

TEL 3Q Summary and Business Environment

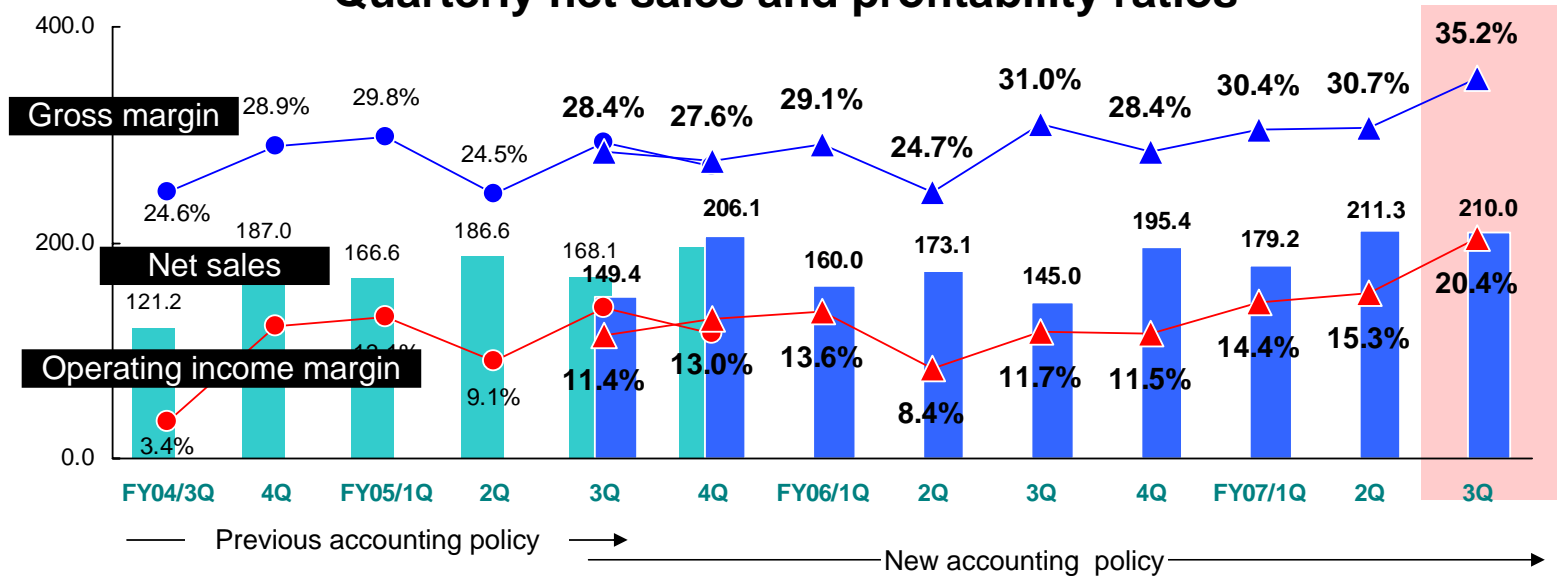
Kiyoshi Sato, President & COO

February 6, 2007

3Q – OPM sharply improved

(Billions of Yen)

Quarterly net sales and profitability ratios



Key factors in improved 3Q profitability:

