FY2011 Financial Forecast and Basic Management Policy

Hiroshi Takenaka, President & CEO

May 12, 2010
FY2010 Review
# FY2010 Initial Financial Estimates vs. Results

(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial estimates</strong></td>
<td>(May 14, 2009)</td>
</tr>
<tr>
<td>Net sales</td>
<td>300.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>-63.0</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>-61.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>-61.0</td>
</tr>
<tr>
<td>Net income</td>
<td>-38.0</td>
</tr>
</tbody>
</table>
FY2010: Achievements

Short-term response

▷ Response to drastic market changes
  • Achieved ¥30 billion YonY reduction in fixed costs

Medium-term actions

▷ Maintained high level of R&D investment
  • R&D expenses ¥54 billion (16% of SPE/FPD/PVE sales)
  • Invested in existing SPE, RLSA, 3DI, SiC Epi, and other new areas

▷ Reorganized and optimized organization and facilities ahead of next stage in growth
  • Reorganized sales and service structure
  • Consolidated domestic development and manufacturing locations, established and enhanced technology centers in Taiwan and the U.S.
  • Decided to restart plan to construct new Miyagi plant
  • Implemented One-grade up Program for employees
Business Environment
Business Environment

► **SPE capex**
  - Global economic recovery has led to a strong surge in demand for semiconductors and a rapid recovery in orders
  - A large number of new lines are planned in the second half of CY2010 and first half of CY2011
  - WFE* investment in CY2010 expected to be up more than 90%

► **FPD capex**
  Sustained boom in demand for flat screen TVs, mainly in China; continuing investment in new line construction

► **PV capex**
  Crystal silicon and compound (Cd-Te) performing well due to price advantage, thin film silicon sluggish but expected to grow in medium/long term

*Wafer Fab Equipment*
SPE WFE* Capex by Segment

2010/2011: Major growth in WFE CAPEX

*Wafer Fab Equipment

Source: Gartner DataQuest, TEL Marketing
Quarterly SPE+FPD/PVE Orders

Jan-Mar/2010

- SPE: 123.6 (+14%)
- FPD/PVE: 10.6 (+372%)
- Total: 134.3 (+21%)
## FY2011 Financial Estimates

(Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>Full year (E)</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full year</td>
<td>1H (E)</td>
<td>2H (E)</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>418.6</td>
<td>315.0</td>
<td>345.0</td>
<td>660.0</td>
</tr>
<tr>
<td>SPE</td>
<td>262.3</td>
<td>240.0</td>
<td>261.0</td>
<td>501.0</td>
</tr>
<tr>
<td>FPD/PVE</td>
<td>71.3</td>
<td>32.0</td>
<td>37.0</td>
<td>69.0</td>
</tr>
<tr>
<td>EC/CN</td>
<td>84.4</td>
<td>43.0</td>
<td>47.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Others</td>
<td>0.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating income</td>
<td>-2.1 (-0.5)</td>
<td>33.0 (10.5)</td>
<td>46.0 (13.3)</td>
<td>79.0 (12.0)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>2.5 ( 0.6)</td>
<td>34.0 (10.8)</td>
<td>46.0 (13.3)</td>
<td>80.0 (12.1)</td>
</tr>
<tr>
<td>EBIT</td>
<td>-7.7 (-1.9)</td>
<td>34.0 (10.8)</td>
<td>46.0 (13.3)</td>
<td>80.0 (12.1)</td>
</tr>
<tr>
<td>Net income</td>
<td>-9.0 (-2.2)</td>
<td>22.0 ( 7.0)</td>
<td>33.0 ( 9.6)</td>
<td>55.0 ( 8.3)</td>
</tr>
<tr>
<td>Dividend (yen)</td>
<td>12</td>
<td>25</td>
<td>37</td>
<td>62</td>
</tr>
</tbody>
</table>

In principle, export sales of Tokyo Electron’s mainstay semiconductor and FPD/PV cell production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

2. Numbers shown in (    ): profit ratios
3. YoY changes and profit ratios are calculated using full amounts, before rounding.
Aiming for New Growth
Corporate Philosophy

As a leader in cutting-edge fields, provide high value technology and services globally to help people realize high quality, sound lifestyles.

Help create a society with a vision, and take a strong lead in meeting environmental challenges.

Share a sense of mission among all employees, and realize our dreams as a bright and active company full of vitality.
Global R&D and Manufacturing Bases

- Imec (Belgium)
- TTCT (Taiwan)
- TEKS (Korea)
- TTCA (U.S.A.)
- TEL VC (U.S.A.)
- TEKS (Korea)
- TTCA (U.S.A.)
- TEL Epion (U.S.A.)
- Timbre Technology (U.S.A.)
- TDC, LPDC, TDI, TELAT, TKL, TTL (Japan)

R&D framework closely linked to cutting-edge technologies
R&D Expenses and CAPEX

**R&D Expenses**

(Billion Yen)

- FY08: 66.0
- FY09: 60.9
- FY10: 54.0
- FY11(E): 67.0

- % to SPE+FPD/PV sales

**CAPEX**

(Billion Yen)

- FY08: 22.7
- FY09: 21.4
- FY10: 18.1
- FY11(E): 23.0

- CAPEX
- Depreciation

**Main use:**

- Etch system (Poly Etch, etc.)
- Single wafer cleaning system
- RLSA application expansion
- New area (3DI, FPD, PV, etc.)

**Main use:**

- New Miyagi plant related
- Evaluation and measuring equipment
- Environment-related

**FY2011 R&D budget is TEL’s largest ever**
New Product - Tactras™ RLSA™ Etch

RLSA plasma advantage
- Less plasma damage
- High selectivity

Application
- Poly Etch
- Si Etch
- CVD, etc.

RLSA soon be adopted for volume production at a key customer
Focus our efforts particularly on etching and cleaning systems

Product Share (FY2010)

- Coater/Developer
- Etching
- Thermal processing
- Single wafer CVD
- Cleaning
- Prober

Grow share in the poly etch market → Promote new models worldwide
Grow share in single wafer cleaning → Raise productivity → Develop differentiated technology
FPD/PV Business: Status and Objectives

FPD business
► Expand product position
► Thorough cost reductions
► Accelerate organic EL and other new technology development

PV business
► Collaboration with Sharp; Alliance with Oerlikon
► From a long term perspective, foster PV based around thin film as a core business

Respond flexibly to environmental changes
Achieving sustained growth: Key medium-term issues

1. Exploit growth opportunities in existing businesses
2. Use differentiated technology to create high profit businesses
3. Expand field solutions businesses
4. Further enhance our manufacturing strengths
5. Cultivate new businesses based on core technologies