FY2010 Business Environment and Financial Estimates

FY2010: April 1, 2009 – March 31, 2010

Hiroshi Takenaka, President

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Overview

The semiconductor and FPD markets will continue to expand in three dimensions:

- **Regions:** Shift from developed countries to high population Asia, emerging countries
- **Applications:** Shift from mobile devices to medical, communications and other social infrastructure
- **Performance:** Faster devices with larger memory, lower energy consumption

A production equipment industry that supports technological innovation of electronics will make this expansion a reality, and our industry will continue to grow with cyclical peaks and troughs.

Over nearly half a century in the production equipment business, TEL has built absolute trust with customers through its pre-eminent technology development capability. We will continue to leverage these comprehensive strengths to grow our business.
Changing SPE environment

- **Process technology:** Shrinkage; Shift to low power consumption
- **Customers:** Accelerated oligopoly
- **SPE market:** Shift to Asia
- **Equipment:** Pursuit of higher productivity, environment-friendly equipment
- **Post sales:** Shift to longer life cycles of equipment

Identifying market changes to enhance our position
SPE technological innovation will continue

Intense pursuit of scaling and lower power consumption
Strengthening post sales operations

Worldwide TEL products in operation
50,000 systems

Discover new business opportunities, respond to demand for long-life equipment
Strengthening PV Production Equipment business

TEL PVE business program:

Joint development with SHARP
- Plasma CVD system for thin-film silicon PV
- TEL: joint development, manufacturing and sales

Alliance with Oerlikon Solar
- End-to-end thin-film silicon PV solutions
- TEL: representative in Asia & Oceania

Independent development by TEL

PVE business to form our third pillar alongside SPE and FPD

PV: Photovoltaic
FY2009 Overview

FY2009: April 1, 2008 – March 31, 2009
FY2009 overview

▶ Stayed profitable by rapidly responding to violent market changes
  • Year-on-year fixed-cost cuts of 40 billion yen

▶ Maintained a strong balance sheet
  • Operating cash flow: 81 billion yen
  • Year end cash* position 210.1 billion yen; D/E ratio 0.7%

▶ Sustained R&D investment and new product creation
  • R&D expenses: 60.9 billion yen
  • Launched new model SPE and 10th gen. FPD production equipment
  • Established double patterning technology for volume production

▶ Progressed PVE business
  • Formed strategic alliance with Oerlikon Solar

* Cash = Cash & Deposits + certificates of deposit (short-term securities)
Maintained a strong balance sheet

- Net debt: 107.3 billion yen
- Net cash: 206.3 billion yen

D/E ratio:
- FY01: 62.3%
- FY02: 50.6%
- FY03: 46.1%
- FY04: 29.9%
- FY05: 17.3%
- FY06: 8.7%
- FY07: 6.7%
- FY08: 0.7%
- FY09: 0.7%
FY2009 new products

Aiming for higher productivity and environmental friendliness
Established double patterning technology

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- 42nm Line
- 22nm Line
- Spacer
Strategic alliance with Oerlikon Solar

TEL as the exclusive representative (sales, start-up and customer support) for end-to-end thin-film silicon PV solutions

Territory: Asia including Japan and Oceania

World No. 1 in cumulative shipments of E2E thin-film silicon PV systems

Superior technology, and trusted customer support + sales capability

Expand business in the high growth Asian market
Business Environment
Calendar 2009 business environment

► SPE capex
Tough environment for orders will continue, but a number of customers’ investment projects for shrinkage coming up
• NAND: Due to active smart-phone demand, commencing 30nm investment
• DRAM: All the major players will commence 50nm investment for shrinkage
• LOGIC/Foundries: Inventory adjustment progressing, 45nm/32nm investment restarting

► FPD capex
Production is bottoming out due to TV demand from China, recovery is expected, but slow

► PV capex
Slight slowdown due to worsening worldwide economy and toning down of government support measures, but major expectations for future growth
Supply shortages (NAND in 09/Q2, DRAM in 09/Q3) are creating a large appetite for investment.
Fab utilization and investment for memory

Following the recovery of foundry capacity utilization, NAND and DRAM will see active investment for shrinkage.

Source: TEL marketing estimates
FY2010 Financial Estimates
Quarterly SPE+FPD/PVE Orders

* Figures until 10-12/05 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.
## FY2010 Financial Estimates

(Billions of yen)

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<th>FY2009</th>
<th>FY2010(E)</th>
<th>YoY change</th>
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<tr>
<td></td>
<td>Full year</td>
<td>1H</td>
<td>2H</td>
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<tr>
<td>Net Sales</td>
<td>508.0</td>
<td>126.0</td>
<td>174.0</td>
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<tr>
<td>SPE</td>
<td>325.3</td>
<td>60.0</td>
<td>104.0</td>
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<tr>
<td>FPD/PVE</td>
<td>88.1</td>
<td>29.5</td>
<td>29.5</td>
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<tr>
<td>EC/CN</td>
<td>94.2</td>
<td>36.5</td>
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<tr>
<td>Others</td>
<td>0.3</td>
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<tr>
<td>Operating Income</td>
<td>14.7</td>
<td>-42.0</td>
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<td>Ordinary income</td>
<td>20.5</td>
<td>-41.0</td>
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<tr>
<td>EBIT</td>
<td>9.6</td>
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<tr>
<td>Net income</td>
<td>7.5</td>
<td>-26.0</td>
<td>-12.0</td>
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<td>Cash dividends per share (yen)</td>
<td>24</td>
<td>4</td>
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- (    ): Profit ratio
R&D Expenses and CAPEX

Active investment in selected areas of R&D; Capex, minimum required
Key Measures for the Current Fiscal Year

1. **Cost cuts of 30 billion yen** (to give cumulative 2 year total of 70 billion yen)
   - Further reduction in general expenses
   - Restrained capex
   - Effects from reduced outsources

2. **Maximize potential of existing business**
   - Actively strengthen existing business areas

3. **Sustained investment in R&D to achieve growth**
   - Selective, active investment in high growth areas

4. **Flexible response to market changes**
   - New framework for post-sales business
   - Strengthen PV business
   - Greater environmental awareness

Maintain a medium-term perspective while responding to short-term issues
Summary

1. SPE orders are showing signs of recovery but this will be reflected in TEL’s revenues from FY2011 and beyond, so TEL’s results will continue to be severely affected this fiscal year

2. Continuing from last fiscal year, we will implement large cost cuts and lower our break-even point

3. We see the changes in the market as opportunities and in the next upturn we will aim to outperform the market growth rate

4. We will strengthen our investment in the R&D and human resources required for growth