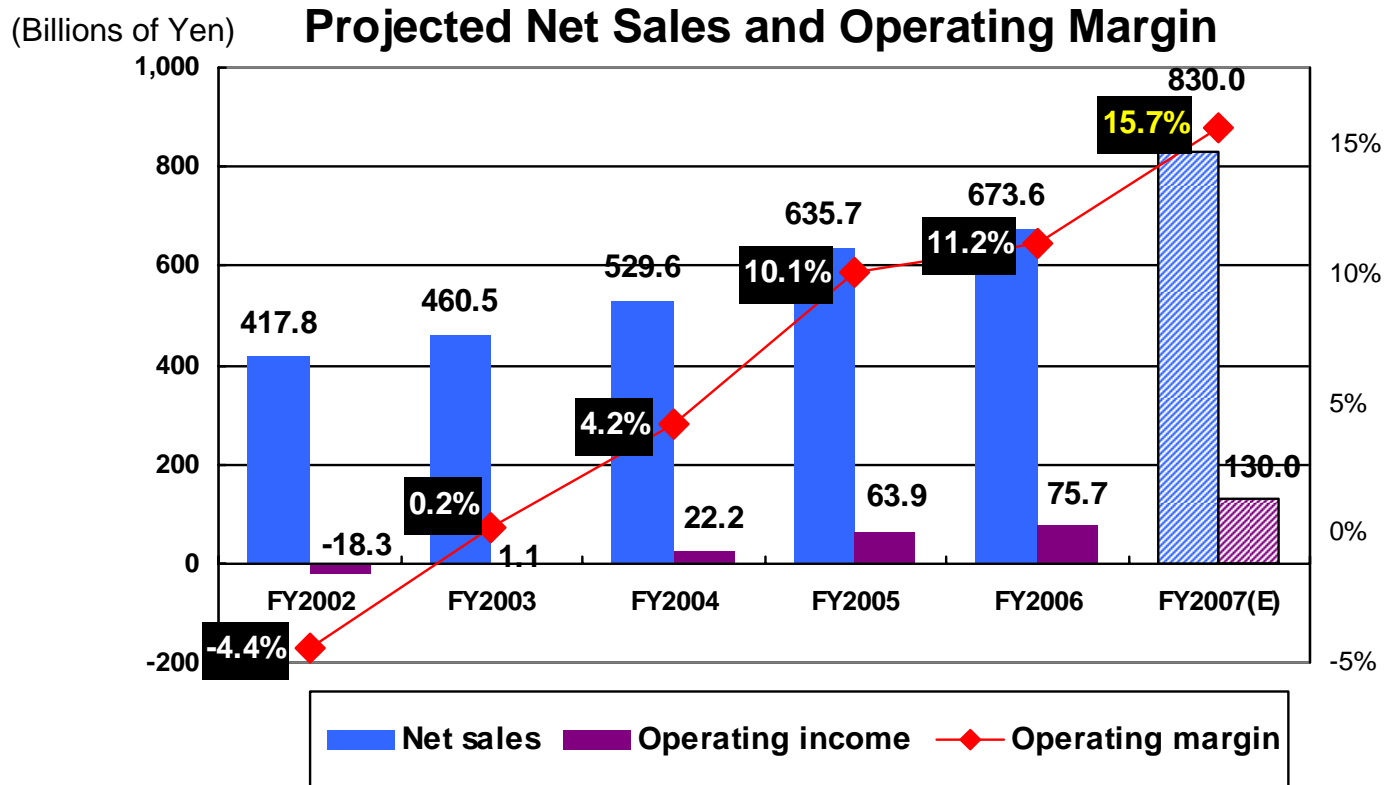
- Effects of customer mix and product mix
- Higher capacity utilization, lower warranty reserves and start-up fees
- Cost control (including seasonal effects)

● Previous policy: Shipment base

● New policy: Confirmation of setup & testing base, Warranty reserve



FY2007: Beating the previous record achieved in FY2001



FY2007 projection was revised up in November 2006.



CY2007: Business environment

▶ Semiconductor CAPEX

- MEMORY investment to act as driver. DRAM is expected to be strong throughout the year, NAND to join in the 2H.
- Recovery expected in LOGIC investment from mid-2007

➡ Expect 5-10% YoY growth

▶ FPD CAPEX

- Sluggish to continue throughout 2007
- Orders to start to recover from mid-2007 in anticipation of demand for digital TVs from 2008 onwards

