

FY2009 Financial Estimates and Management Approach

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Agenda

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

FY2008: April 1, 2007 - March 31, 2008

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

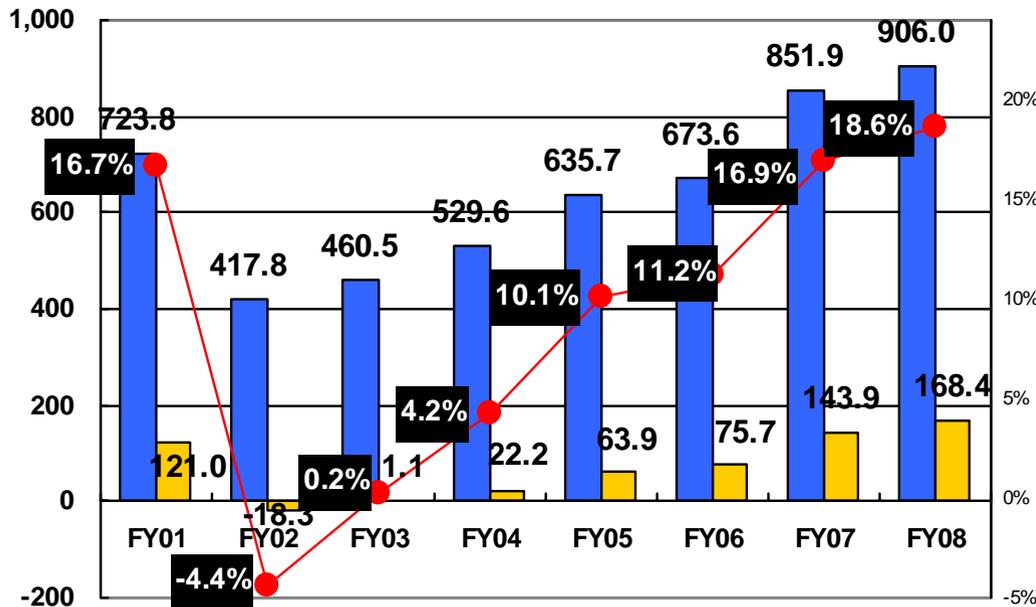
- Established the Tokyo Electron Technology Development Institute, Inc. to accelerate commercialization of RLSA technology
- Resolved to enter the photovoltaic production equipment market



New Record for Earnings

Exceeded OPM target of 17% set as the 1st milestone

(Billions of yen)

