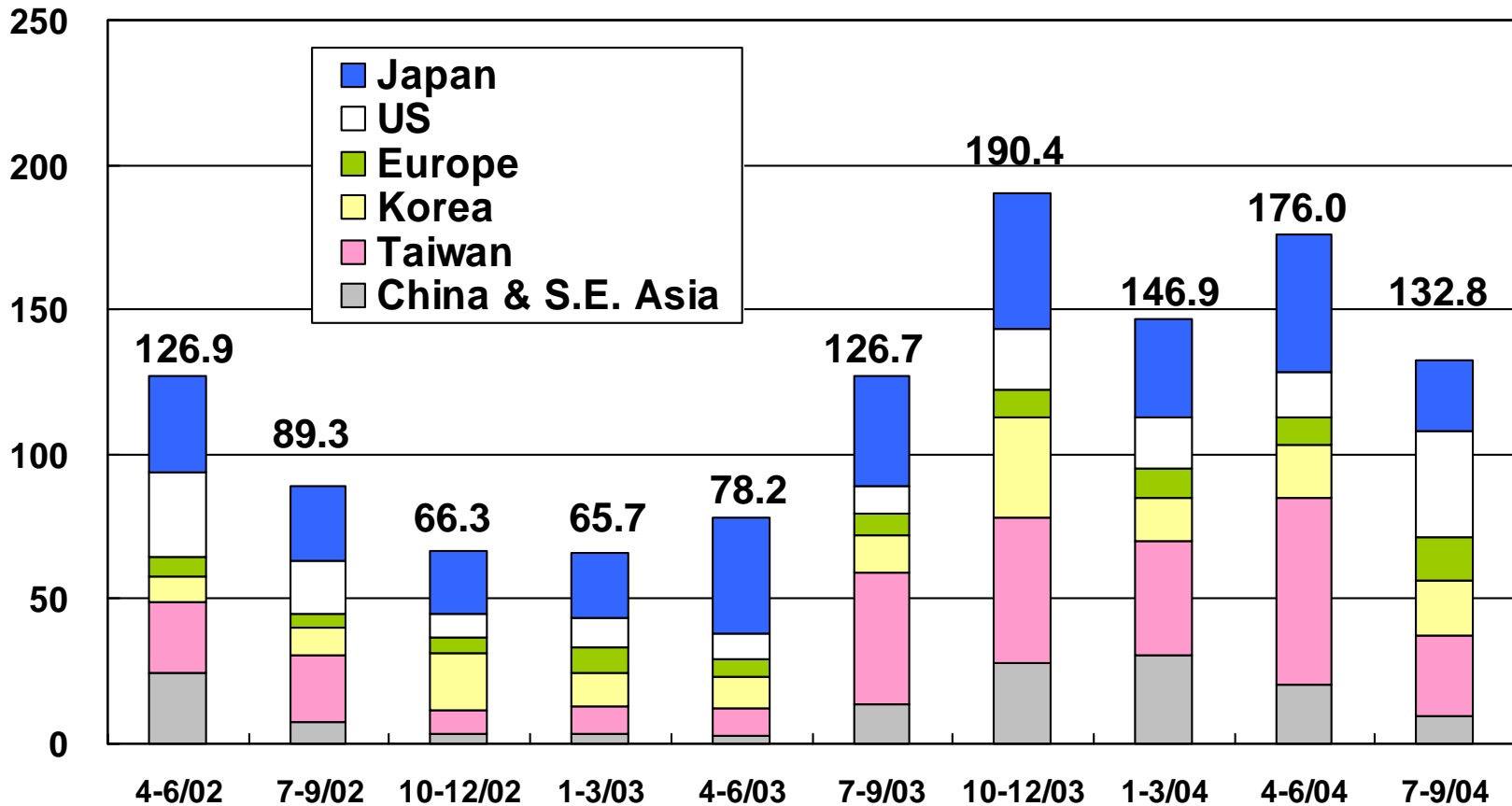
# Today's Message

- **SPE market will enter adjustment period from 1H 2005**
- **TEL is preparing for further growth**
  - ✓ **Improve profitability and reduce debt**
  - ✓ **Strengthen our financial status by adopting new accounting policies**
  - ✓ **Develop next generation technologies strategically**
- **We will set next growth strategy**

