

Current Business Environment and Key Issues

Kiyoshi Sato
President & COO

May 12, 2005



Today's Message

- **Semiconductor CAPEX in CY2006 will slightly decrease from CY2005**
- **Review the achievement of structural reforms, we continue the efforts**
- **Differentiate existing products, expand post-sales business and develop new products aiming for sustained growth**

Consolidated Financial forecast

On a basis of new accounting policy

(Billions of Yen)

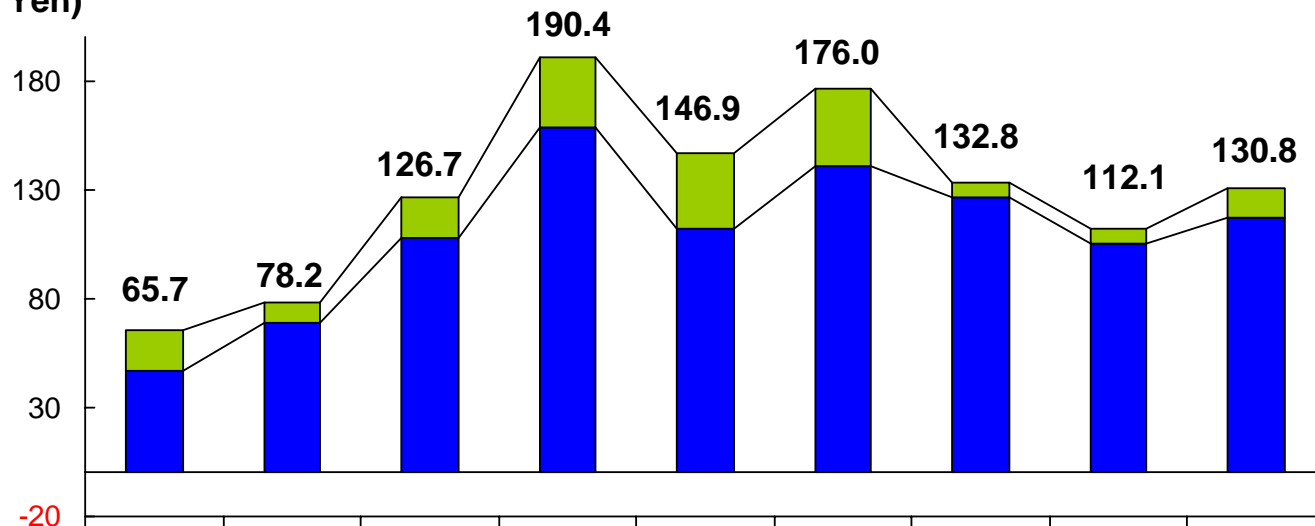
	FY2005	FY2006 (E)			
	Full year	1H (E)	2H (E)	Full year (E)	YoY change
Net sales	635.7	315.0	295.0	610.0	-4%
SPE	457.1	225.0	210.0	435.0	-5%
FPD	75.0	41.5	31.0	72.5	-3%
CN	15.9	8.5	9.5	18.0	+13%
EC	86.2	39.5	44.0	83.5	-3%
Others	1.2	0.5	0.5	1.0	-21%
Operating income	63.9 (10.1%)	30.0 (9.5%)	30.0 (10.2%)	60.0 (9.8%)	-6%
Ordinary income	65.6 (10.3%)	30.5 (9.7%)	30.5 (10.3%)	61.0 (10.0%)	-7%
EBIT	55.7 (8.8%)	30.5 (9.7%)	30.5 (10.3%)	61.0 (10.0%)	+9%
Net income	61.6 (9.7%)	18.0 (5.7%)	18.0 (6.1%)	36.0 (5.9%)	-42%



Quarterly SPE+FPD Order

Net, Non-consolidated Basis

(Billions of Yen)



