

# Changes in Business Environment Surrounding TEL

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# FY2006 Financial Estimates and Results

(Billions of Yen)

	FY2006 Results			
	Estimates as of May 2005	Estimates as of Oct 2005	Results	Increase from estimates as of May 2005
<b>Net Sales</b>	<b>610.0</b>	<b>650.0</b>	<b>673.6</b>	<b>+10%</b>
SPE	435.0	467.0	486.8	+12%
FPD	72.5	80.0	81.1	+12%
CN	18.0	17.0	17.4	-3%
EC	83.5	85.0	86.8	+4%
Others	1.0	1.0	1.2	+20%
<b>Operating income</b>	<b>60.0 (9.8%)</b>	<b>68.0 (10.5%)</b>	<b>75.7 (11.2%)</b>	<b>+26%</b>
<b>Ordinary income</b>	<b>61.0 (10.0%)</b>	<b>69.0 (10.6%)</b>	<b>75.9 (11.3%)</b>	<b>+24%</b>
<b>EBIT</b>	<b>61.0 (10.0%)</b>	<b>68.8 (10.6%)</b>	<b>75.3 (11.2%)</b>	<b>+23%</b>
<b>Net income</b>	<b>36.0 (5.9%)</b>	<b>44.0 (6.8%)</b>	<b>48.0 (7.1%)</b>	<b>+33%</b>



# Changes in Market Forecasts

	Forecasts for CY2005 (YoY growth)	
	PCs	Semiconductor CAPEX
As of April 2005	5% – 7%	<b>-15%</b> – 5%
As of October 2005	12% – 14%	<b>-15%</b> – 5%
Actual growth	15%	<b>-5%</b> – 5%

Sources: Market research companies, etc.

# Changes in Market Forecasts

	Forecasts for CY2006 (YoY growth)	
	PCs	Semiconductor CAPEX
As of April 2005	4% – 9%	<b>-36%</b> – 2%
As of October 2005	3% – 9%	<b>-10%</b> – 12%
As of April 2006	5% – 10%	5% – 15%

Sources: Market research companies, etc.