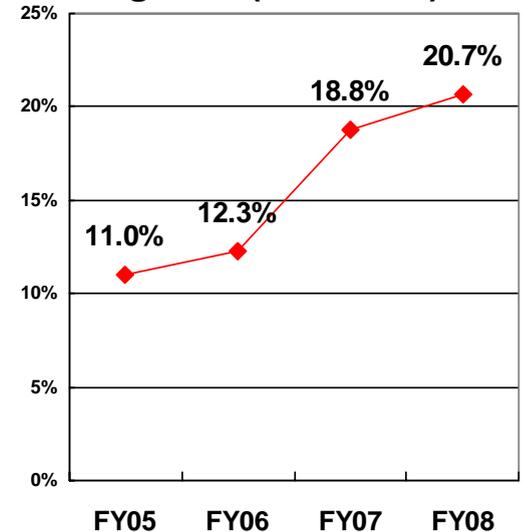


Net sales

Operating income

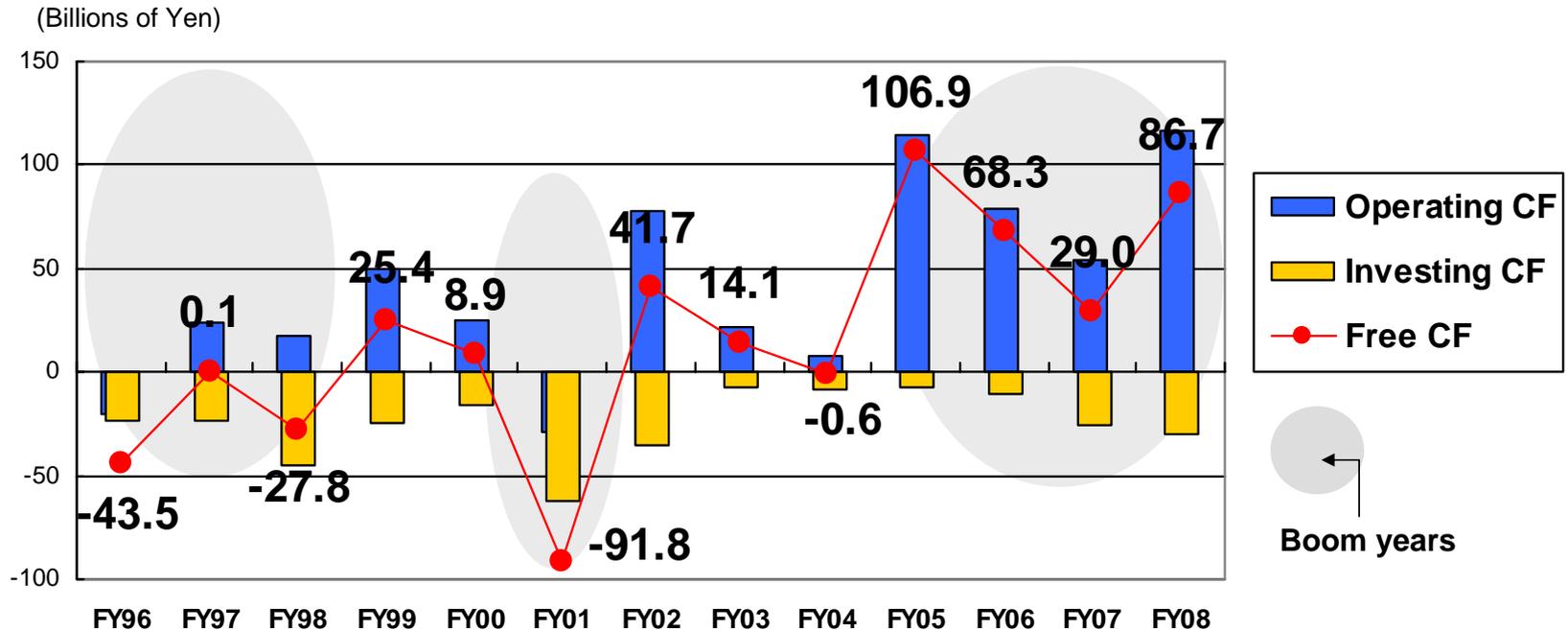
Operating margin

Industrial electronic equipment segment (SPE+FPD)