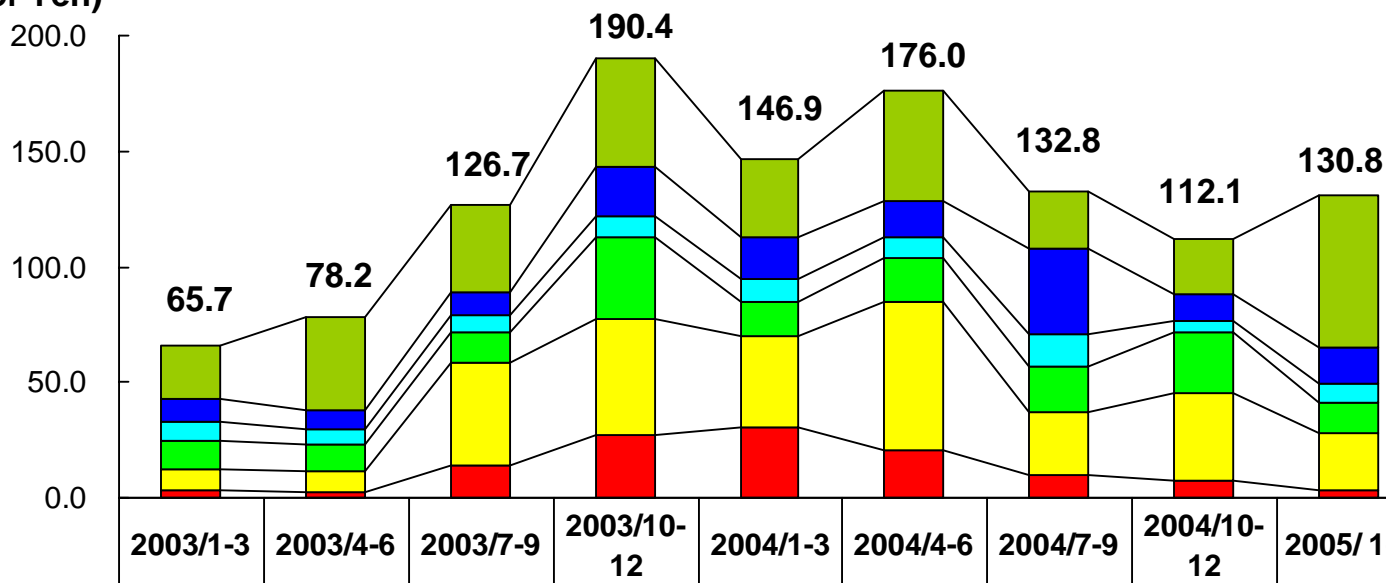
	2003/ 1-3	2003/ 4-6	2003/ 7-9	2003/ 10-12	2004/ 1-3	2004/ 4-6	2004/ 7-9	2004/ 10-12	2005/ 1-3
■ FPD Production Equipment	19.2	9.3	19.2	31.6	34.7	34.9	6.0	6.6	13.6
■ Semiconductor Production Equipment	46.5	68.8	107.5	158.7	112.1	141.0	126.8	105.4	117.2



Quarterly SPE+FPD Order by Region

Net, Non-consolidated Basis

(Billions of Yen)