# New Waves of Growth in the Semiconductor Market

## *New Wave III*

### **Increasing Semiconductor Content Ratio**

*Driving new lifestyles - ubiquitous access, EHS care, education*

## *New Wave I*

### **Expanding Applications**

*Wireless digital networks*



## *New Wave II*

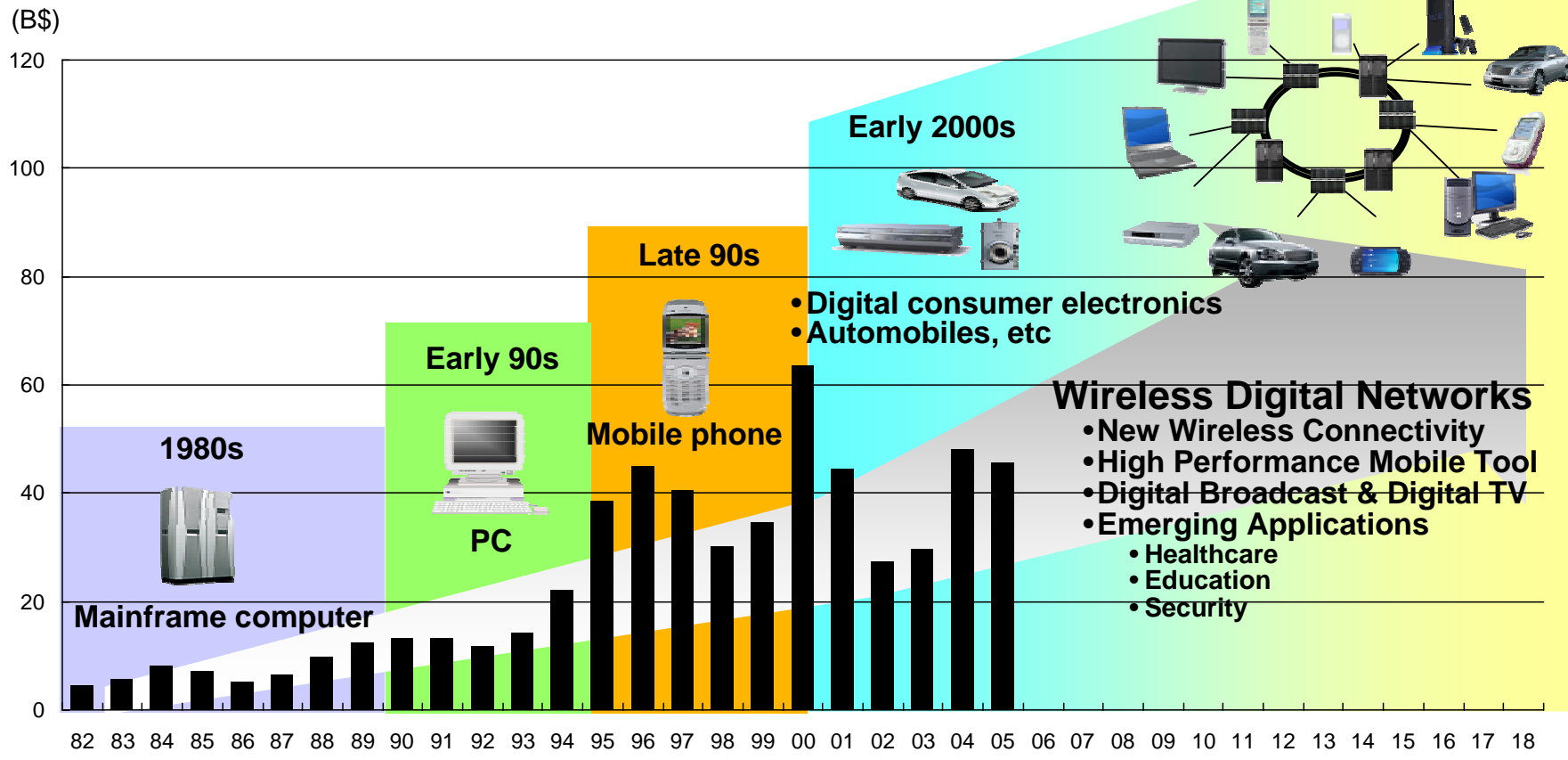
### **Geographical Expansion**

*Beyond geographical isolation, primary driver for a nation's growth*



# New Wave I –Expanding Applications

## Wireless digital networks



■ Semiconductor CAPEX