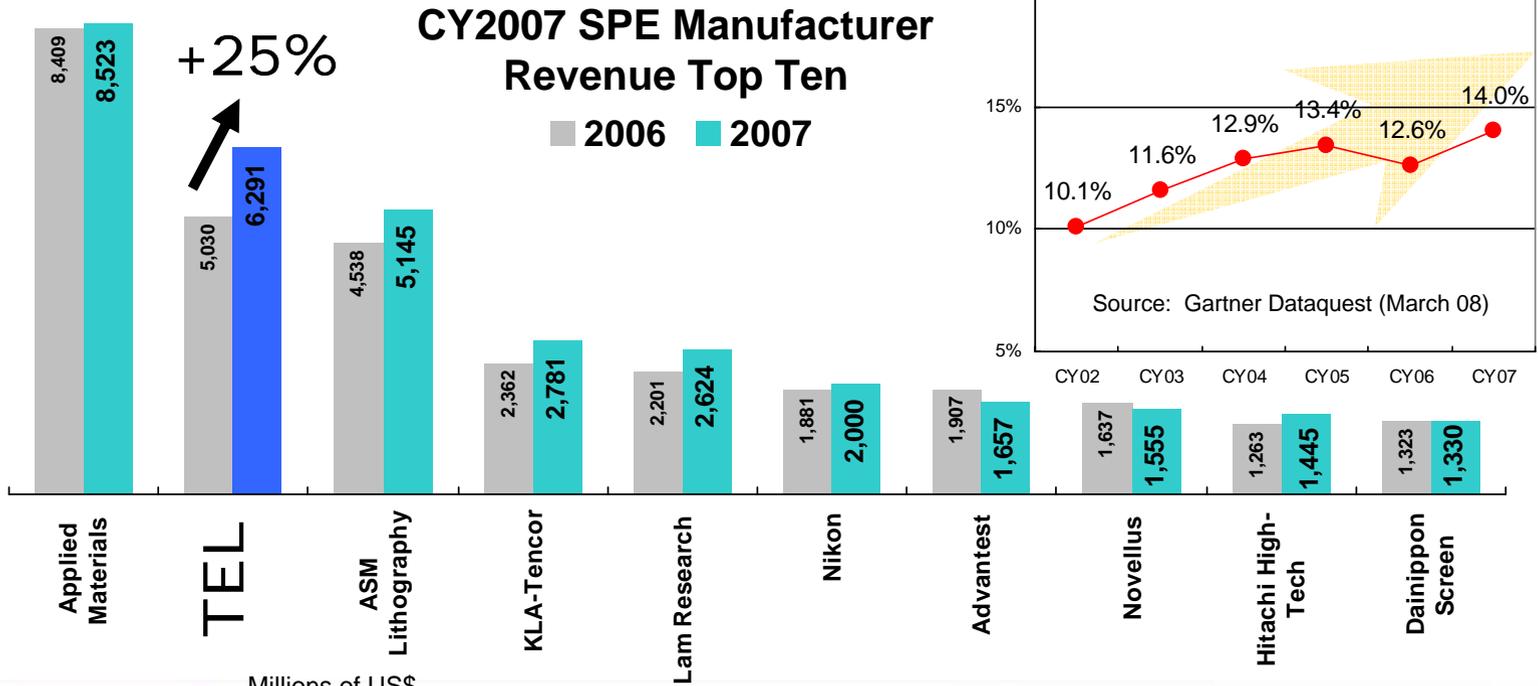
Free Cash Flow Increased

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



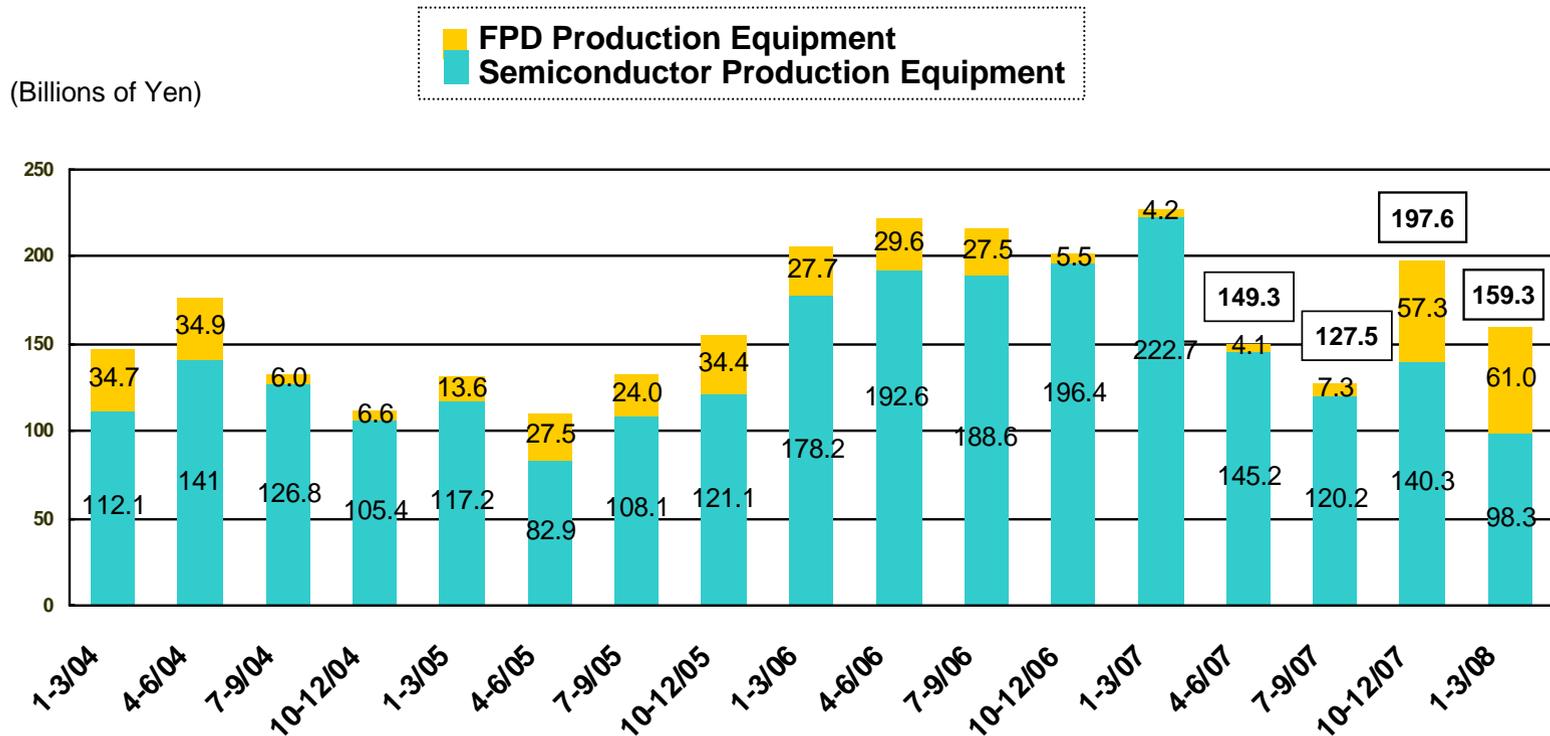
Millions of US\$
Source: VLSI Research (March 08)