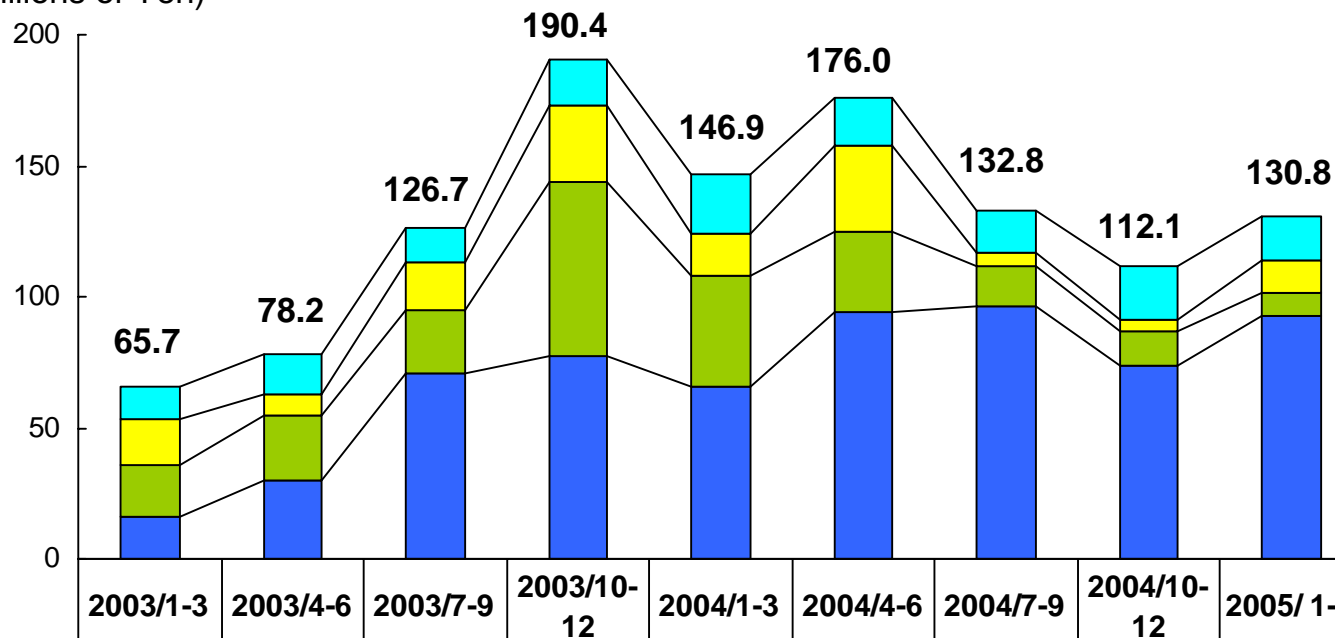
	2003/1-3	2003/4-6	2003/7-9	2003/10-12	2004/1-3	2004/4-6	2004/7-9	2004/10-12	2005/1-3
■ Japan	22.5	40.1	37.4	46.8	33.8	47.6	24.4	23.8	65.2
■ U.S.	10.0	8.5	9.8	21.4	18.1	15.6	37.1	11.2	16.3
■ Europe	8.7	6.2	7.6	9.2	9.9	9.0	14.5	5.3	7.6
■ Korea	11.8	11.4	13.0	35.0	15.1	18.9	19.3	26.5	13.8
■ Taiwan	9.2	9.1	45.0	50.2	39.4	64.1	27.5	38.0	24.5
■ China, S.E.Asia, others	3.4	2.8	13.7	27.5	30.4	20.6	9.8	7.0	3.1



Quarterly SPE+FPD Order

Net, Non-consolidated Basis

(Billions of Yen)