➡ Expect 20-25% YoY decline



CY2007: Growth forecast by research firm

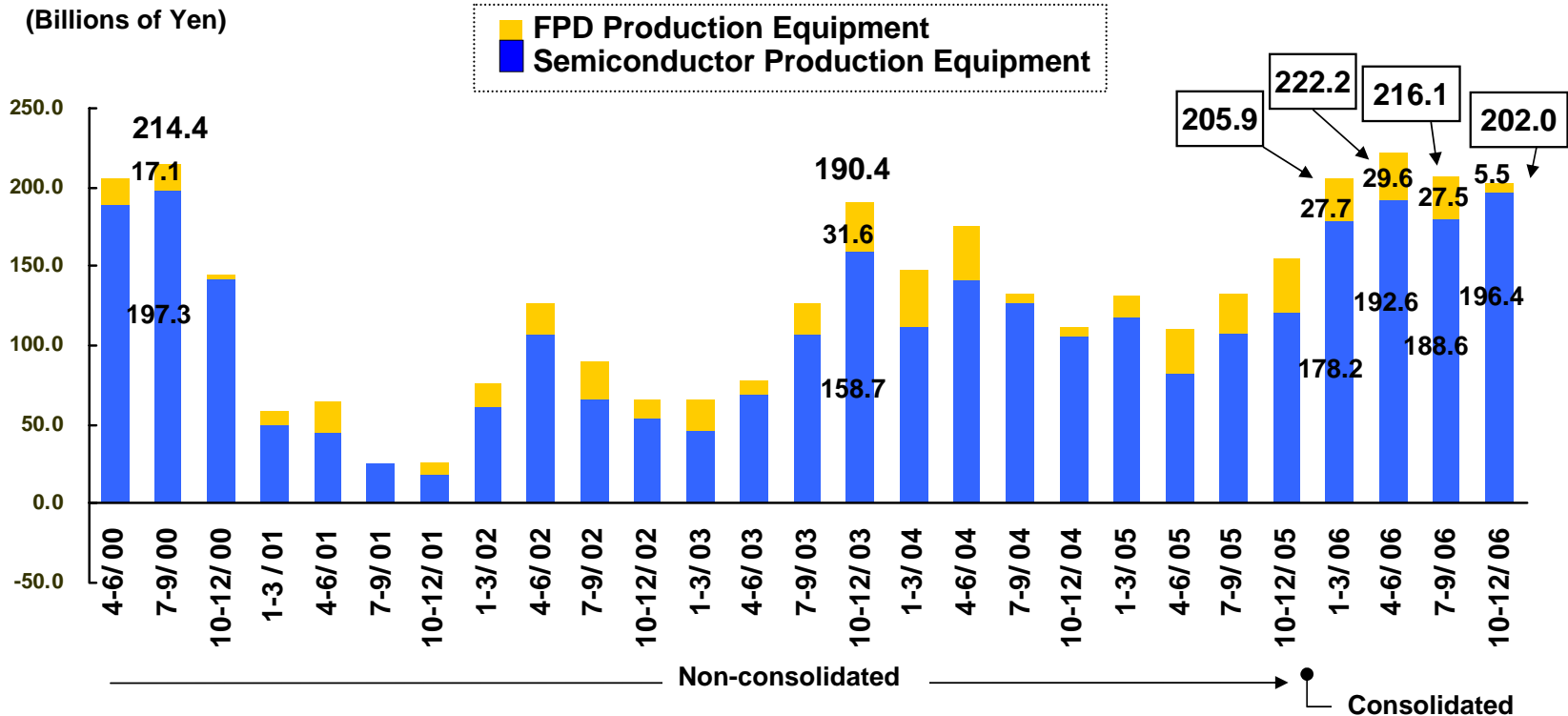
	Semiconductor	Semiconductor CAPEX
Gartner Dataquest	+ 9.2%	+ 1.0%
VLSI Research	+ 5.2%	+ 4.2%
IC Insights	+ 7.0%	+ 5.0%
iSuppli	+ 10.0%	+ 6.9%