Source of market data: Gartner Dataquest



TOKYO ELECTRON



# New Wave II –Geographical Expansion

*Beyond geographical isolation, primary driver for a nation's growth*

**Expanding to economy growing zone**



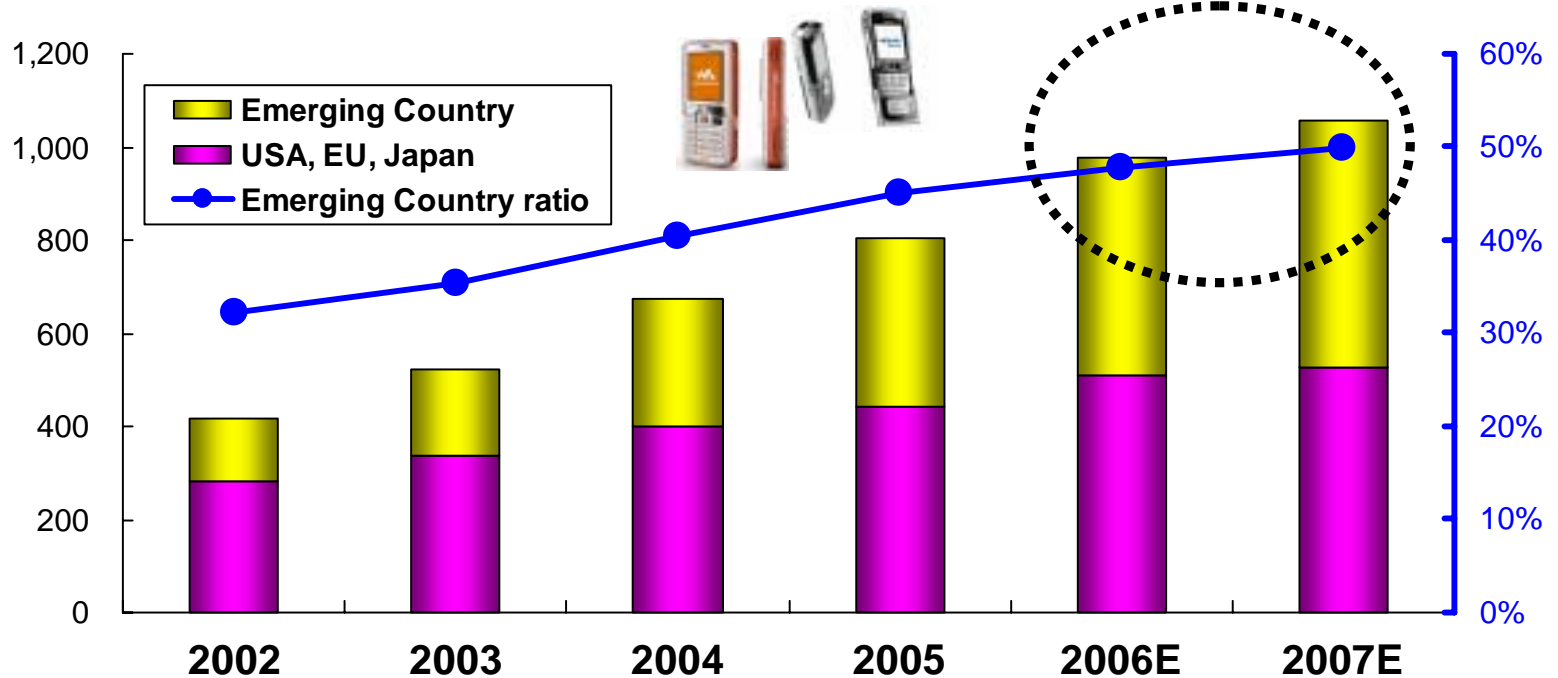
# New Wave II –Geographical Expansion

*Beyond geographical isolation, primary driver for a nation's growth*

## Mobile phone shipment

(M Units)

(Emerging Country ratio)



Emerging Country: China, India, Africa, Latin & Central America, Eastern Europe, Middle East

