

Changes in the Business Environment and Revision of FY2009 Financial Estimates

[FY2009: April 1, 2008 – March 31, 2009]

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Changes in the Business Environment



Business Environment

▶ SPE capex

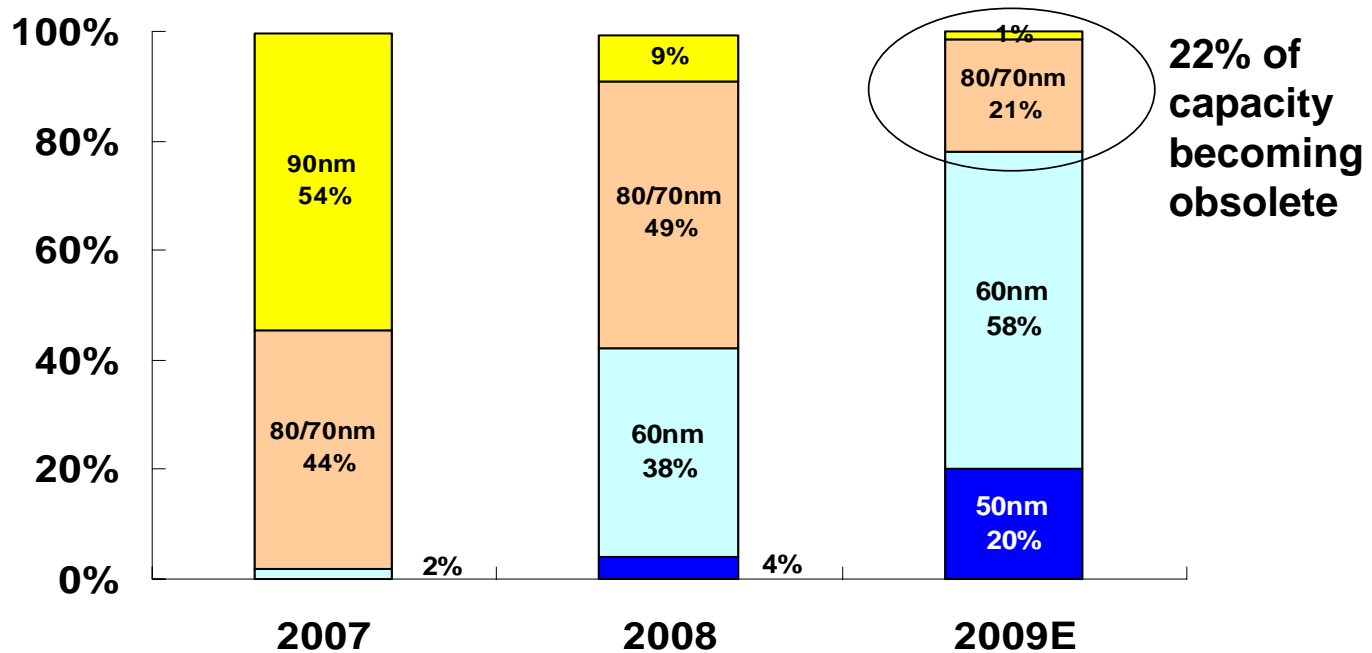
- Macro economy worsening more than expected due to global financial crisis, tough environment for new orders continues
- DRAM: Despite ongoing production adjustment, demand is weak and excess supply continues. Some lines are being integrated/closed through industry reorganization. Demand for 50nm investment will grow aiming for cost reduction by line width shrinkage.
- NAND: Demand weak and price falls severe. Investment is restricted to that for line width shrinkage.
- MPU: Investment in 45nm is strong
- Logic foundries: Demand weak and investment sluggish
- Outlook for 2009: Greatly affected by macro economy, currently outlook remains unclear

▶ FPD capex

- As demand for panels for large screen TVs is lower than assumed, some are reducing production. From fiscal 2H, some are requesting delays to investment projects.