Market Outlook



Quarterly SPE+FPD Orders



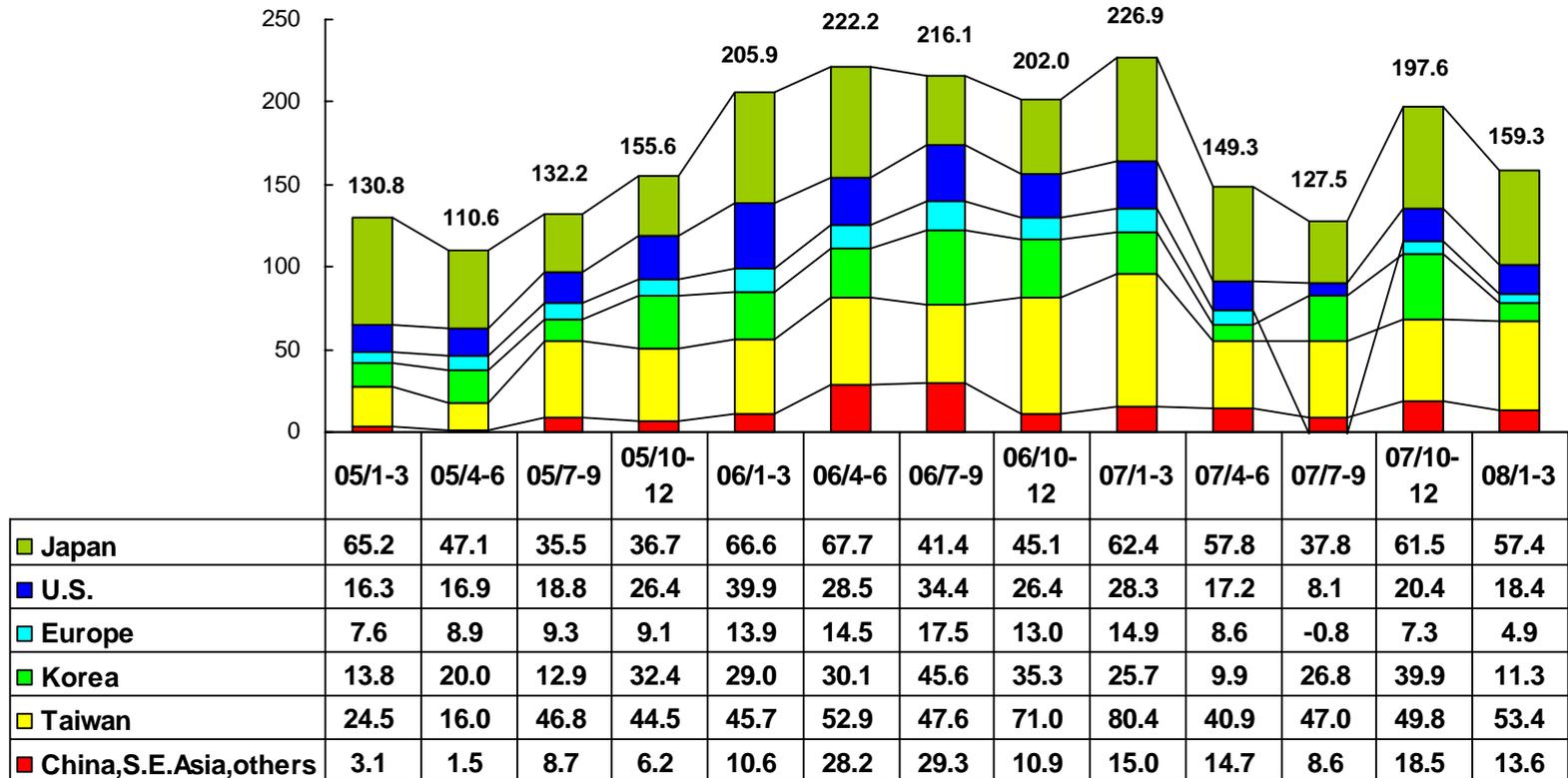
*Figures until Oct-Dec 2005 are non-consolidated, figures from Jan-Mar 2006 are consolidated.

