

Business Environment and Revision of FY2007 Financial Estimates

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Business Environment



Short-term Market Outlook

Semiconductor market

- Launch of Windows Vista → More memory per PC → DRAM
- Launch of high performance game consoles → LOGIC
- Further spread of high spec 3G mobile phones → NAND Flash, LOGIC

→→ Continued steady growth in semiconductor market

SPE market

- CY2006: 20%+ growth, despite initial expectations of decline
- CY2007: Forecast 5-10% +growth

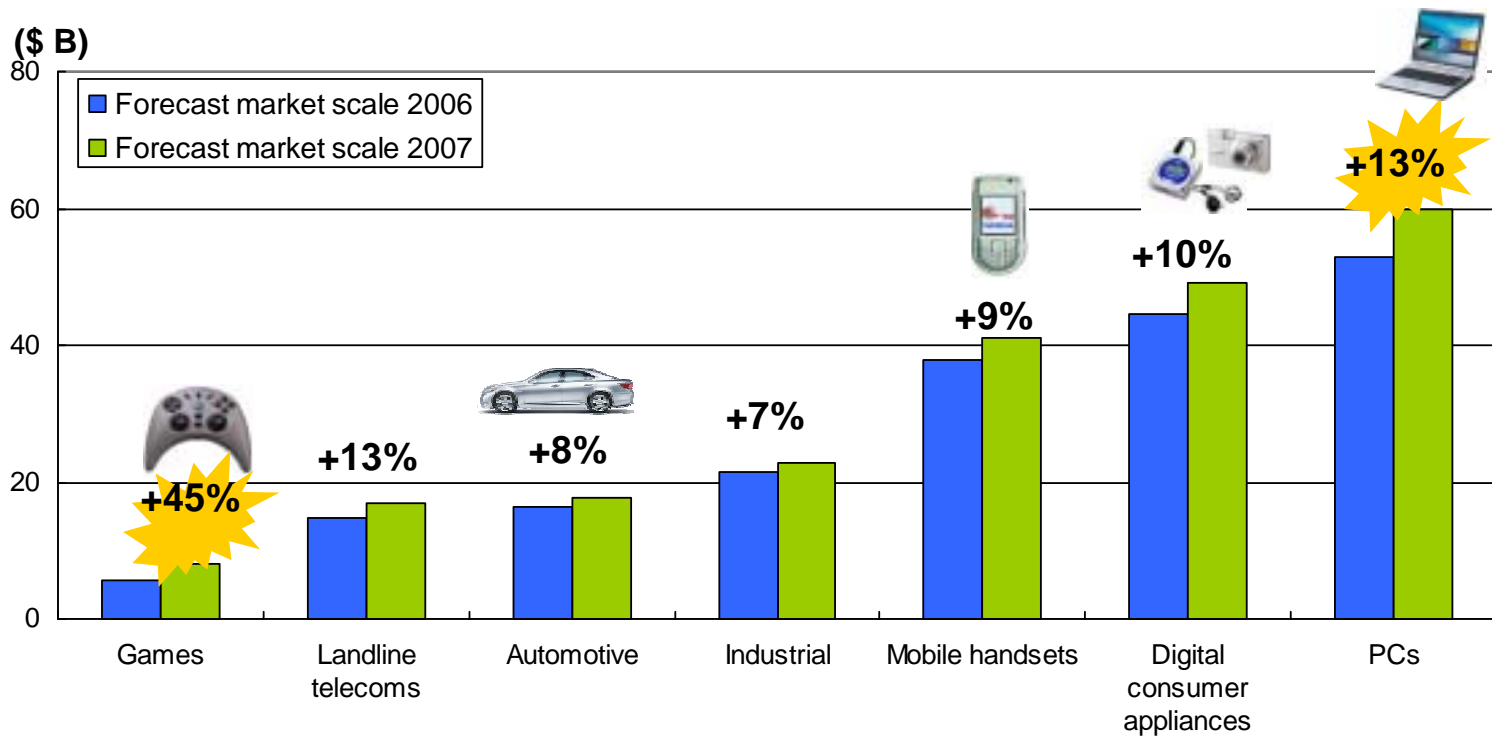
→→ Continued SPE growth to support product demand in CY2008

FPD production equipment market

- Short-term slowdown but TV digitalization to drive medium-term growth



Projected Growth of Semiconductor Market by Application (2006 - 2007)



In 2007 we expect remarkable growth in semiconductors for games, double-digit growth in PCs

(TEL Marketing estimate based on the data from research firms)