As of Jan 2007



Quarterly SPE+FPD order

▶▶ High level of orders continued



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

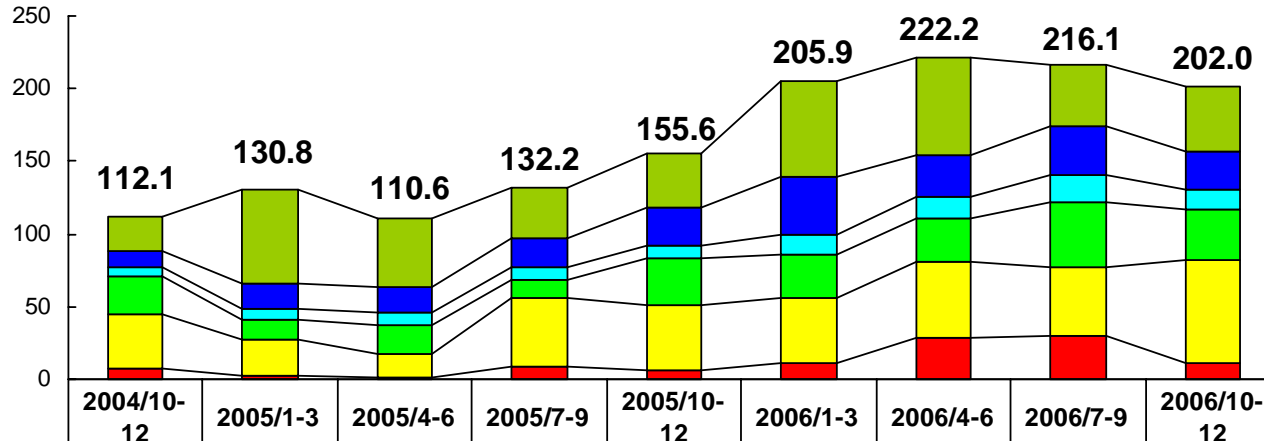
*Main difference between consolidated and non-consolidated: Consolidated figures include post-sales orders at overseas subsidiaries.



Quarterly SPE+FPD order by region

▶▶ Q3: Strong appetite for investment continued Taiwan Korea Japan

(Billions of Yen)



Region	2004/10-12	2005/1-3	2005/4-6	2005/7-9	2005/10-12	2006/1-3	2006/4-6	2006/7-9	2006/10-12
Japan	23.8	65.2	47.1	35.5	36.7	66.6	67.7	41.4	45.1
U.S.	11.2	16.3	16.9	18.8	26.4	39.9	28.5	34.4	26.4
Europe	5.3	7.6	8.9	9.3	9.1	13.9	14.5	17.5	13.0
Korea	26.5	13.8	20	12.9	32.4	29	30.1	45.6	35.3
Taiwan	38	24.5	16	46.8	44.5	45.7	52.9	47.6	71.0
China, S.E. Asia, others	7	3.1	1.5	8.7	6.2	10.6	28.2	29.3	10.9

