FY2009 Financial Estimates and Management Approach

Ken Sato, President & COO

May 13, 2008
Agenda

1. FY2008 Achievements
2. Market Outlook
3. FY2009 Financial Estimates and Management Approach

FY2009: April 1, 2008 - March 31, 2009
FY2008 Achievements
FY2008 Achievements

► Achieved record earnings and stronger financial base
  ● Sales ¥906 bn; Operating income ¥168.4 bn (OPM 18.6%); Net income ¥106.2 bn
  ● Free cash flow: ¥86.7 bn
  ● Debt/Equity ratio: 6.7%
  ● ROE: 21.4%

► Outperformed market growth in SPE
  ● New products contributed to sales expansion

► Acquired orders for Gen.10 FPD equipment
  ● Orders sharply increased in 2H

► Moved to the second stage of manufacturing reforms
  ● Started production at new-concept coater/developer plant
  ● Further improved quality with associated cost reductions

► Developed new business domains
  ● Established the Tokyo Electron Technology Development Institute, Inc. to accelerate commercialization of RLSA technology
  ● Resolved to enter the photovoltaic production equipment market
New Record for Earnings
Exceeded OPM target of 17% set as the 1st milestone

(Billions of yen)

Net sales
Operating income
Operating margin

Industrial electronic equipment segment (SPE+FPD)
Free Cash Flow Increased

Generated free cash of ¥86.7bn owing to higher operating income and asset turnover improvement.
Outperformed Market Growth

TEL SPE growth far surpassed the market growth of +7% in 2007

Source: VLSI Research (March 08)

Source: Gartner Dataquest (March 08)

TEL share in Wafer Fab. Equipment Market

CY2007 SPE Manufacturer Revenue Top Ten

2006 2007

Applied Materials 8,489 8,523
ASM 5,080 6,291
Lithography 4,338 5,145
KLA-Tencor 2,382 2,781
Lam Research 2,201 2,624
Nikon 1,881 2,000
Advantest 1,907 1,970
Novellus 1,323 1,445
Hitachi High-Tech 1,263 1,555
Dainippon Screen 1,330 1,330

+25%
Market Outlook
Quarterly SPE+FPD Orders

(Billions of Yen)

*Figures until Oct-Dec 2005 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 Orders by Region

(Billions of Yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>05/1-3</th>
<th>05/4-6</th>
<th>05/7-9</th>
<th>05/10-12</th>
<th>06/1-3</th>
<th>06/4-6</th>
<th>06/7-9</th>
<th>06/10-12</th>
<th>07/1-3</th>
<th>07/4-6</th>
<th>07/7-9</th>
<th>07/10-12</th>
<th>08/1-3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>130.8</td>
<td>110.6</td>
<td>132.2</td>
<td>155.6</td>
<td>205.9</td>
<td>222.2</td>
<td>216.1</td>
<td>202.0</td>
<td>149.3</td>
<td>127.5</td>
<td>197.6</td>
<td>159.3</td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>65.2</td>
<td>47.1</td>
<td>35.5</td>
<td>36.7</td>
<td>66.6</td>
<td>67.7</td>
<td>41.4</td>
<td>45.1</td>
<td>62.4</td>
<td>57.8</td>
<td>37.8</td>
<td>61.5</td>
<td>57.4</td>
</tr>
<tr>
<td>Europe</td>
<td>16.3</td>
<td>16.9</td>
<td>18.8</td>
<td>26.4</td>
<td>39.9</td>
<td>28.5</td>
<td>34.4</td>
<td>26.4</td>
<td>28.3</td>
<td>17.2</td>
<td>8.1</td>
<td>20.4</td>
<td>18.4</td>
</tr>
<tr>
<td>Korea</td>
<td>7.6</td>
<td>8.9</td>
<td>9.3</td>
<td>9.1</td>
<td>13.9</td>
<td>14.5</td>
<td>17.5</td>
<td>13.0</td>
<td>14.9</td>
<td>8.6</td>
<td>-0.8</td>
<td>7.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>13.8</td>
<td>20.0</td>
<td>12.9</td>
<td>32.4</td>
<td>29.0</td>
<td>30.1</td>
<td>45.6</td>
<td>35.3</td>
<td>25.7</td>
<td>9.9</td>
<td>26.8</td>
<td>39.9</td>
<td>11.3</td>
</tr>
<tr>
<td>China,S.E.Asia,others</td>
<td>24.5</td>
<td>16.0</td>
<td>46.8</td>
<td>44.5</td>
<td>45.7</td>
<td>52.9</td>
<td>47.6</td>
<td>71.0</td>
<td>80.4</td>
<td>40.9</td>
<td>47.0</td>
<td>49.8</td>
<td>53.4</td>
</tr>
<tr>
<td>Order numbers are on a consolidated basis from 2006/1-3 quarter.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Quarterly SPE Orders by Application
(Equipment only)

(TEL estimation included in memory portion)
DRAM Production Capacity Forecasts

YoY growth in annual capacity

CY07
+35%

CY08
+19%

Capacity (K wfs/Month (12” equivalents))

Source: TEL estimate based on research companies’ data

Growth Rate (% YoY)

Source: TEL estimate based on research companies’ data

CORP IR/May 13, 2008
CY2008 DRAM Supply/Demand Balance Forecasts

Million units (512Mb equivalents)