# SPE Quarterly Order Trend

## (Net orders, Non-consolidated)

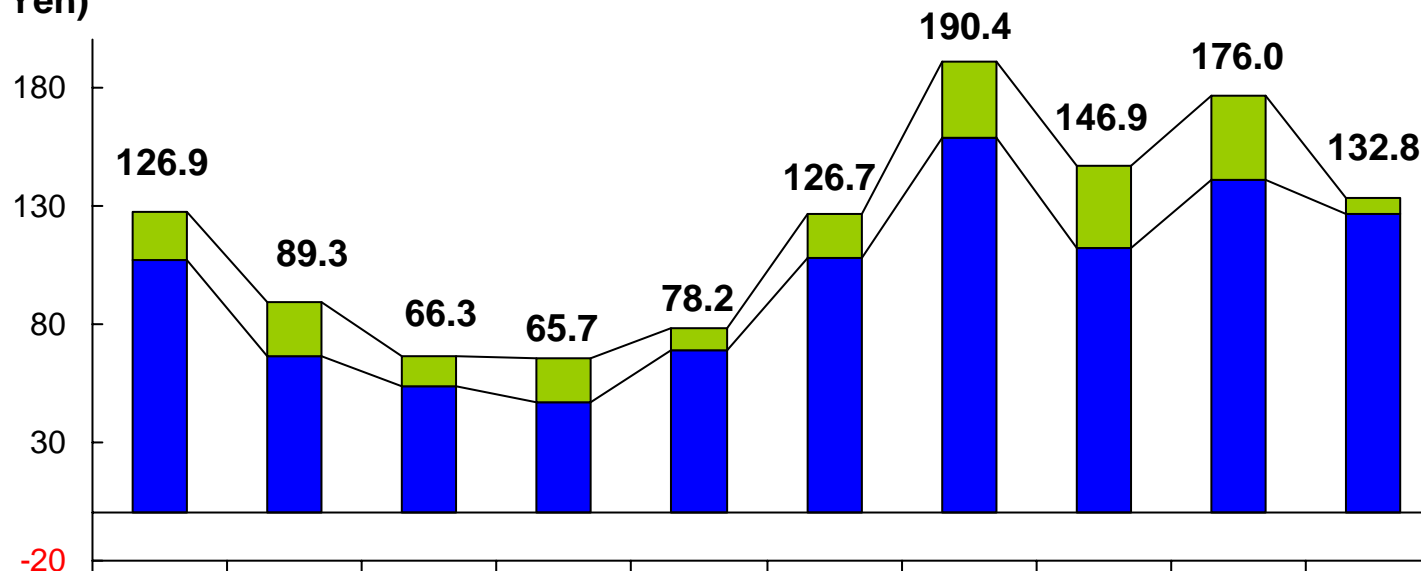
(Billions of Yen)



# Quarterly SPE+FPD Order

Net, Non-consolidated Basis

(Billions of Yen)