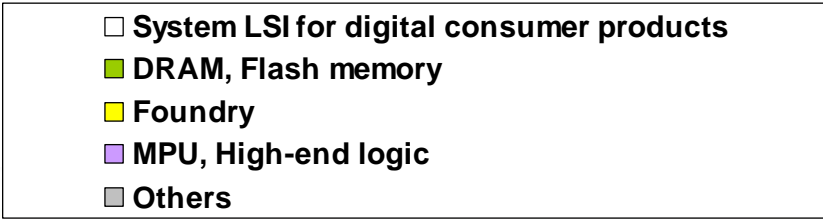
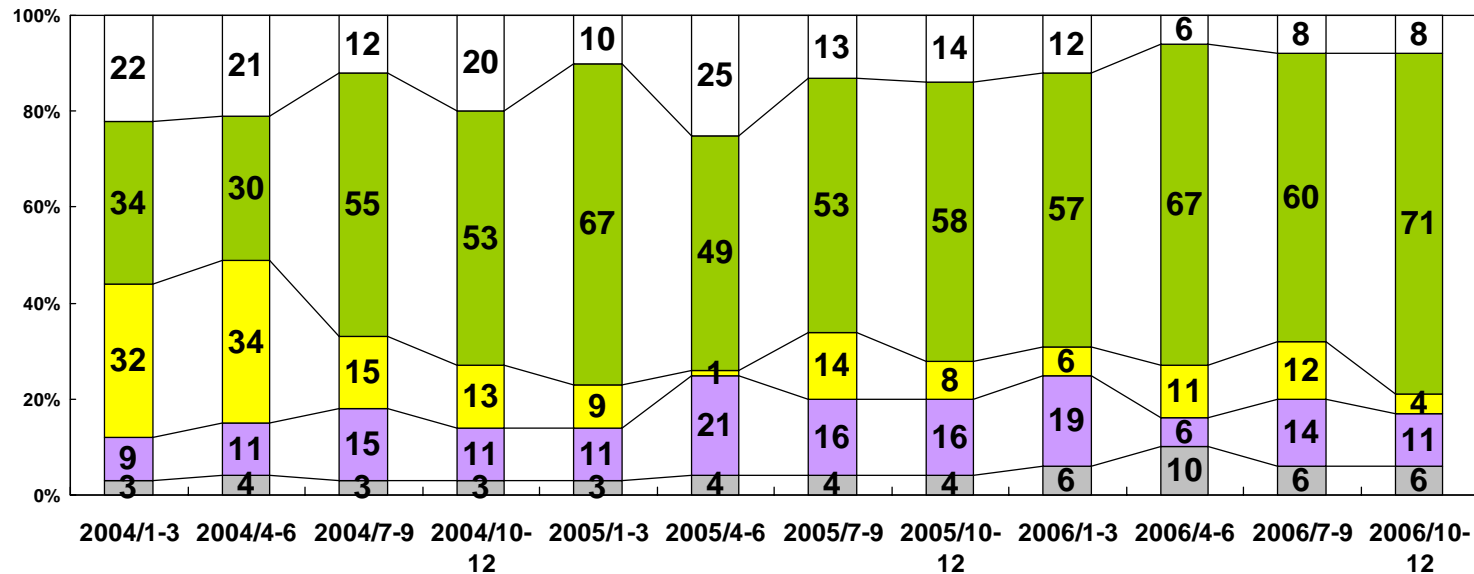
Order numbers are on a consolidated basis from 2006/1-3 quarter.



SPE Quarterly order by application

Non-consolidated basis, equipment only

▶▶ Q3: Orders for memory, particularly DRAM, remained strong



Recent initiatives for further growth

▶▶ Strengthen R&D and product development

- TEL Venture Capital (2006.7)
- Sendai Technology Center (2007.4 ~)
- Process support center in South Korea (2007.4 ~)
- Acquired Epion Corporation (2006.12) **New!**

Released five new products in Semicon Japan

▶▶ Strengthen manufacturing technologies and skills

- Build third production facility for coaters/developers at TEL Kyushu, Koshi Plant → Strengthen in-house manufacturing (2007.7 ~)
 - Expand production space for etchers at TELAT Miyagi Plant (2007.4 ~)
 - *Kaizen* activities throughout TEL group
-

▶▶ Increase employee incentives

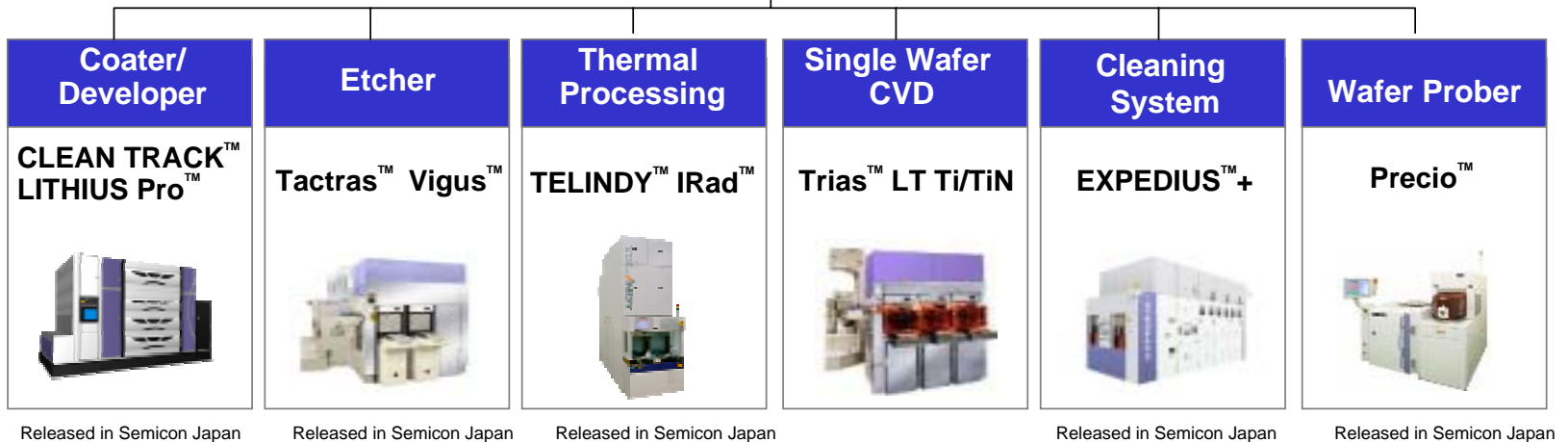
- Employee-bonus to link with consolidated operating income **New!**