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



Quarterly SPE+FPD Orders by Region

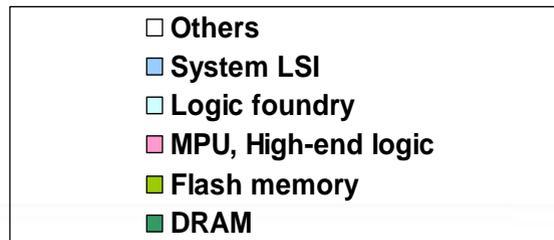
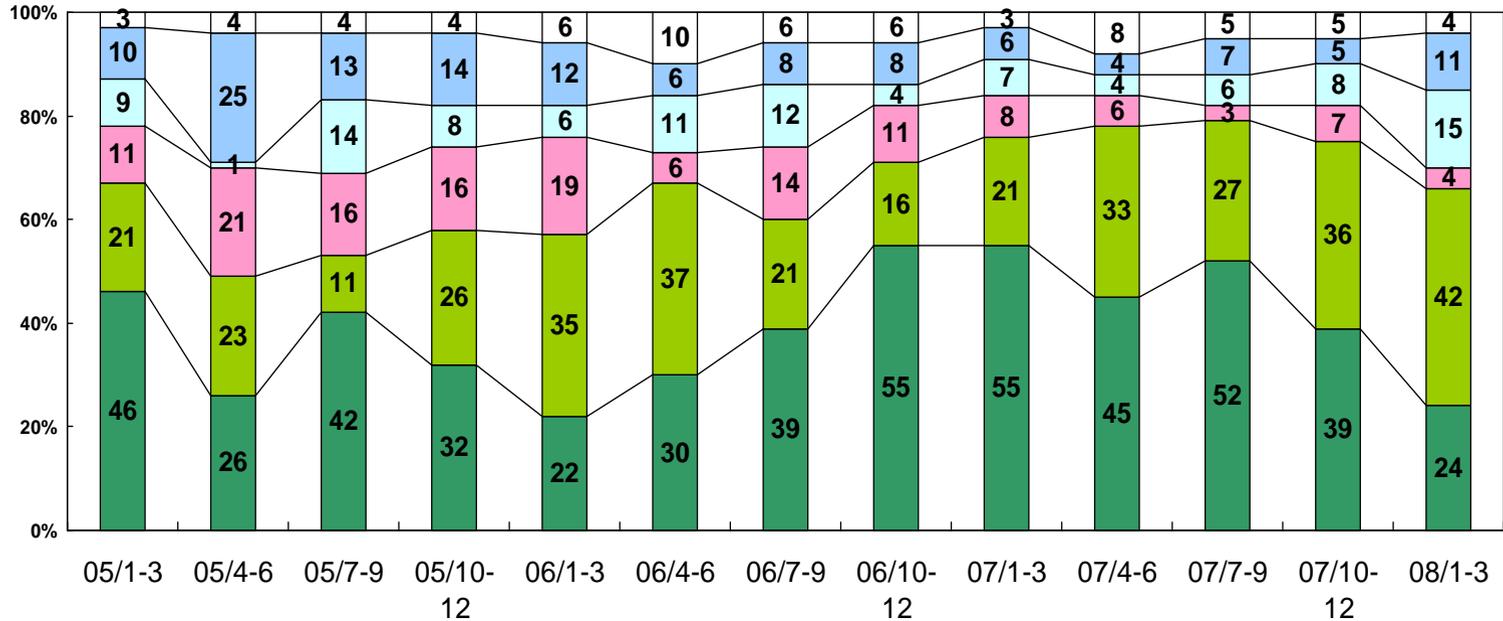
(Billions of Yen)