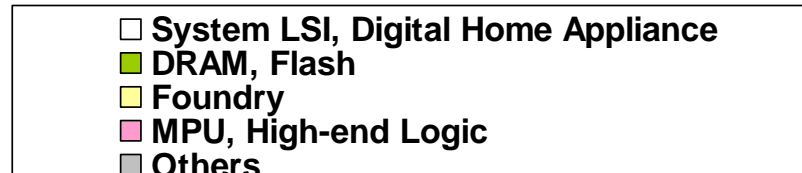
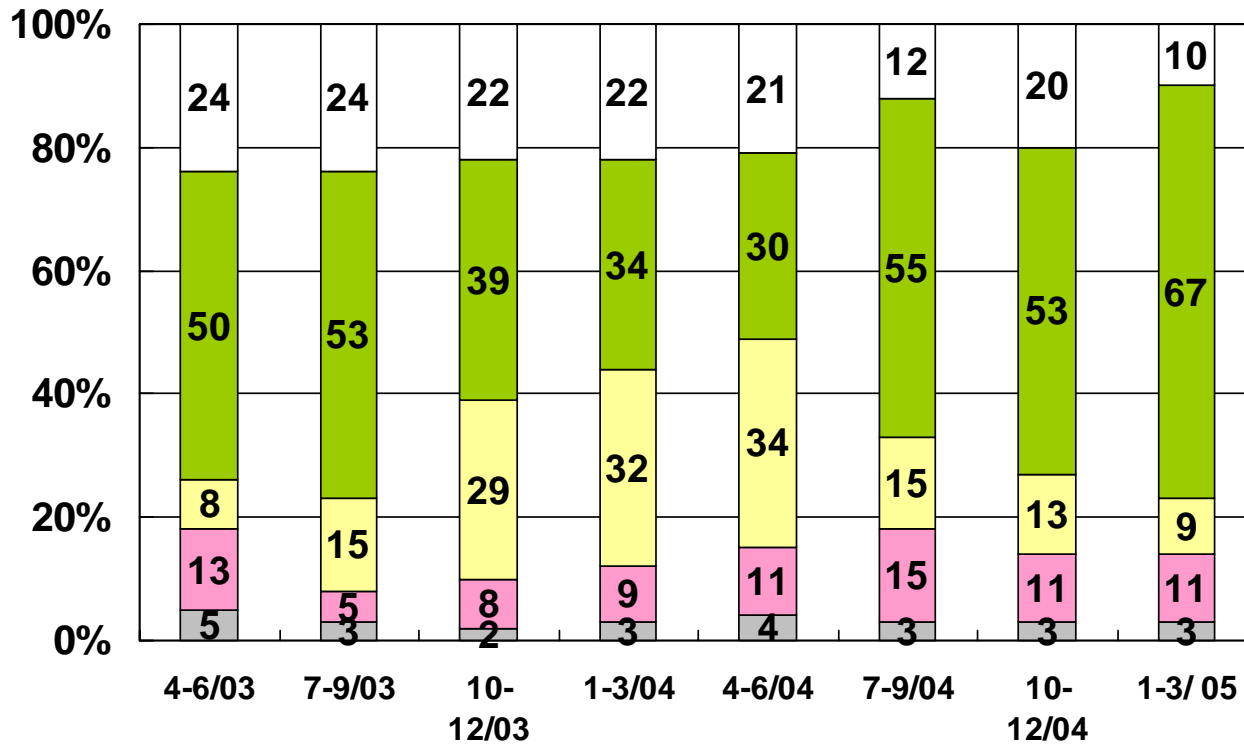


■ Parts	12.2	15.1	13.2	16.9	22.8	18.2	16.1	20.9	16.8
■ FPD Prod. System	17.6	8.1	18.2	29.8	15.9	33.0	5.1	4.5	12.5
■ SPE 200mm System	19.6	25.2	24.4	66.0	42.6	30.6	14.9	13.1	8.6
■ SPE 300mm System	16.4	29.7	70.8	77.5	65.5	94.0	96.6	73.5	92.7
Ratio of 300mm equipment	45%	54%	74%	54%	61%	75%	86%	85%	91%



SPE Quarterly Order Analysis

(by Application, Non-consolidated)



FY March 2006 Semiconductor Related Market Trends

Favorable factors

- Total semiconductor demand is firm due to stable growth of PC and mobile handsets
- Inventory adjustment for electronic components is completed in a short period of time
- Strong demand for NAND Flash memory used for mobile music players and other applications
- Demand for flat panel displays is anticipated to increase

Concern

- Concern about excess supply caused by DRAM capacity expansion

FY March 2006 SPE Investment Trends

Semiconductor production equipment

- NAND Flash memory and DRAM related investment is strong
- Strategic devices (MPU and logic chip) related investment is firm
- Investment by foundries is expected from this summer

FPD production equipment

- Investment for larger glass substrate is restarting – order environment is looking up

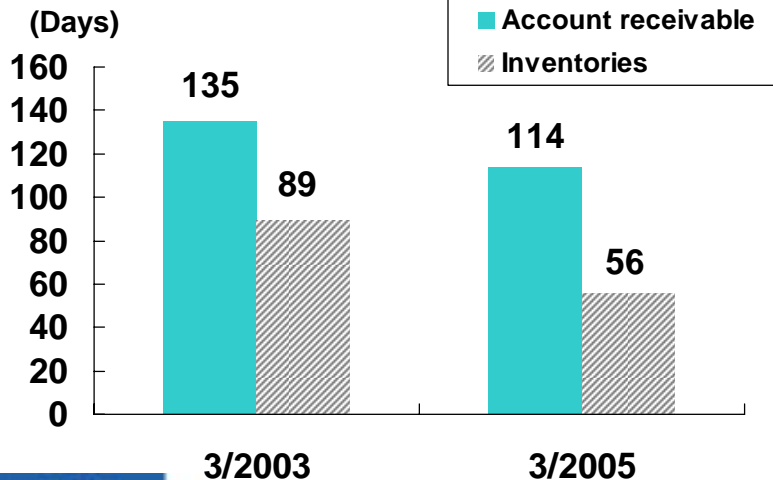
Review the Achievement of Structural Reforms - 1