Source: Goldman Sachs, Nikkei Market Access

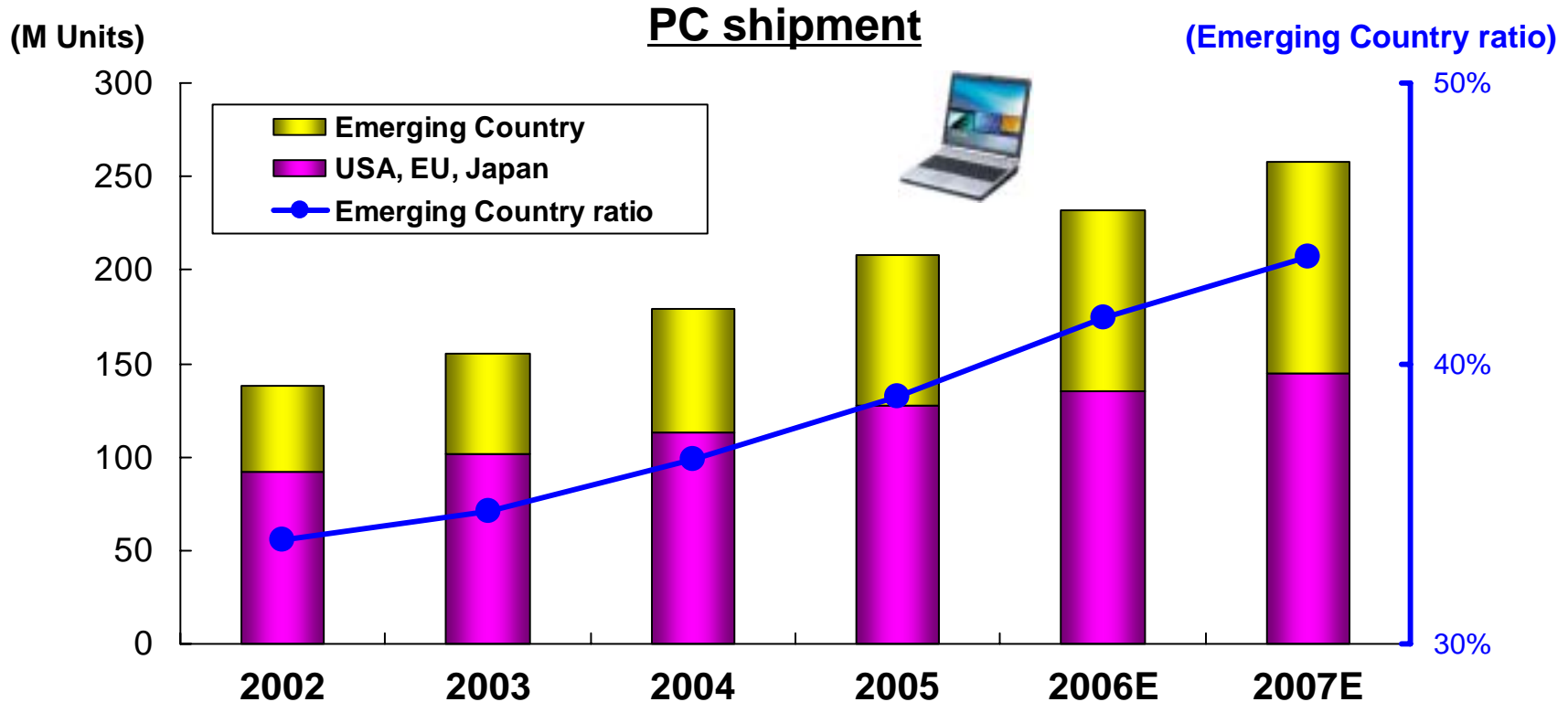


TOKYO ELECTRON



# New Wave II –Geographical Expansion

*Beyond geographical isolation, primary driver for a nation's growth*

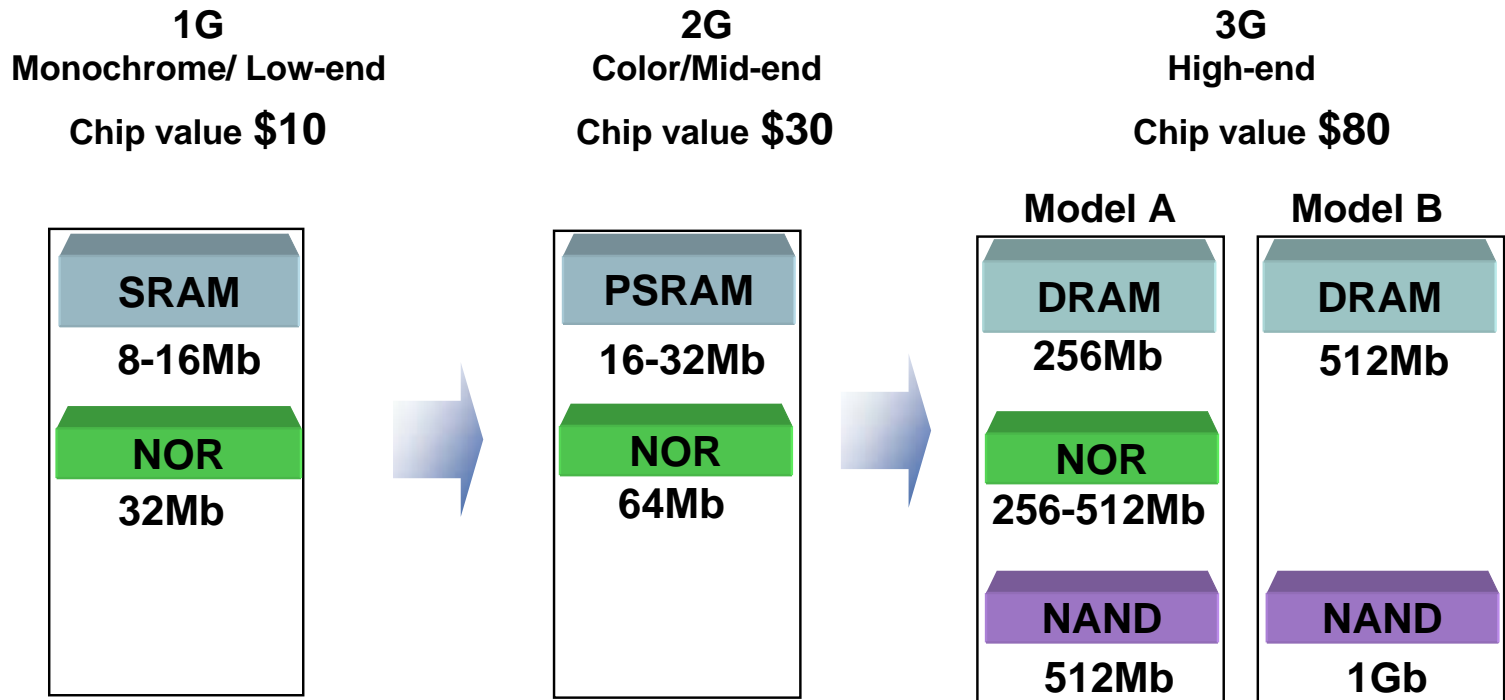


Source: IDC, Nikkei Market Access, TEL-Marketing estimate

# New Wave III –Increasing Semiconductor Content Ratio

*Driving new lifestyles –ubiquitous access, EHS care, education*

## Increase in semiconductor content ratio of mobile phone



Sources: Nikkei Market Access, etc.