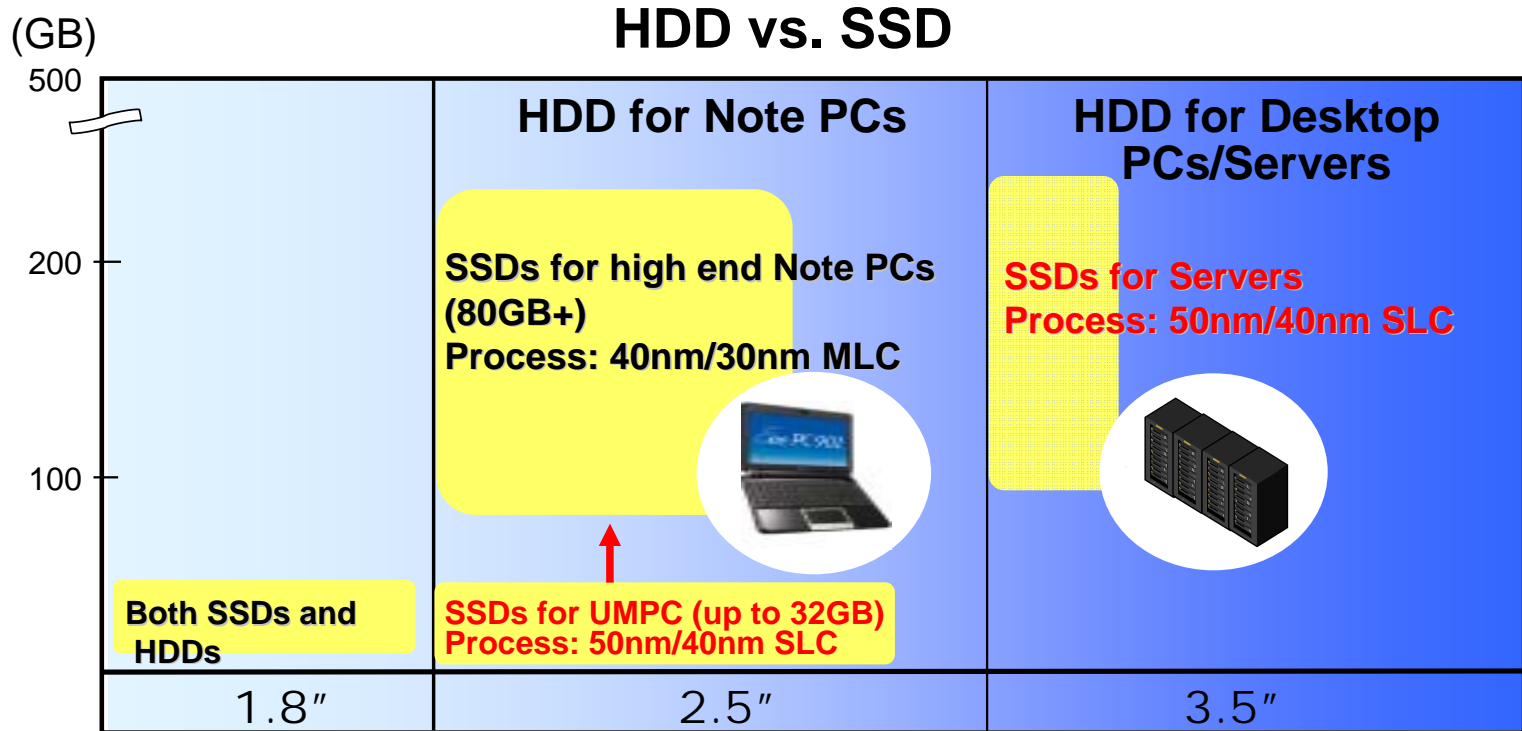
DRAM Capacity by Node



Most lines for $\geq 70\text{nm}$ are unprofitable, and are being retired from DRAM production or upgraded to shrink line width → increasing demand for 50nm technology