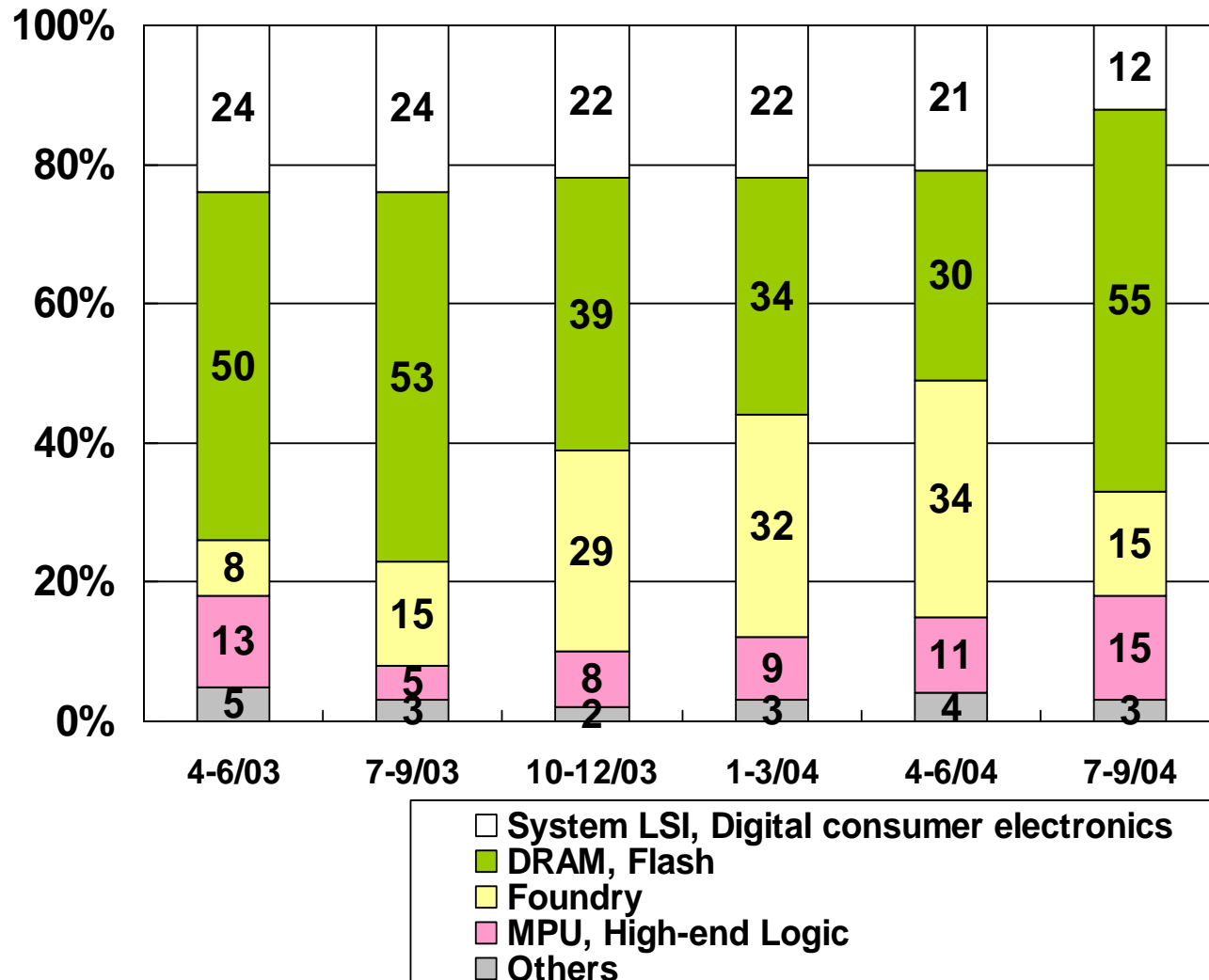


	2002/ 4-6	2002/ 7-9	2002/ 10-12	2003/ 1-3	2003/ 4-6	2003/ 7-9	2003/ 10-12	2004/ 1-3	2004/ 4-6	2004/ 7-9
■ FPD Production Equipment	19.9	22.8	13.0	19.2	9.3	19.2	31.6	34.7	34.9	6.0
■ Semiconductor Production Equipment	107.0	66.4	53.2	46.5	68.8	107.5	158.7	112.1	141.0	126.8