# New Wave III –Increasing Semiconductor Content Ratio

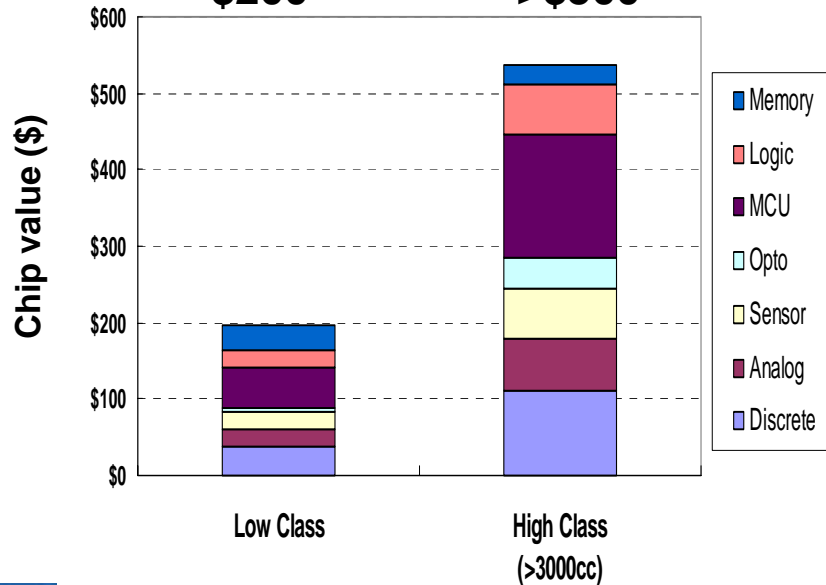
*Driving new lifestyles –ubiquitous access, EHS care, education*

## Increase in semiconductor content ratio of automobile and TV



\$200

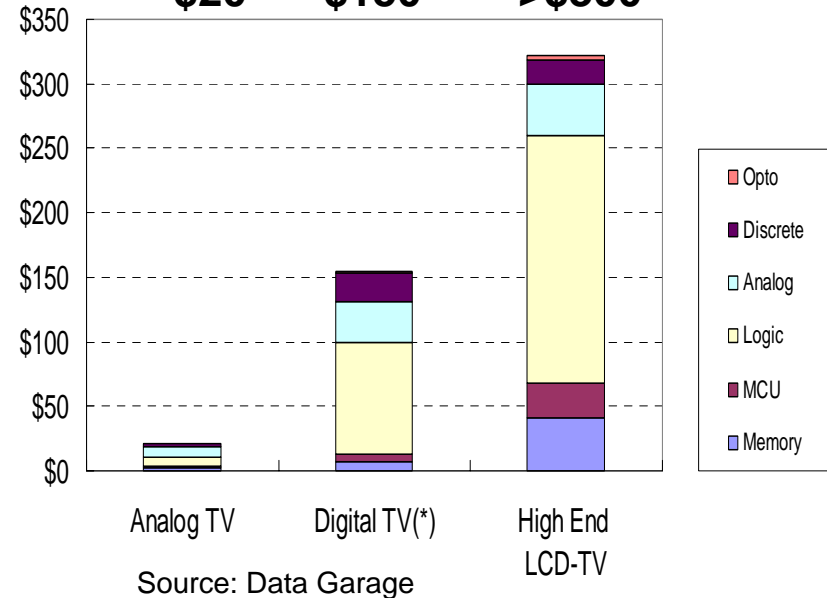
>\$500



\$20

\$150

>\$300

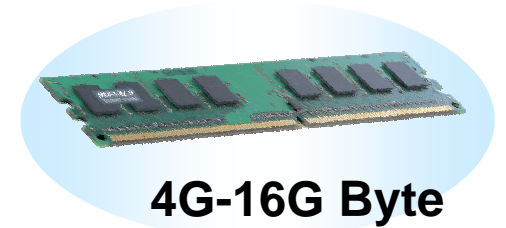


Source: Data Garage



# New Wave III –Increasing Semiconductor Content Ratio

*Driving new lifestyles –ubiquitous access, EHS care, education*



## NAND PC coming to market

Conventional PC



Chip value

**\$300-\$350**

NAND PC



Chip value

**\$400-\$500**



Source: TEL Marketing estimate

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## *New Wave I*

### **Expanding Applications**

*Wireless digital networks*

## *New Wave II*

### **Geographical Expansion**

*Beyond geographical isolation, primary driver  
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