Trends of NAND Flash Memory-based SSD

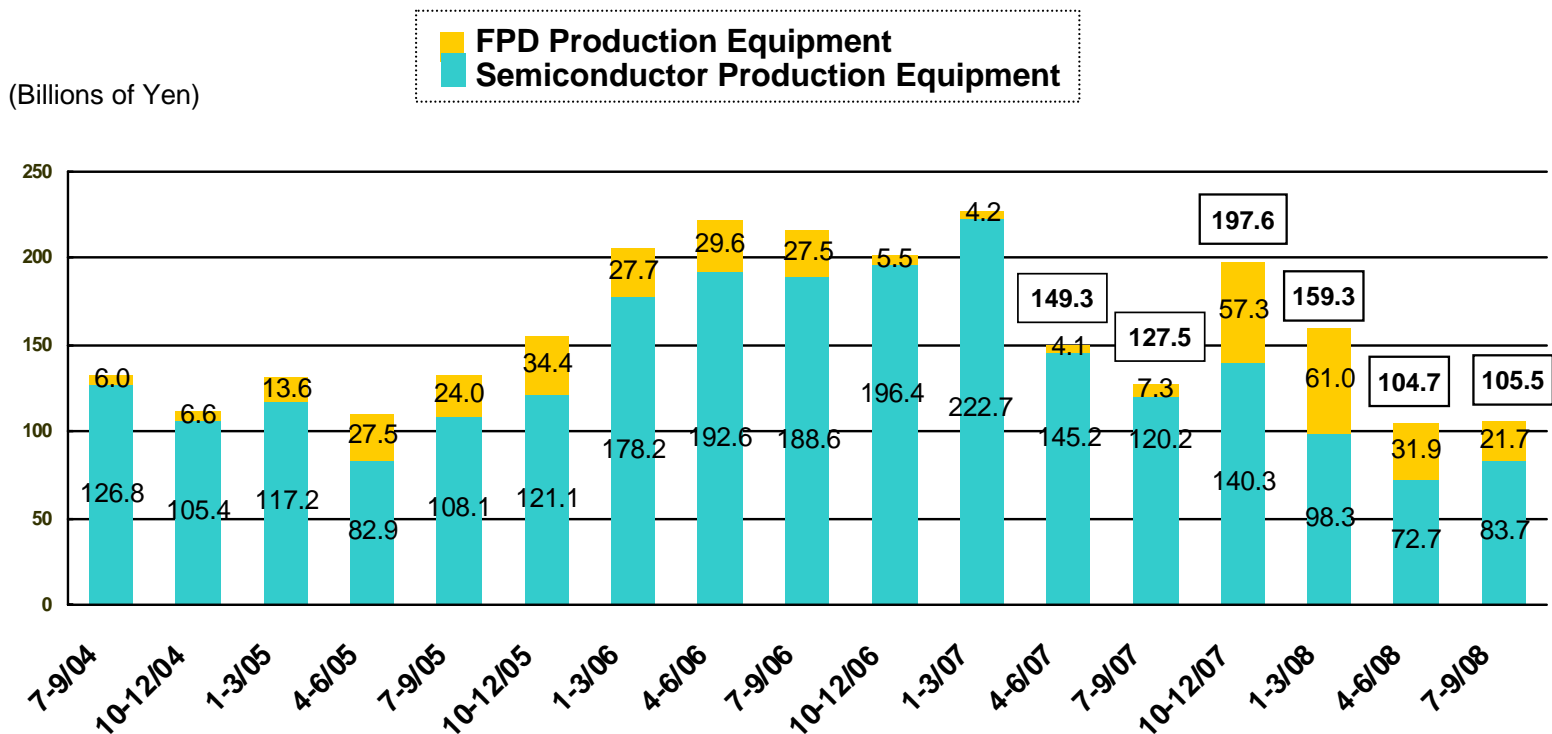


For servers and Ultra Mobile PCs (UMPC), 50nm process SSDs have started to be used by some makers

SSD: Solid State Drive (Drives that use NAND flash memory as a storage medium)
 HDD: Hard Disk Drive



Quarterly SPE+FPD Orders



*7-9/08 FPD orders include orders for Photovoltaic Cell Production Equipment.