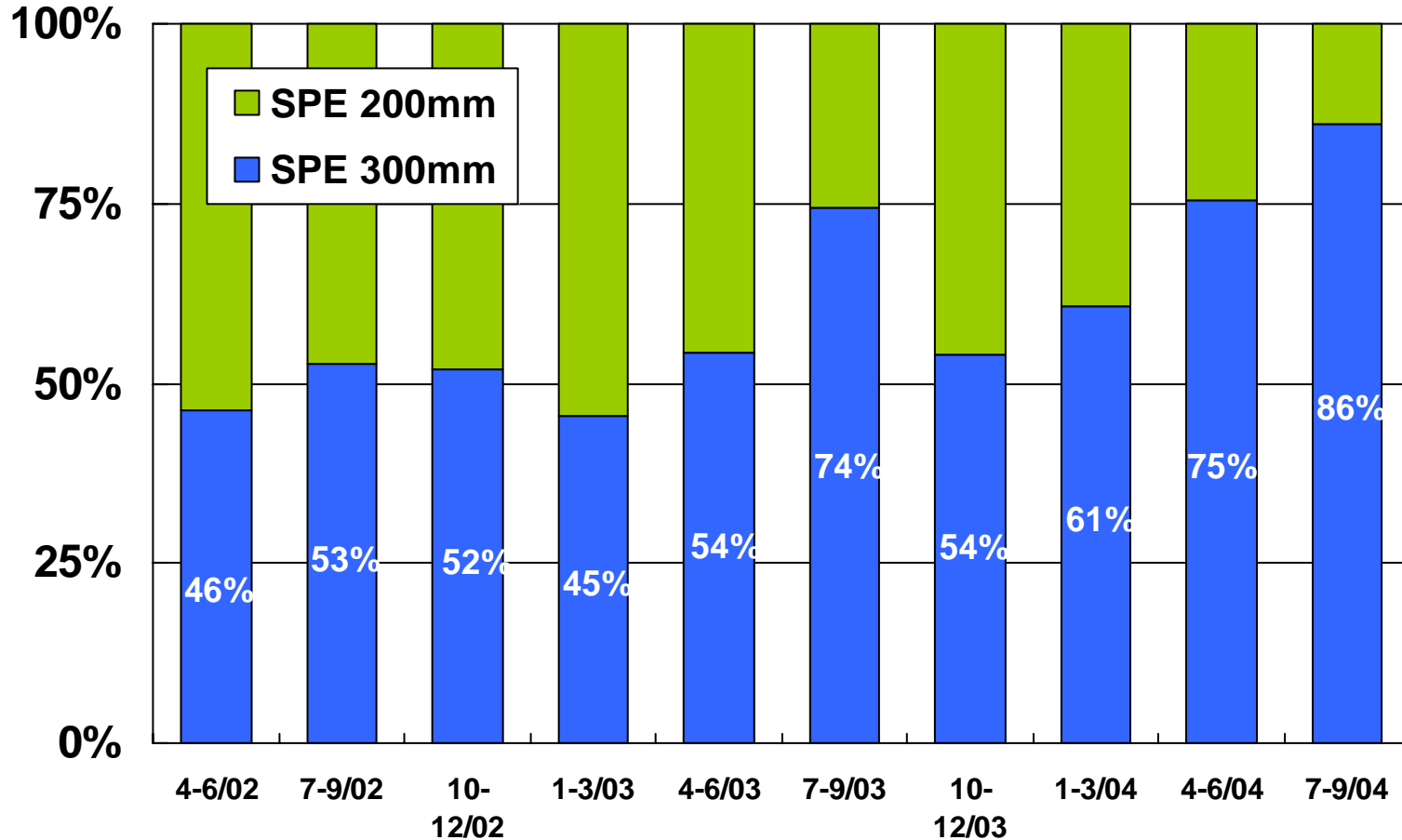
# SPE Quarterly Orders Analysis

## (by Applications, Non-consolidated)



# SPE Quarterly Orders Analysis

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



# Regional Investment Status

## Semiconductor Production Equipment

<b>Japan</b>	<b>Generally slowing down Device manufacturers is investing for their own strategic products First phase 300mm investment will be carried out</b>
<b>US/Europe</b>	<b>Investment for MPU will increase slightly Steady investment for DRAM</b>
<b>Taiwan</b>	<b>Foundries becoming cautious because of decline of their capacity utilization Bullish investment for DRAM</b>
<b>Korea</b>	<b>Maintaining strategic investment for DRAM, Flash and SOC</b>
<b>Other</b>	<b>China is steady but Southeast Asia entered adjustment</b>

## FPD Production Equipment

**Pushed out and shrinking a part of investment for large glass substrate equipment for LCD TV**



# Toward Adjustment Period and Further Growth

- **Implementing structural reforms phase 2**

**<Priority >**

**Further improvement of our products quality**

- **Developing new technology and new products**
- **Improving profitability of existing products**
- **Managing proper fix cost level**