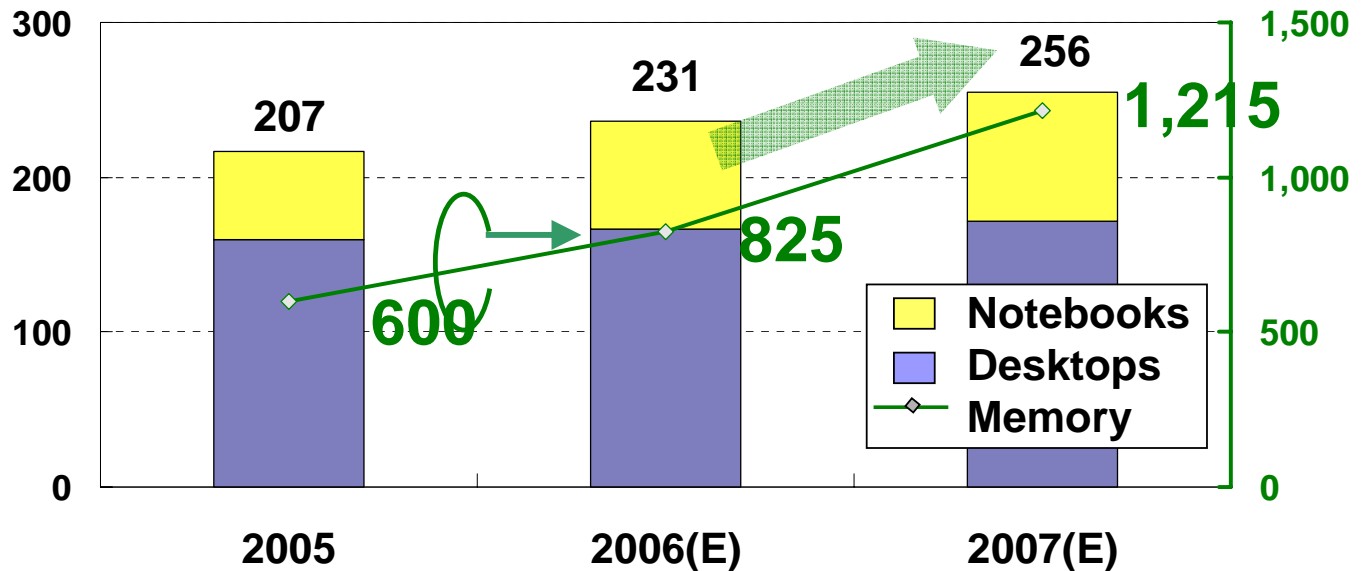


DRAM Demand Forecasts

Installed DRAM per PC

PC shipments (millions)

Memory (Mb per PC)



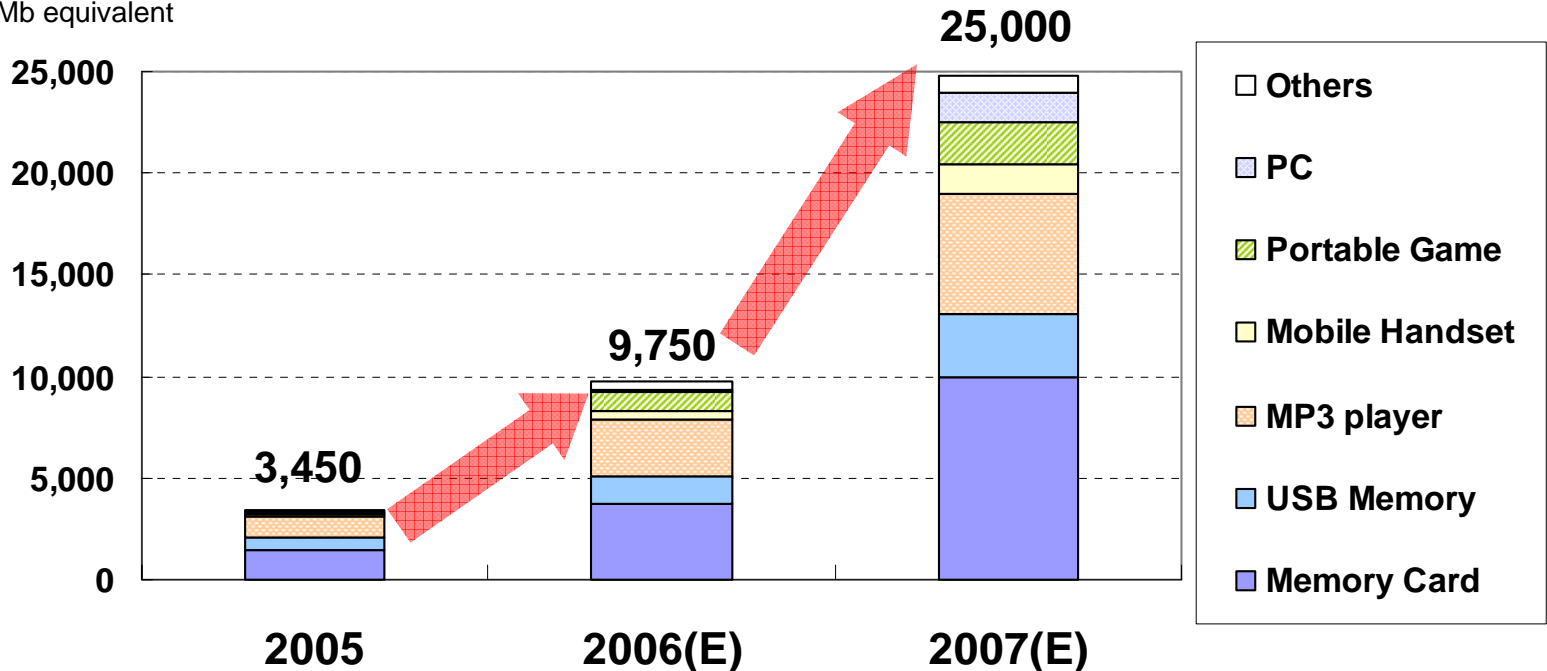
Expect Windows Vista effect to lead to average of 1.2Gb per PC in 2007, double the 2005 level



(TEL Marketing estimate based on the data from research firms)