Improvement in supply/demand balance expected

Source: TEL estimate based on research companies' data
CY2008 Market Outlook

*SPE capex*
- **DRAM:** Tough environment expected until June as supply/demand gap adjustment continues. Demand then expected to firm, driven by laptop PCs, with more favorable investment environment and increase in orders from second half
- **NAND:** Despite severe price falls, investment in technology to reduce bit costs and for increasing capacity is continuing steadily
- **LOGIC/Foundry:** Investment in cutting edge equipment can be expected from second half to meet growing demand for digital electronics

Forecasting decline of around 30%

*FPD capex*
- Investment expected to be strong, driven by equipment for large-scale substrates for expanding digital TV market

Forecasting growth of 40% plus
FY2009 Financial Estimates and Management Approach
## FY2009 Financial Estimates

SPE showing slow-down, while FPD heading for strong growth
As a whole, FY2009 will be a very severe year

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2008</th>
<th>FY2009 (E)</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full year</td>
<td>1H</td>
<td>2H</td>
</tr>
<tr>
<td>Net sales</td>
<td>906.0</td>
<td>300.0</td>
<td>400.0</td>
</tr>
<tr>
<td>SPE</td>
<td>726.4</td>
<td>208.0</td>
<td>288.0</td>
</tr>
<tr>
<td>FPD</td>
<td>68.0</td>
<td>38.0</td>
<td>52.0</td>
</tr>
<tr>
<td>EC/CN</td>
<td>111.1</td>
<td>53.5</td>
<td>59.5</td>
</tr>
<tr>
<td>Others</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Operating income</td>
<td>168.4</td>
<td>26.0</td>
<td>58.0</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>172.7</td>
<td>28.0</td>
<td>60.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>169.2</td>
<td>28.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Net income</td>
<td>106.2</td>
<td>17.0</td>
<td>38.0</td>
</tr>
</tbody>
</table>

( )Profit ratio%

SPE: Semiconductor Production Equipment
FPD: FPD Production Equipment
EC/CN: Electronic Components and Computer Networks
Net Sales, Operating Income, Operating Margin

(Billions of Yen)
Management Approach

FY2009: Preparatory period for a new stage of growth

**Strengthen**
- R&D / product development
  - Technology innovation in SPE (scaling, new materials, 3Di, etc.)
  - New business domains
- Manufacturing
  - Reduce lead times
  - Prepare for new Miyagi plant
- Post-sales businesses

**Review/shrink**
- Steep cost-cutting
  - Review personnel placement on a global basis
  - Reduce outsourcing costs, etc.
Projected R&D Expenses and CAPEX

Sustaining high level of R&D expenses despite a severe circumstance
Accelerating R&D in New Business Domains

Aiming to develop environmental and clean energy solutions as new business pillar alongside SPE, FPD, MEMS

MEMS*
- Production equipment and electronic devices
- RLSA* technology
  - CVD
  - Etch
- GCIB* technology
- Cu barrier/seed CVD

SPE
- High-density PECVD

FPD
- PV* production equipment
- SiC epitaxial equipment
- Modification to environmentally-friendly equipment
- OLED production equipment

Environment/Clean Energy

*MEMS: Micro Electro Mechanical System
*RLSA: Radial Line Slot Antenna
*GCIB: Gas Cluster Ion Beam
*PV: Photovoltaic
Strengthening Post-sales Business

Developing business area to reflect changes in the market and in customers’ needs

Create a Post Sales Division as a profit center

The 3Es of post sales business:

- Ecology
- Enhancement
- Extended-life

Global service will continue to be administered by each business unit and the Sales and Services Division

- 200mm equipment modification
- New business
- Parts repair
- Other
Addressing Environmental Issues

Our mission and responsibility—and also a considerable business opportunity

- **Enhance energy efficiency of TEL products**
  - Reduce CO₂ emissions by reducing power consumption, chemical usage, etc.

- **Provide manufacturing equipment for energy-saving devices**
  - SiC epitaxial equipment for power IC
  - OLED production equipment

- **Provide manufacturing equipment for clean energy**
  - Photovoltaic production equipment
Fast Growing Photovoltaic Market

Photovoltaic production

- Crystal Si PV 2007-2020: CAGR 25%
- Thin-film Si PV 2007-2020: CAGR 52%

Market size (billion dollar)

- Thin-film Si photovoltaic production equipment
  - 2007-2015: CAGR 44%
  - 2007-2020: CAGR 37%

Source: TEL estimate based on a power demand forecast
Entering the Photovoltaic Production Equipment Market

1. Established a joint-development company with photovoltaic technology leader SHARP (Product: Plasma CVD system for thin-film Si PV)

2. Also undertaking independent R&D to develop proprietary technology

Development: Tokyo Electron PV (established in Feb. 2008)
Manufacture/sales: Tokyo Electron

Jointly-developed products
TEL proprietary products

Own development

Joint venture with SHARP

Product launch in 2009

Product launch
Summary

- Achieved record results in year to March 2008
- SPE environment: CY2008 will see a trough in capex. Recovery envisioned from second half.
- FPD environment: Forecasting high growth in capex
- TEL is aiming for a further jump in scale at the next cycle peak. The year to March 2009 is a period of preparation for this growth, and while controlling costs as much as possible, TEL will be working to create a structure for growth and strengthen R&D.