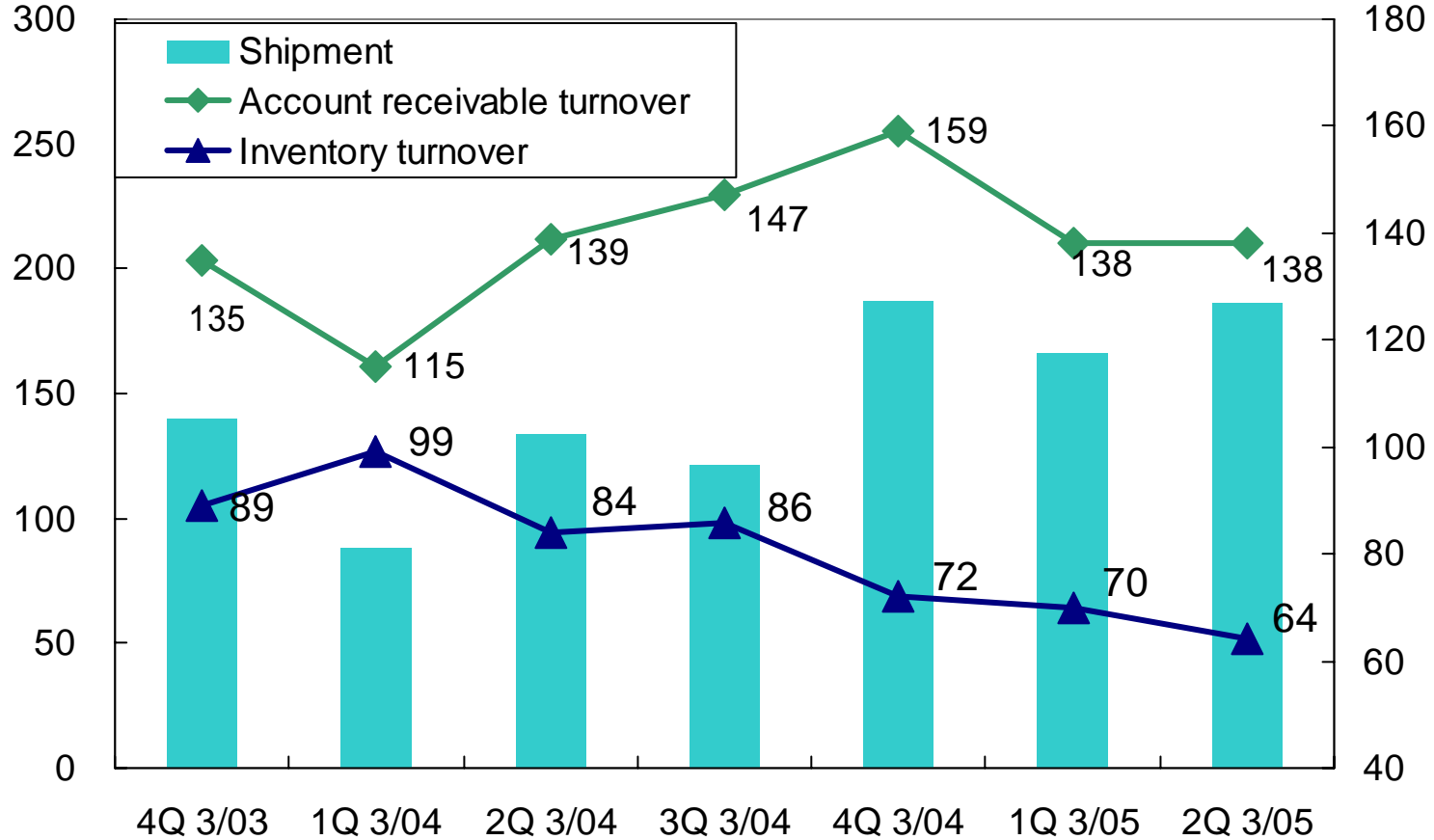
# Achievement of Structural Reforms

Shipment

## Quarterly TEL total Shipment and Account receivable turnover, Inventory turnover

(Billions of Yen)