NAND Demand by Application

NAND shipments (millions)
512 Mb equivalent



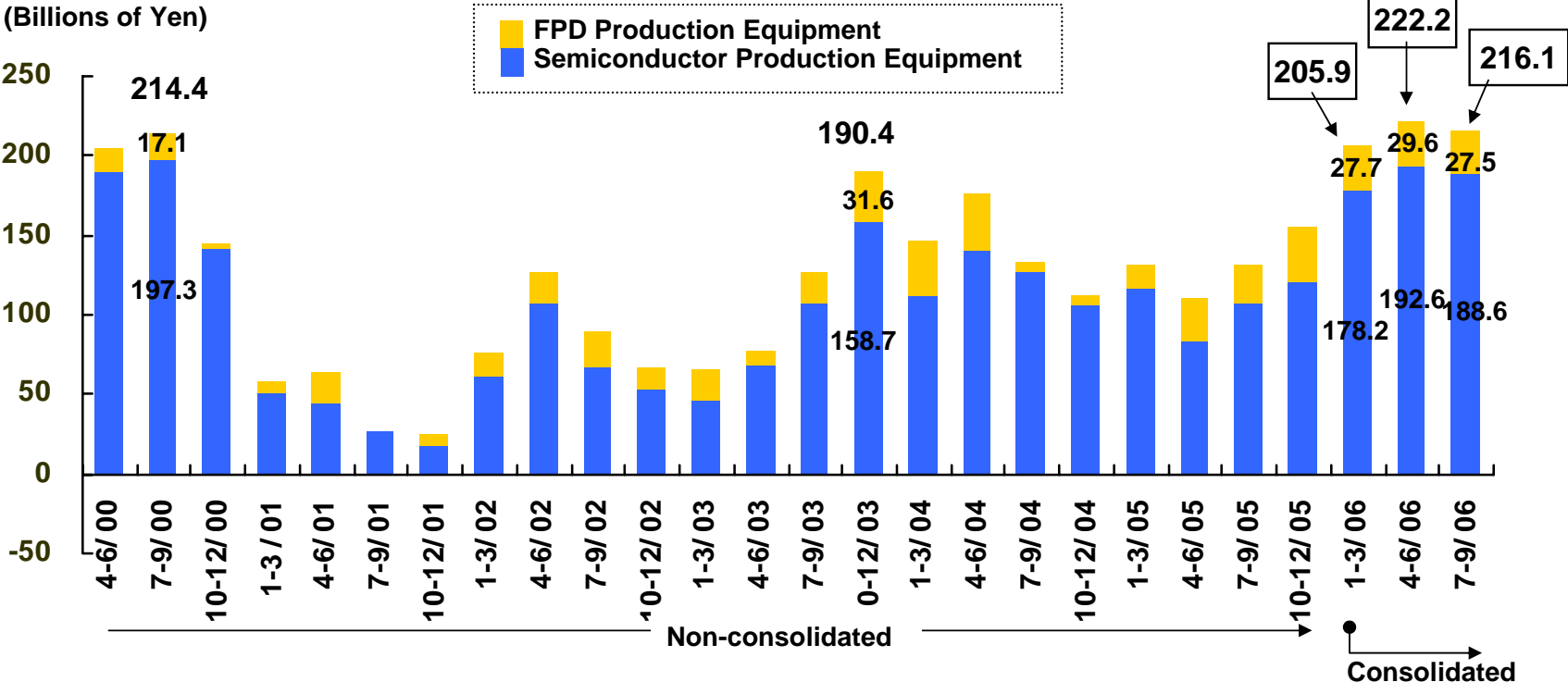
Expect strong expansion in NAND flash memory equipped electronic equipment. In 2007 memory cards, games, mobile handsets and PCs expected to drive NAND growth.

(TEL Marketing estimate based on the data from research firms)



Quarterly SPE+FPD Order

▶▶ High level of orders continued



*Figures until 2005 Oct-Dec are non-consolidated, figures from Jan-Mar 2006 are consolidated.

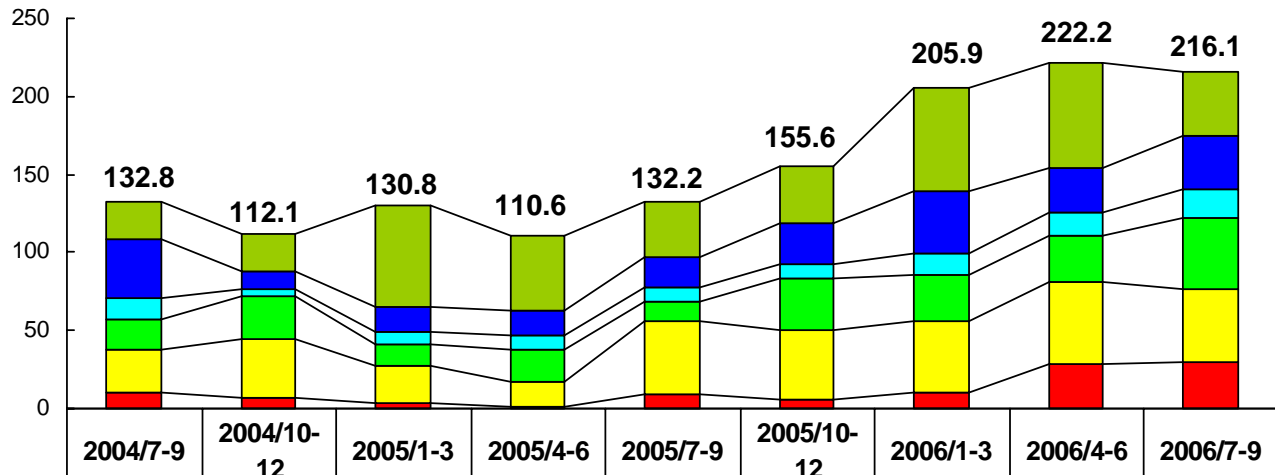
*Main difference between consolidated and non-consolidated: Consolidated figures include post-sales orders at overseas subsidiaries.



Quarterly SPE+FPD Order by Region

▶▶ Q2: Strong appetite for investment continued throughout Asia

(Billions of Yen)



Region	2004/7-9	2004/10-12	2005/1-3	2005/4-6	2005/7-9	2005/10-12	2006/1-3	2006/4-6	2006/7-9
Japan	24.4	23.8	65.2	47.1	35.5	36.7	66.6	67.7	41.4
U.S.	37.1	11.2	16.3	16.9	18.8	26.4	39.9	28.5	34.4
Europe	14.5	5.3	7.6	8.9	9.3	9.1	13.9	14.5	17.5
Korea	19.3	26.5	13.8	20	12.9	32.4	29	30.1	45.6
Taiwan	27.5	38	24.5	16	46.8	44.5	45.7	52.9	47.6
China, S.E. Asia, others	9.8	7	3.1	1.5	8.7	6.2	10.6	28.2	29.3