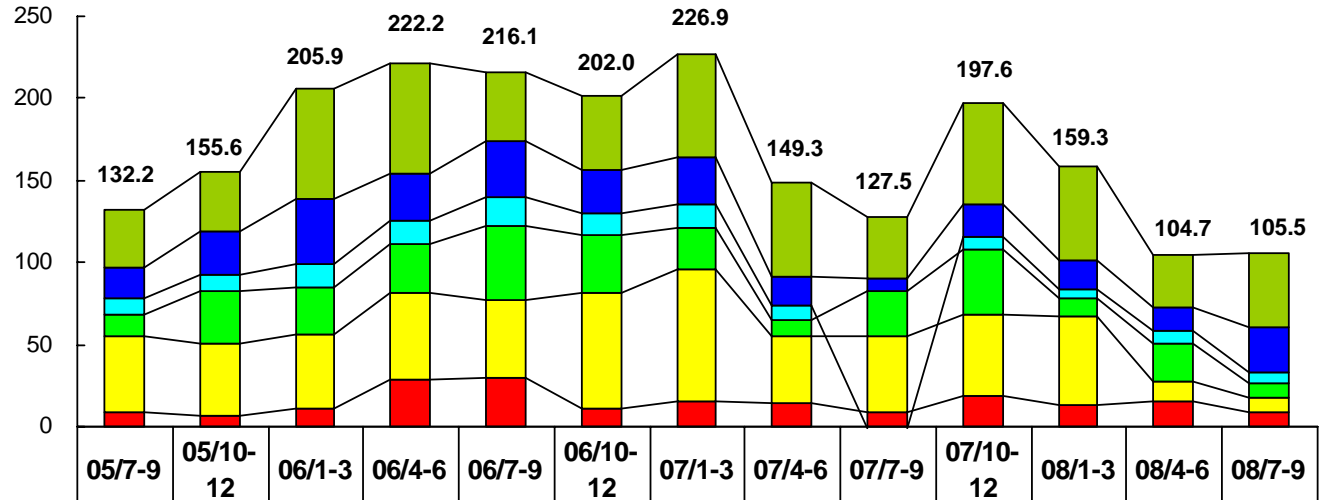
*Figures until 10-12/05 are non-consolidated, figures from 1-3/06 are consolidated.

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



Quarterly SPE+FPD Orders by Region

(Billions of Yen)