Turnover (Days)



Turnover period = Account receivable or Inventories at fiscal year-end / Net Sales x 365

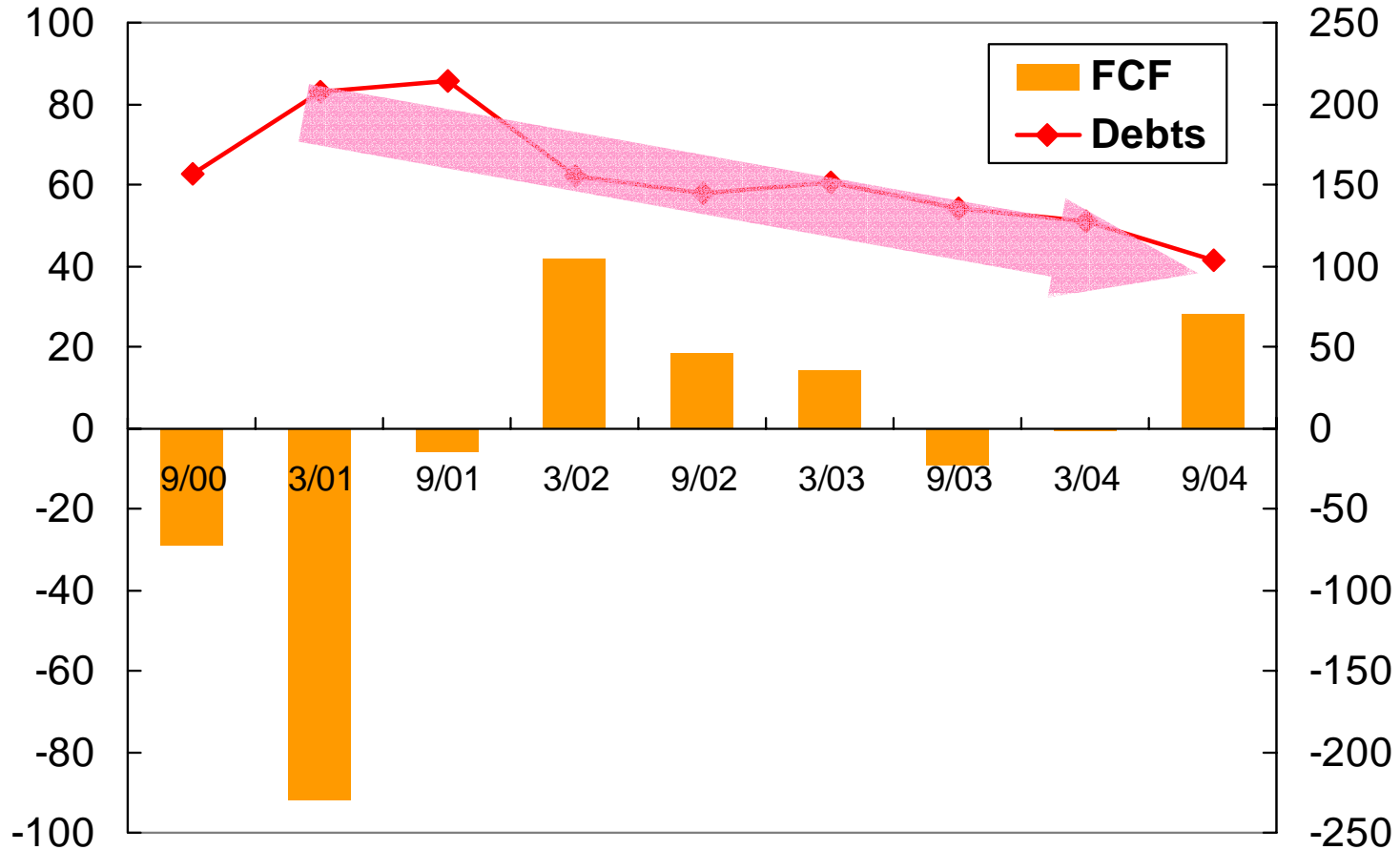


# Improving Cash Flow and Reducing Debts

Free Cash Flow  
(Billions of Yen)