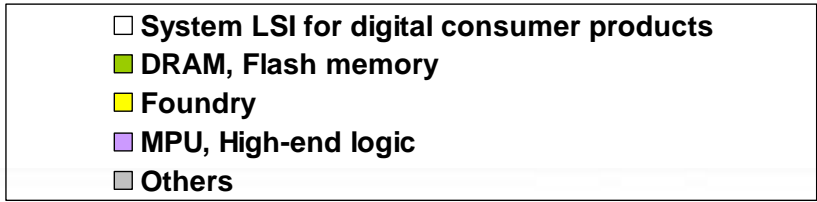
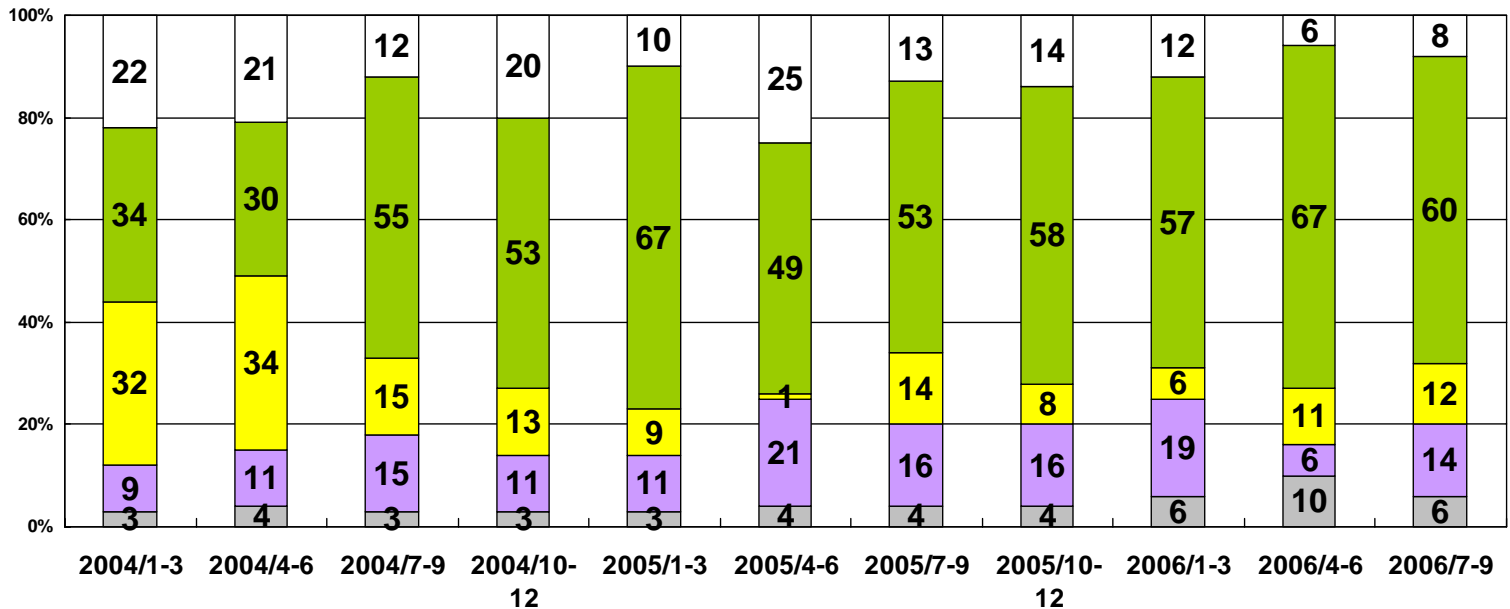
Order numbers are on a consolidated basis from 2006/1-3 quarter.



SPE Quarterly Order by Application

(Non-consolidated basis, Equipment only)

▶▶ Q2: Orders for memory, particularly DRAM, remained strong



FY2007 Revision of Financial Estimates



Revision of Consolidated Financial Forecast

▶▶ Higher SPE sales and profits led to upward revision of consolidated forecasts

	FY2006	FY2007				Reference
	Full year	1H	2H (revised)	Full year (revised)	YoY change	Full year (E) (previous forecast)
Net sales	673.6	390.5	439.5	830.0	+23%	800.0
SPE	486.8	283.9	340.6	624.5	+28%	596.0
FPD	81.1	52.5	45.0	97.5	+20%	96.0
CN	17.4	8.4	8.6	17.0	-3%	17.0
EC	86.8	45.0	45.0	90.0	+4%	90.0
Others	1.2	0.5	0.5	1.0	-20%	1.0
Operating income	75.7 (11.2)	58.2 (14.9)	71.8 (16.3)	130.0 (15.7)	+72%	113.0 (14.1)
Ordinary income	75.9 (11.3)	58.2 (14.9)	73.8 (16.8)	132.0 (15.9)	+74%	115.0 (14.4)
E.B.I.T.	75.3 (11.2)	58.4 (15.0)	73.6 (16.7)	132.0 (15.9)	+75%	115.0 (14.4)
Net income	48.0 (7.1)	37.2 (9.5)	44.8 (10.2)	82.0 (9.9)	+71%	70.0 (8.8)