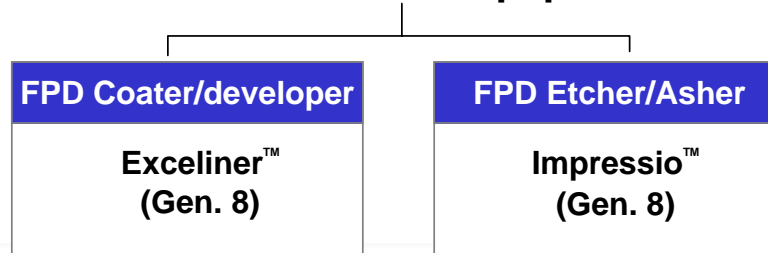
New products released in 2006

Offering higher performance and higher productivity

Semiconductor Production Equipment



FPD Production Equipment



Summary: Third Quarter



Made steady progress in 3Q towards record full year results



Improved profitability through the launch of new products and *Kaizen* activities in manufacturing department



Obtained new technologies through the acquisition of Epion Corporation, laying the groundwork for further growth



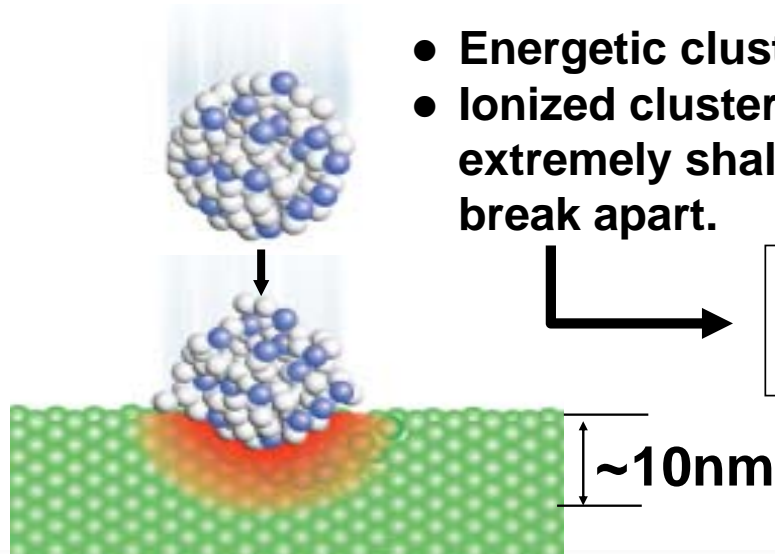
Market environment: Positive growth in SPE CAPEX also expected in 2007



TEL-EPION Inc.

Established: December 2006
Location: Billerica, MA, U.S.A.
Employees: 40 as of Jan 2007

Gas Cluster Ion Beam (GCIB) technology



- Energetic cluster ions impact on solid surfaces.
- Ionized clusters impart all their energy to extremely shallow region of the surface, and break apart.

- Ultra-shallow doping
- smoothing

~10nm