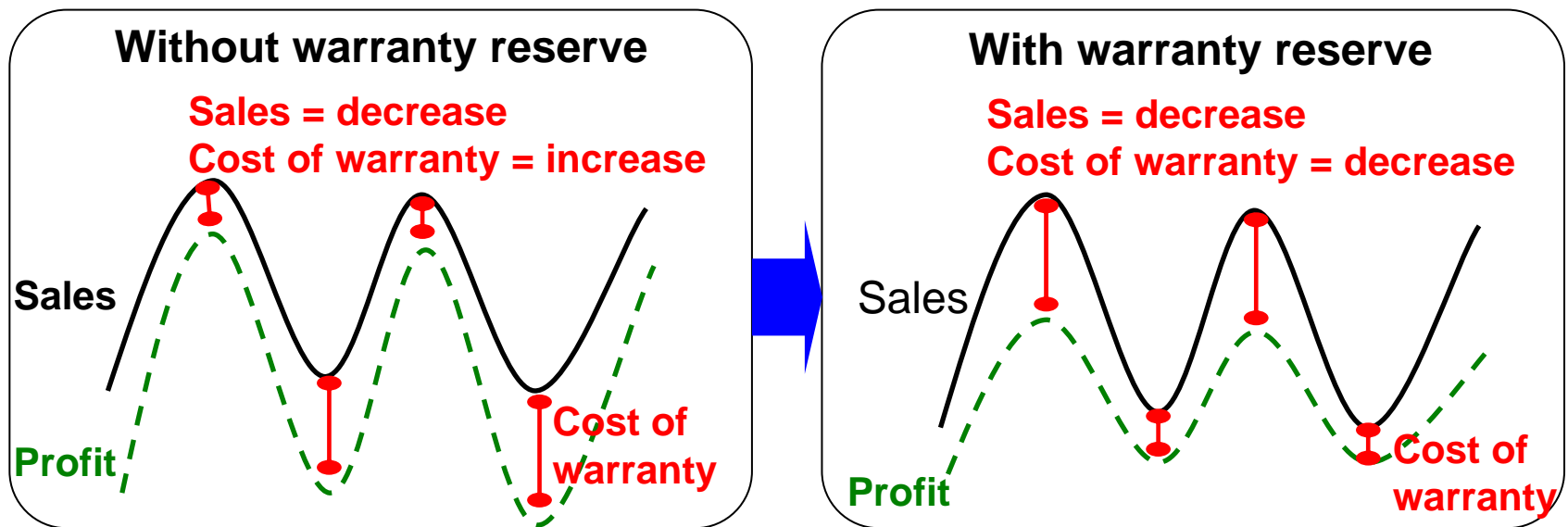
Free Cash Flow and Debt

Debts (Billions of Yen)



# New Accounting Policies

- Preparing response to International Accounting Standard
- Synchronizing sales recognition and warranty cost recognition timing
- Shortening setup and inspection period, reducing warranty costs



# View of Semiconductor Market

- **New applications such as mobile, digital consumer electronics, automobile electronics and home server will expand in near future**
- **Volume of devices for new applications will increase dramatically**
- **Memory market will expand for image processing and data storage use**



**Despite adjustment period in near term, however semiconductor market is expected high growth in long term**

# To Exceed Market Growth

## 1. Implementation of differentiation of existing products

- To meet the needs of further design shrinkage and low power consumption
  - ✓ Development of high-k and low-k related next generation equipment
  - ✓ Starting shipment of coater / developer for immersion lithography technology

## 2. Development of next generation process equipment

- For improving yield by more accurate process control
  - ✓ Enhancement of advanced process control (APC) by implementing development of advanced equipment controller (AEC) and integrated metrology

# To Exceed Market Growth

## 3. Enhancement of process integration center

- Applying next generation process module

## 4. Expanding for new business area

- MEMS applications
- Equipment for high-density packaging  
( ex. High-speed Si Etch)

# Conclusion

- **TEL will implement the structural reforms phase 2 steadily**
- **TEL will set next growth strategy toward next year**