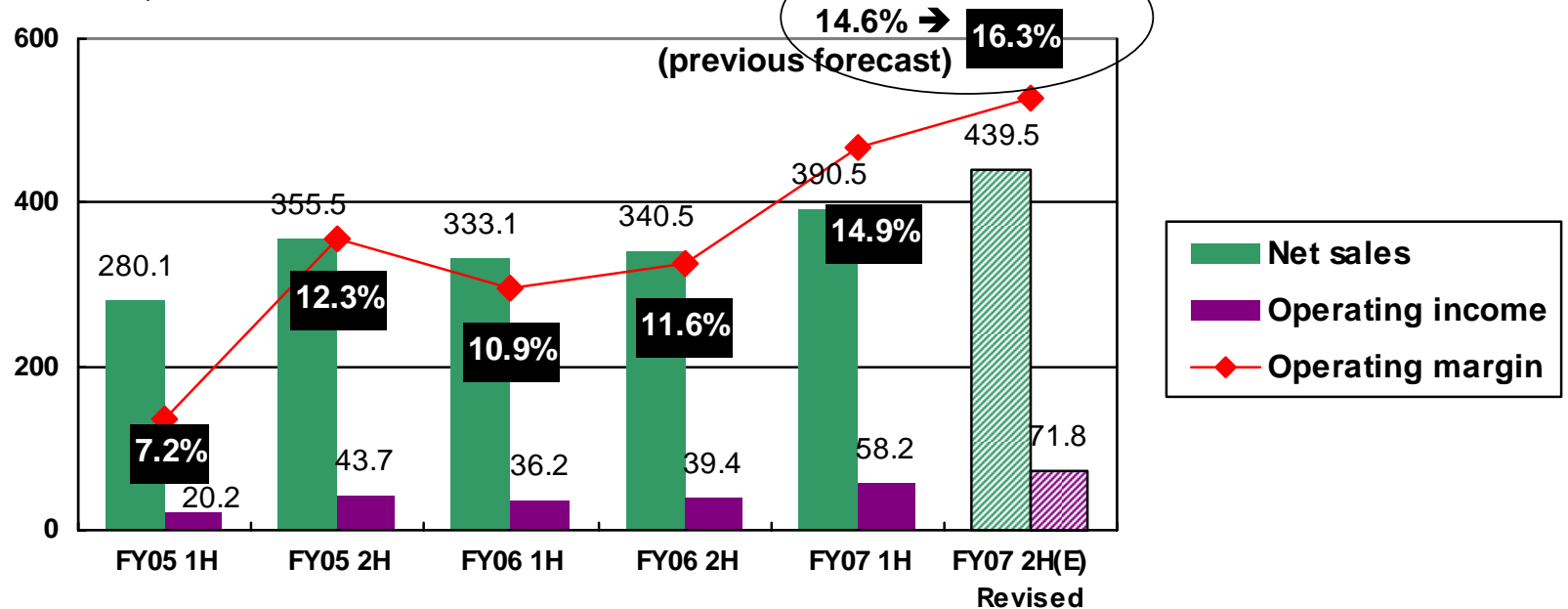
() Profit margin



Projected Net Sales and Operating Margin

On a six months basis

(Billions of Yen)

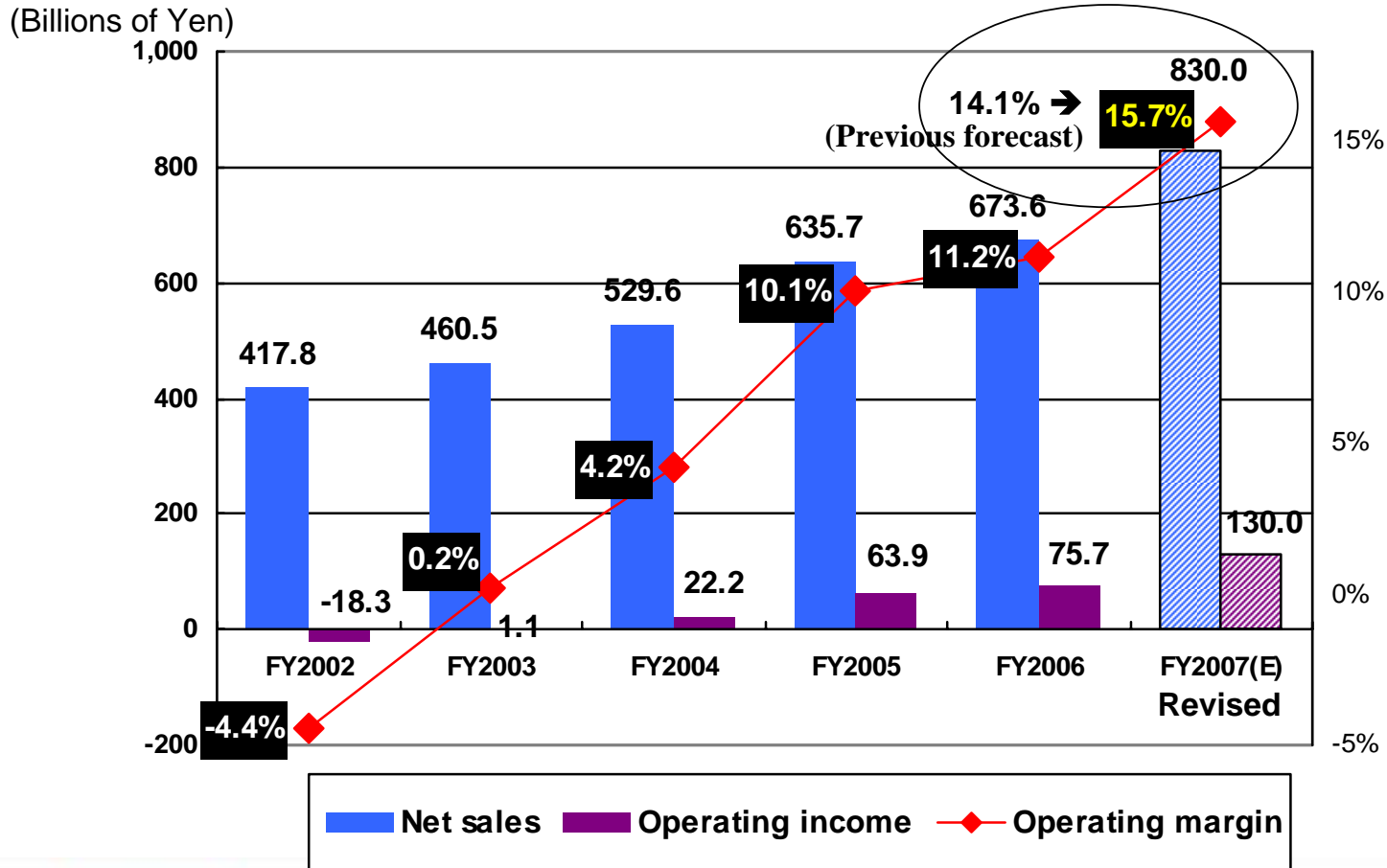


Key drivers of higher operating margin

- Contribution of new products
- Progress of cost-down
- Minimized increase in fixed costs
- Improved product quality gives lower additional costs
- Strong post-sales business