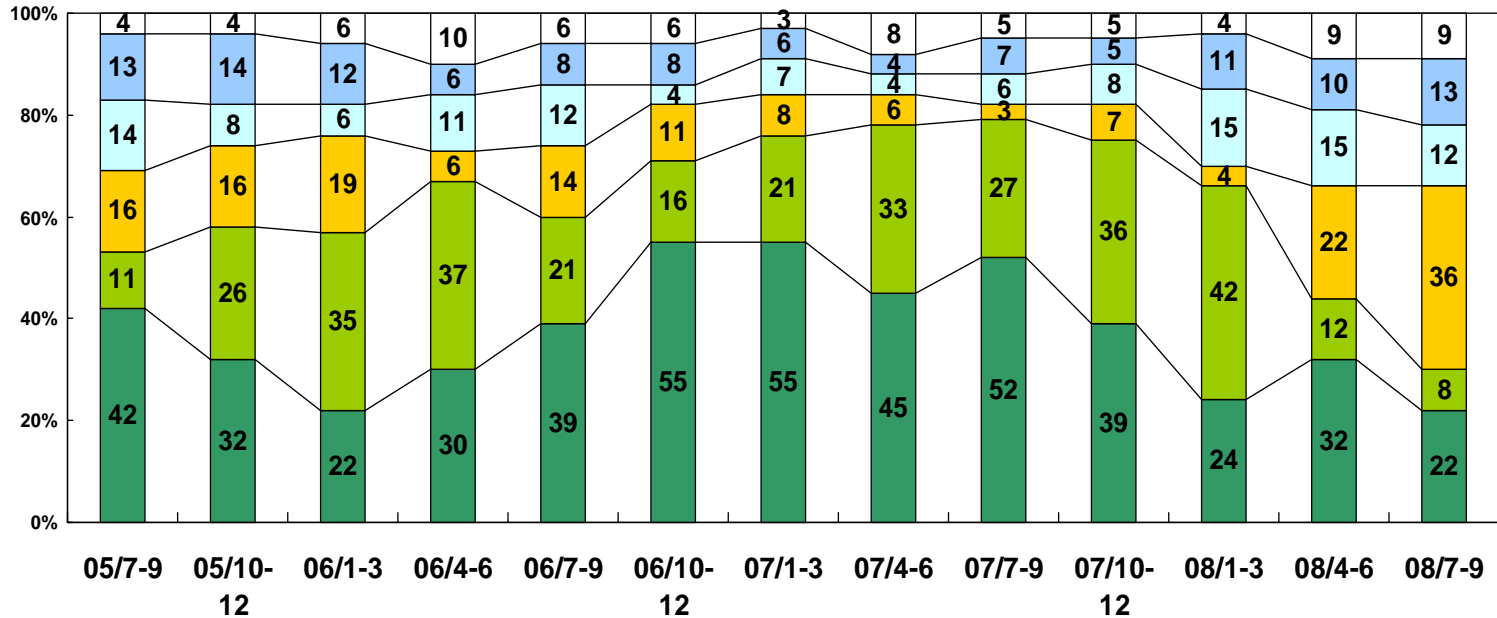
Japan	35.5	36.7	66.6	67.7	41.4	45.1	62.4	57.8	37.8	61.5	57.4	31.8	44.4
U.S.	18.8	26.4	39.9	28.5	34.4	26.4	28.3	17.2	8.1	20.4	18.4	14.3	28.1
Europe	9.3	9.1	13.9	14.5	17.5	13.0	14.9	8.6	-0.8	7.3	4.9	7.9	5.9
Korea	12.9	32.4	29.0	30.1	45.6	35.3	25.7	9.9	26.8	39.9	11.3	22.8	9.0
Taiwan	46.8	44.5	45.7	52.9	47.6	71.0	80.4	40.9	47.0	49.8	53.4	12.1	8.8
China, S.E. Asia, others	8.7	6.2	10.6	28.2	29.3	10.9	15.0	14.7	8.6	18.5	13.6	15.6	9.1

*08/7-9 FPD orders include orders for Photovoltaic Cell Production Equipment.

*Order numbers are on a consolidated basis from 06/1-3 quarter.



Quarterly SPE Orders by Application (Equipment only)



- Others
- System LSI
- Logic foundry
- MPU, High-end logic
- Flash memory
- DRAM

(TEL estimation included in memory portion)