1. Adjust inventories adequate level
2. Collect account receivables quickly, shorten equipment set-up and testing period at customer site

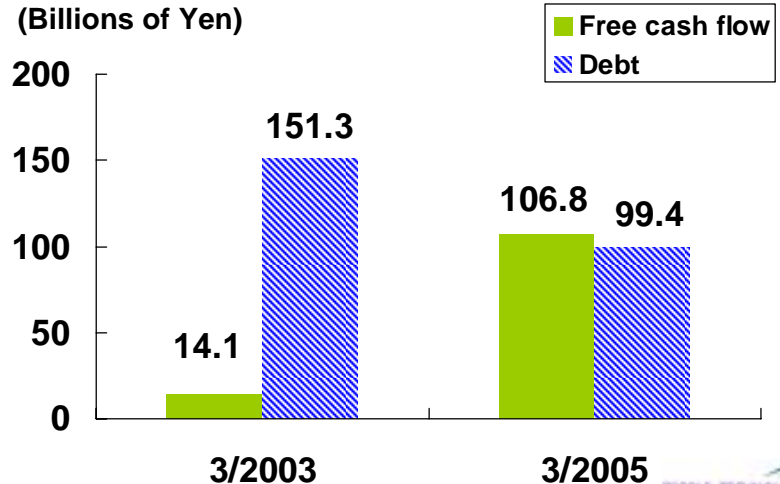


Improved even in expanding stage of sales revenue

Account receivable and inventory turnover



Free cash flow and Debt



Review the Achievement of Structural Reforms - 2

3. Shorten production lead time

4. Reduce production costs



Fail to achieve our target
due to production expansion

Key issues

- Reduce costs by quality improvement
- Further enhance our strength of manufacturing technologies
- Improve products design and procurement system aim to shorten lead time

Increase Added Value on Existing Products

Semiconductor production equipment

- Focus on improving high-end applications and volume production
- Respond to new materials, new technologies, etc.
- Increase penetration of integrated metrology