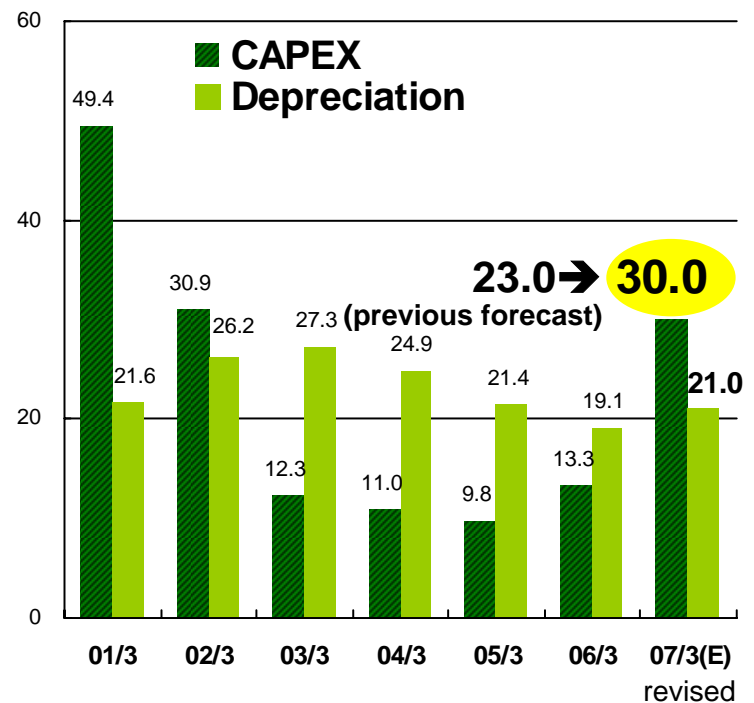
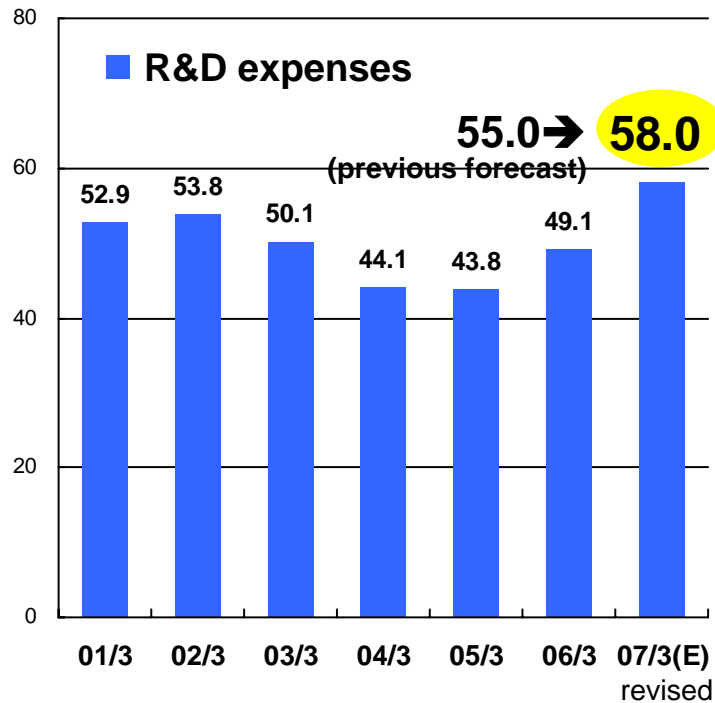
Projected Net Sales and Operating Margin



Projected R&D Expenses and Capital Expenditures

▶▶ Increase R&D expenses to 58.0B yen and CAPEX to 30.0B yen

(Billions of Yen)



Increase CAPEX to Secure Further Growth

▶▶ Strengthen R&D and product development

- Acquired AIST* R&D center building (Sendai, Japan)
- Processing center in South Korea
- Additional investment in machinery/measuring devices/IT

▶▶ Strengthen manufacturing technologies and skills

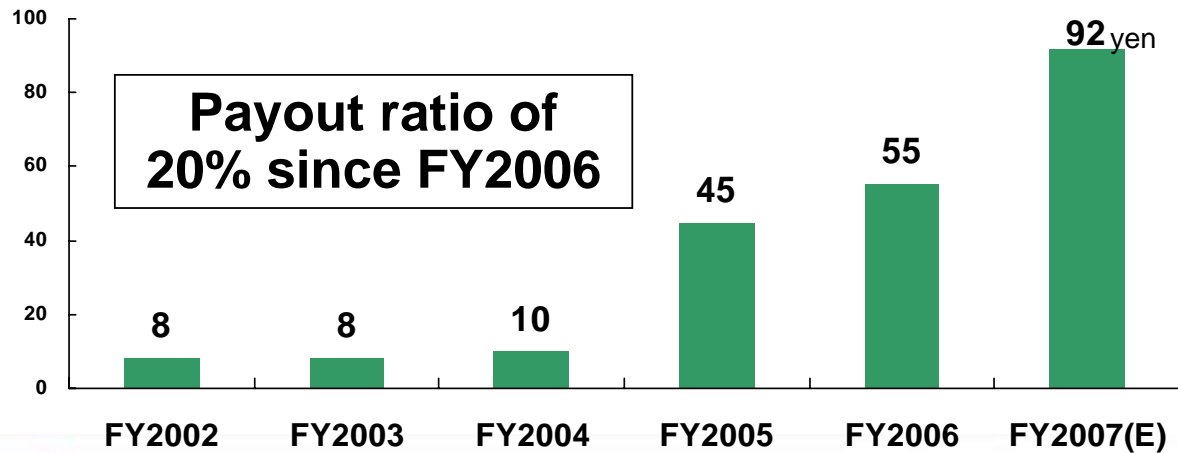
- Build third production facility (coaters/developers) at TEL Kyushu, Koshi Plant
- Expand production space at TELAT Miyagi Plant (etchers)