Revision of FY2009 Financial Estimates



Revision of FY2009 Financial Estimates

Estimates revised downward due to further worsening of business environment

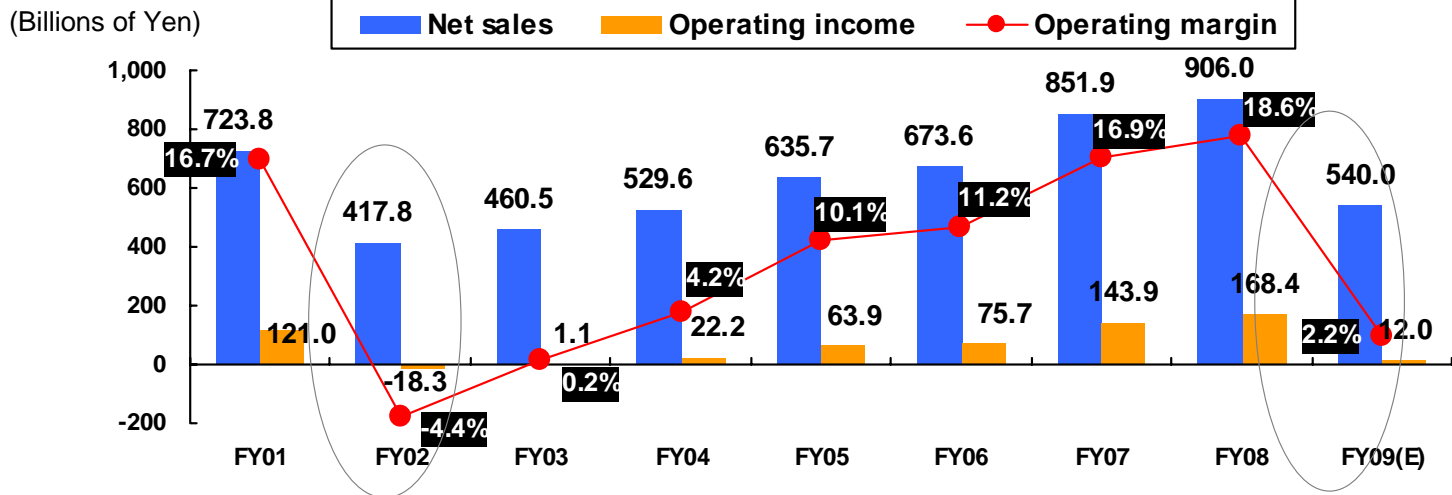
(Billions of yen)

	FY2008	FY2009 (E)						
		Estimates as of Aug. 8			Revised estimates			
		Full year	1H (E)	2H (E)	Full year (E)	1H (Actual)	2H (E)	Full year (E)
Net sales	906.0	301.5	328.5	630.0	301.2	238.8	540.0	-40%
SPE	726.4	206.8	213.7	420.5	208.7	135.3	344.0	-53%
FPD	68.0	41.0	55.0	96.0	40.1	52.4	92.5	+36%
EC/CN	111.1	53.5	59.5	113.0	52.1	50.9	103.0	-7%
Others	0.4	0.2	0.3	0.5	0.2	0.3	0.5	+10%
Operating income	168.4 (18.6)	22.5 (7.5)	28.5 (8.7)	51.0 (8.1)	26.2 (8.7)	-14.2 (-5.9)	12.0 (2.2)	-93%
Ordinary income	172.7 (19.1)	25.0 (8.3)	30.0 (9.1)	55.0 (8.7)	28.9 (9.6)	-12.4 (-5.2)	16.5 (3.1)	-90%
EBIT	169.2 (18.7)	25.0 (8.3)	30.0 (9.1)	55.0 (8.7)	28.6 (9.5)	-12.6 (-5.3)	16.0 (3.0)	-91%
Net income	106.2 (11.7)	15.0 (5.0)	18.0 (5.5)	33.0 (5.2)	17.3 (5.8)	-9.3 (-3.9)	8.0 (1.5)	-92%

1. SPE: Semiconductor Production Equipment, FPD: FPD Production Equipment, EC/CN: Electronic Components/Computer Networks
2. Numbers shown in (): profit ratios
3. YoY changes are calculated using full amounts, before rounding.