 **Strengthen position as a leading supplier**

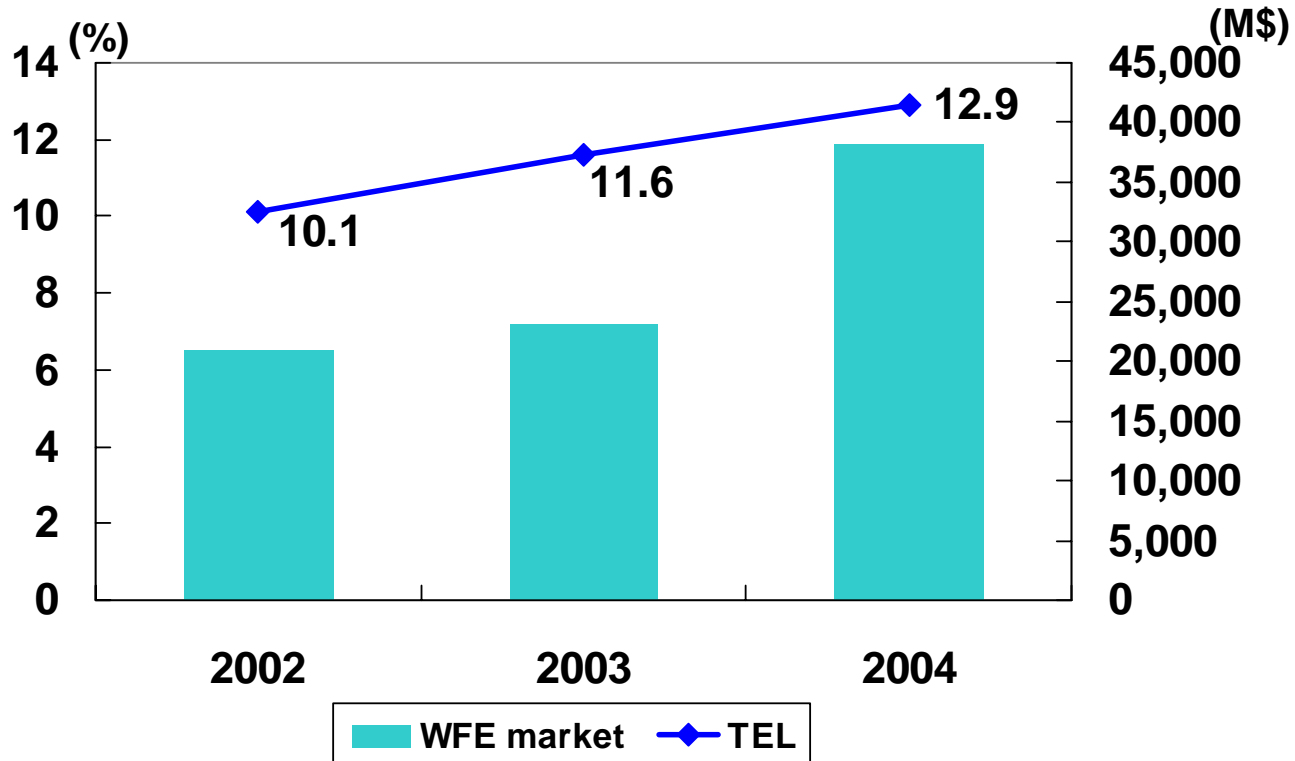
FPD production equipment

Through introduction of new technologies, promote TEL differentiation with equipment compatible with larger glass substitute

 **Increase market share and profitability**

Market Share Improvement by Products Differentiation

Wafer Fab Equipment Market and TEL's market share



Source: Gartner Dataquest (April, 2005)

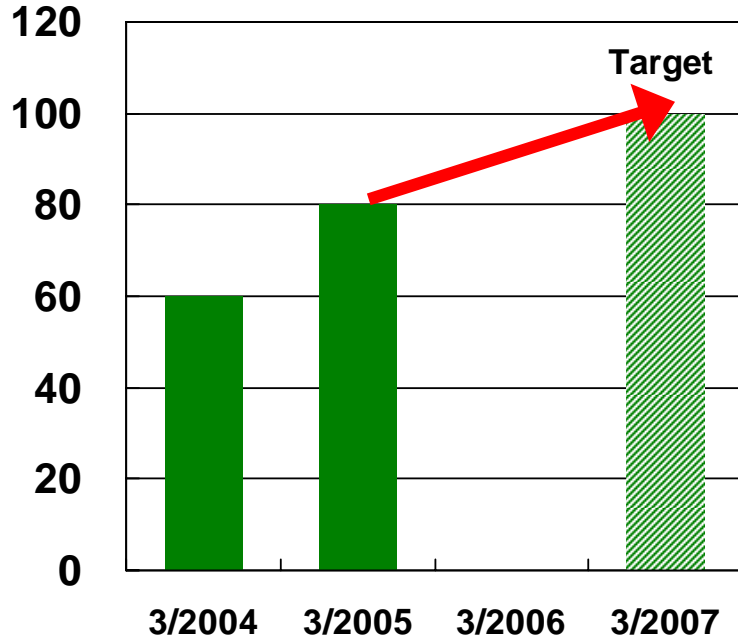


Expansion of Post-sales Business

Post-sales business target: ¥100.0 billion (Year to March 2007)

Post-sales business: results and targets

(billion yen)



Policies

1. Strengthen equipment refurbish business
2. Strengthen second-hand equipment business structure
3. Fully develop parts sales

Accelerate the Development of High Value-added new products

- Develop the technologies which satisfy customer's needs for design shrinkage, new materials, productivity improvement, etc.
- Strengthen cooperation with key customers, consortiums and universities
- Focus resources on R&D activity strategically



Aim to raise new product to 100 Billion Yen level business