*National Institute of Advanced Industrial Science and Technology

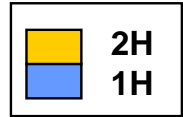


Revised-up Dividend Estimate

	Initial estimate	Revised
Interim	32 yen	42 yen (actual)
Year-end	40 yen	50 yen
Annual	72 yen	92 yen



Projected Net Sales by Division



SPE Division

(Semiconductor Production Equipment)

FPD Division

(FPD Production Equipment)

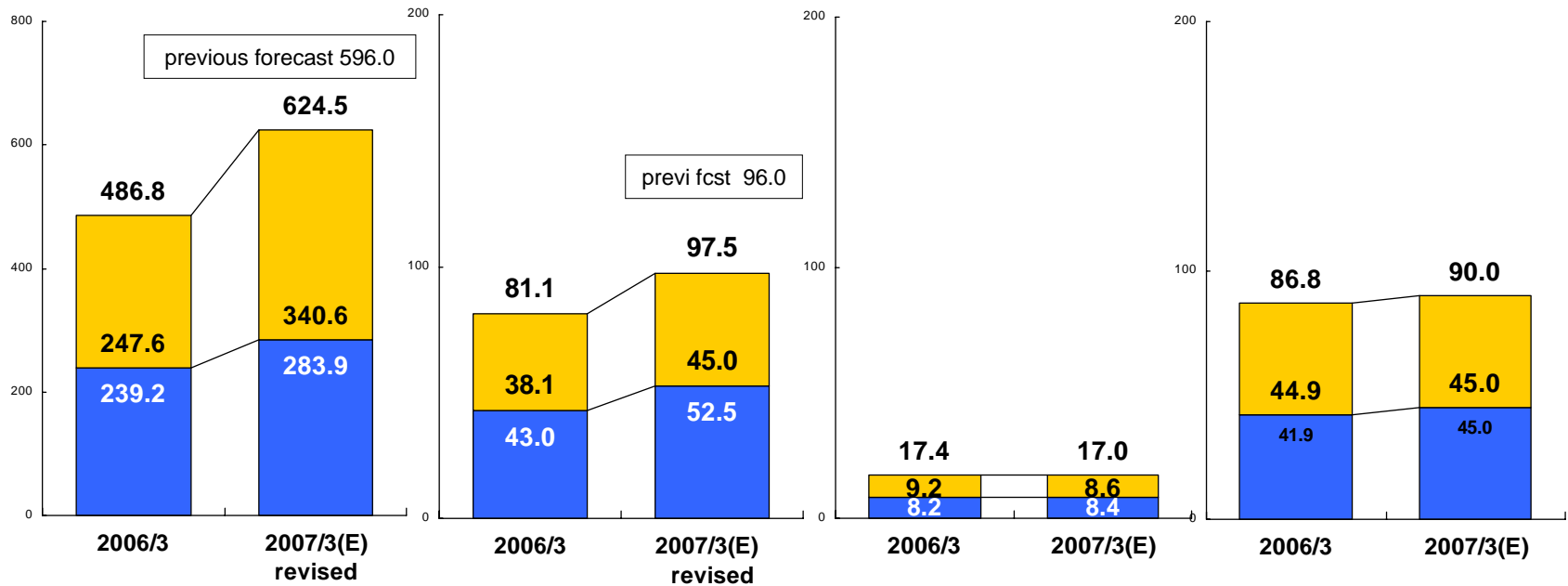
CN Division

(Computer Network)

EC Division

(Electronic Components)

(Billions of Yen)



YoY change +28%

+20%

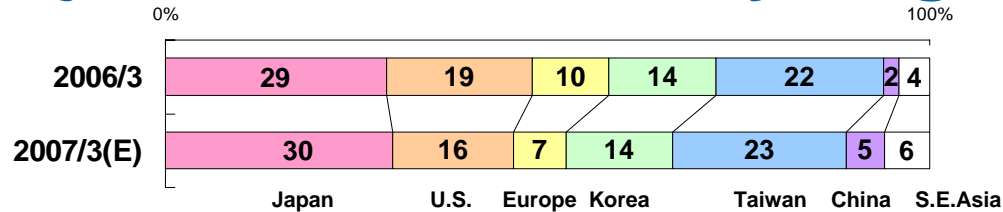
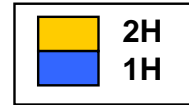
-3%

+4%

In addition to the above 4 divisions, there is "Others" division. (2006/3: ¥1.2bn, 2007/3E: ¥1.0bn)