Differences from Previous Recession



1. No large order cancellations

FY02: Crash caused by logic foundry FY09: Crash caused by memory

2. High level of R&D

FY02: ¥53.8 bn FY09(E): ¥63.0 bn

3. Strong balance sheet

FY02 net debt: ¥107.3 bn FY09 net cash: ¥226.6 bn*

4. Improved asset turnover

Inventory turnover + Accounts receivable turnover: FY02: 249 days FY09: 151 days*



*End September 2008 figures

Priorities for This Fiscal Year

1. Cost reduction

Additional cost cuts of ¥12bn to give total planned full-year fixed cost reduction of ¥32bn

2. Continued investment for growth

No relaxation of R&D investment in existing or new business areas

Maintain first half level of R&D expenses in the second half

3. Establishing business framework for photovoltaic cell production equipment

Launched new organization of FPD/PVE Business Division (from Oct. 1)

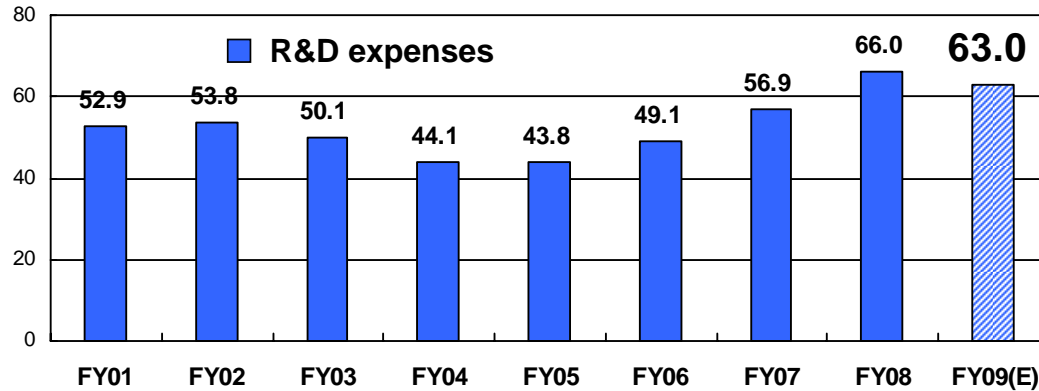
Accelerated development aiming for first shipment in early 2009



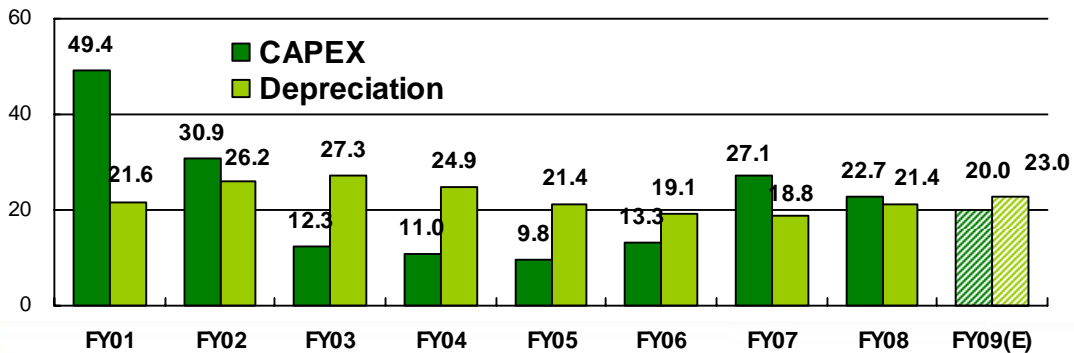
Projected R&D Expenses and CAPEX

Sustaining R&D expenses at a high level

(Billions of Yen)



(Billions of Yen)



Summary

1. The worldwide economic crisis is resulting in a worse industry environment than expected
2. TEL results: As a result of investment freezes and delays at customers, second half sales expected to show further decline so full year forecasts revised down
3. Responding to recession by implementing all possible cost reduction, tightening up operations
4. In order to significantly strengthen our competitive position for the next upturn, R&D and other investment for growth will be maintained at a high level, though non-urgent investment will be postponed