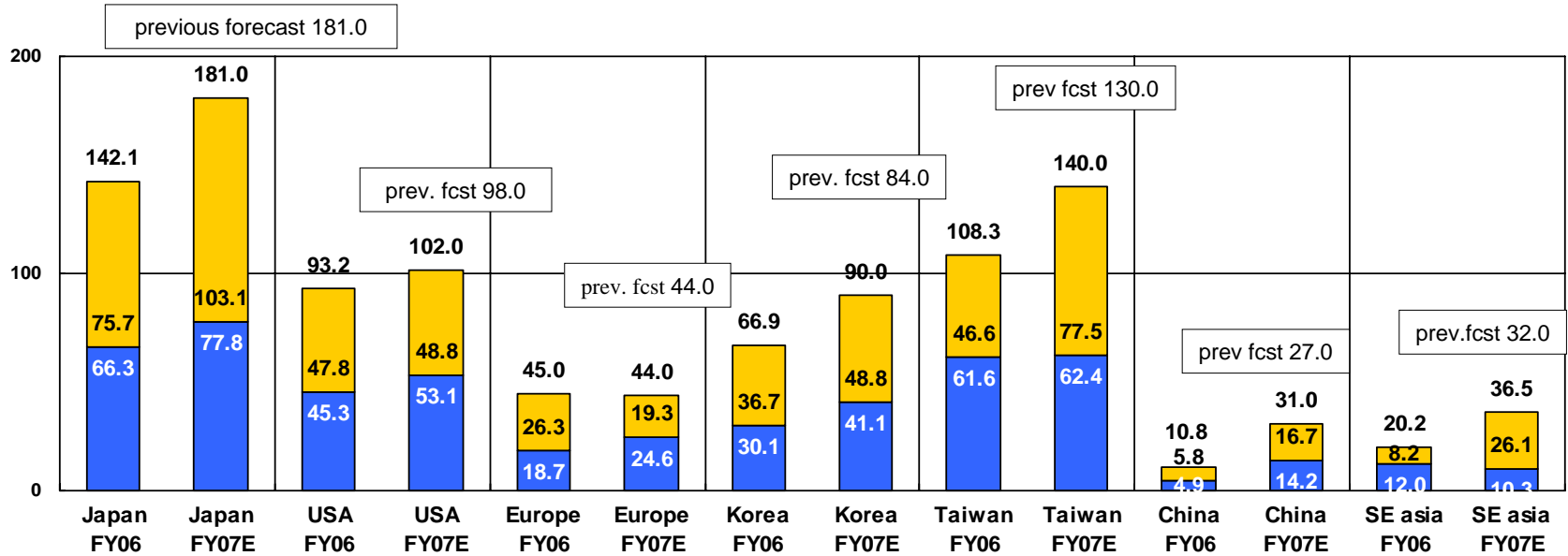


Projected SPE Sales by Region



FY2006 486.8 bn
FY2007(E) 624.5 bn

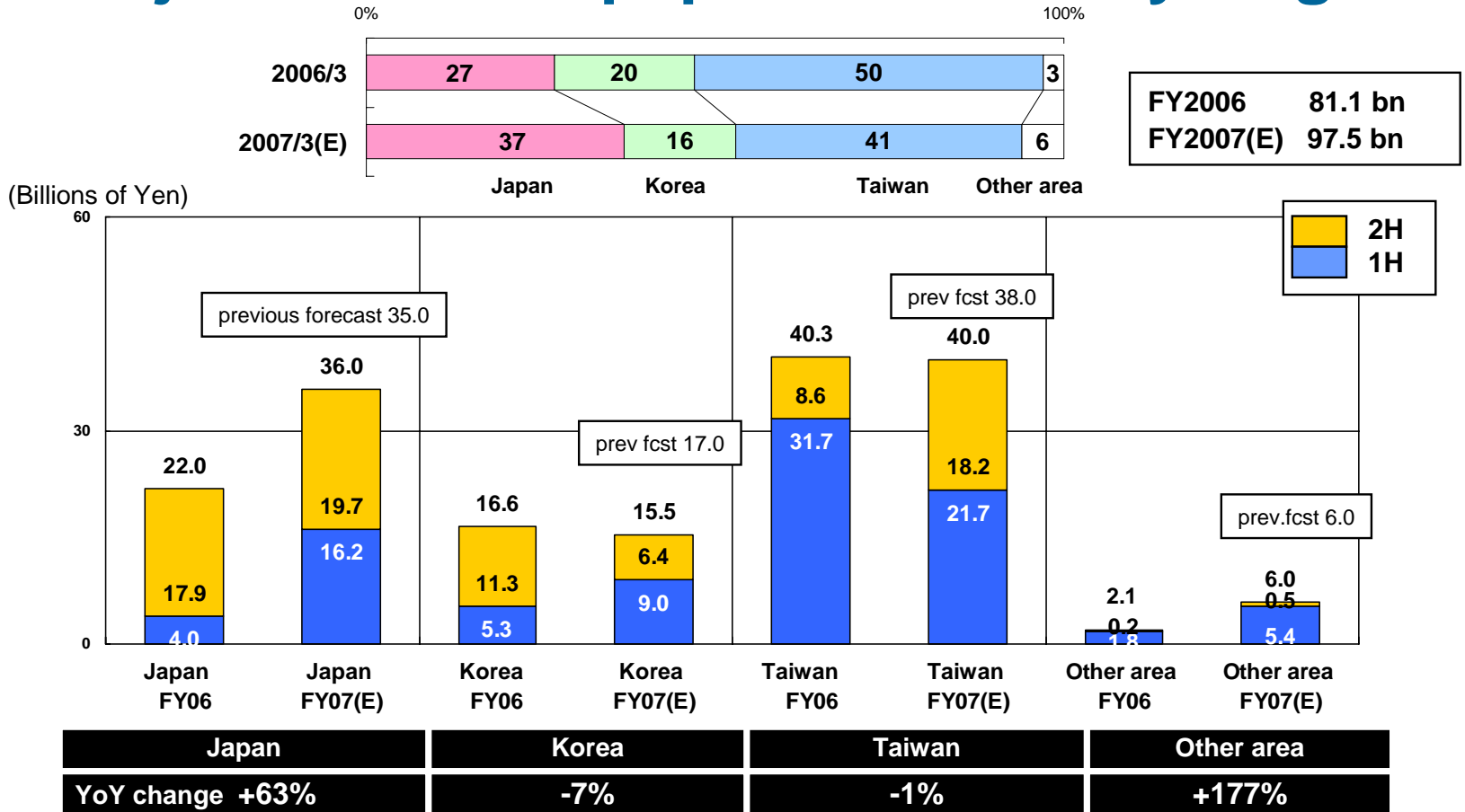
(Billions of Yen)



Region	YoY change
Japan	+27%
USA	+9%
Europe	-2%
Korea	+34%
Taiwan	+29%
China	+186%
S.E. ASIA	+80%



Projected FPD Equipment Sales by Region



Summary: Year to March 2007



Forecasting record sales, operating income and net income



Significant increase in second half operating margin



Increase R&D and CAPEX to accelerate:

- **New product development**
- **New manufacturing system set-up**
- **New business development**