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



Quarterly SPE Orders by Application (Equipment only)



(TEL estimation included in memory portion)



DRAM Production Capacity Forecasts

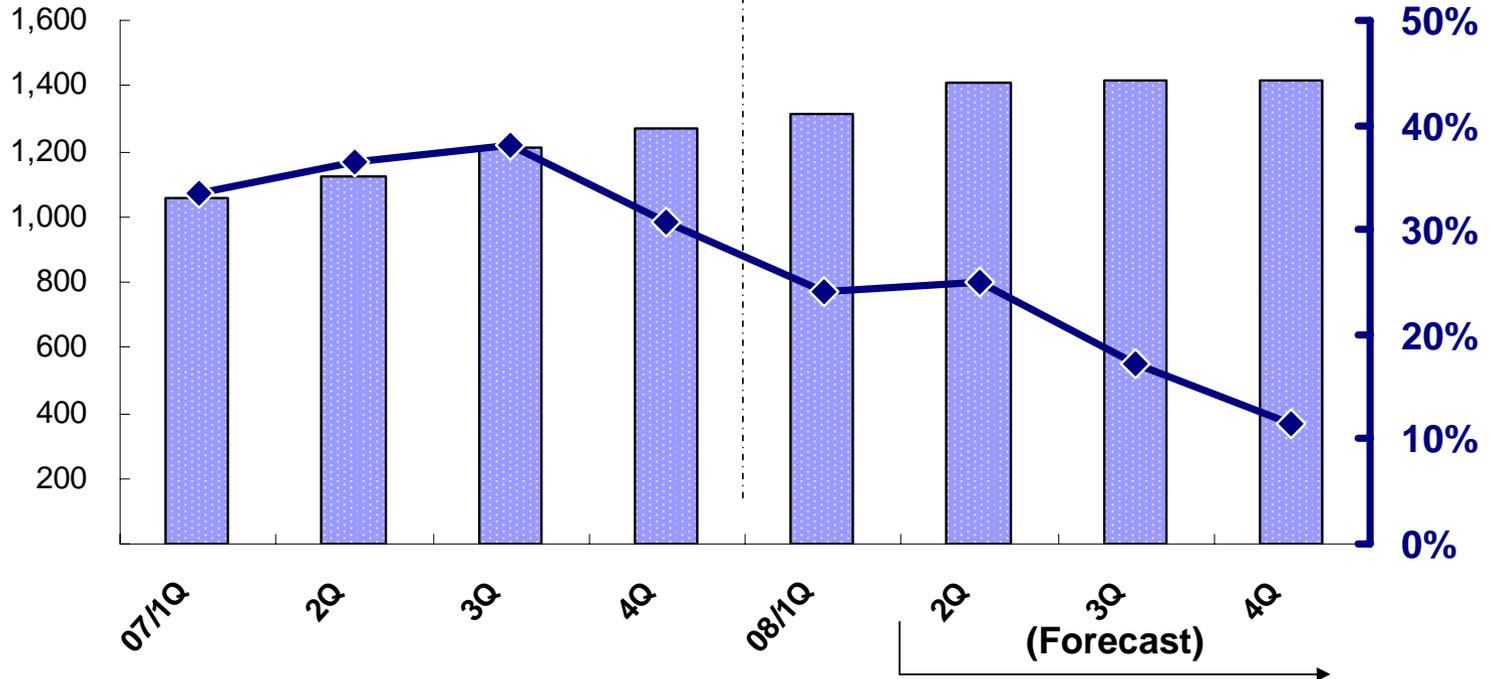
YoY growth in annual capacity

CY07
+35%

CY08
+19%

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

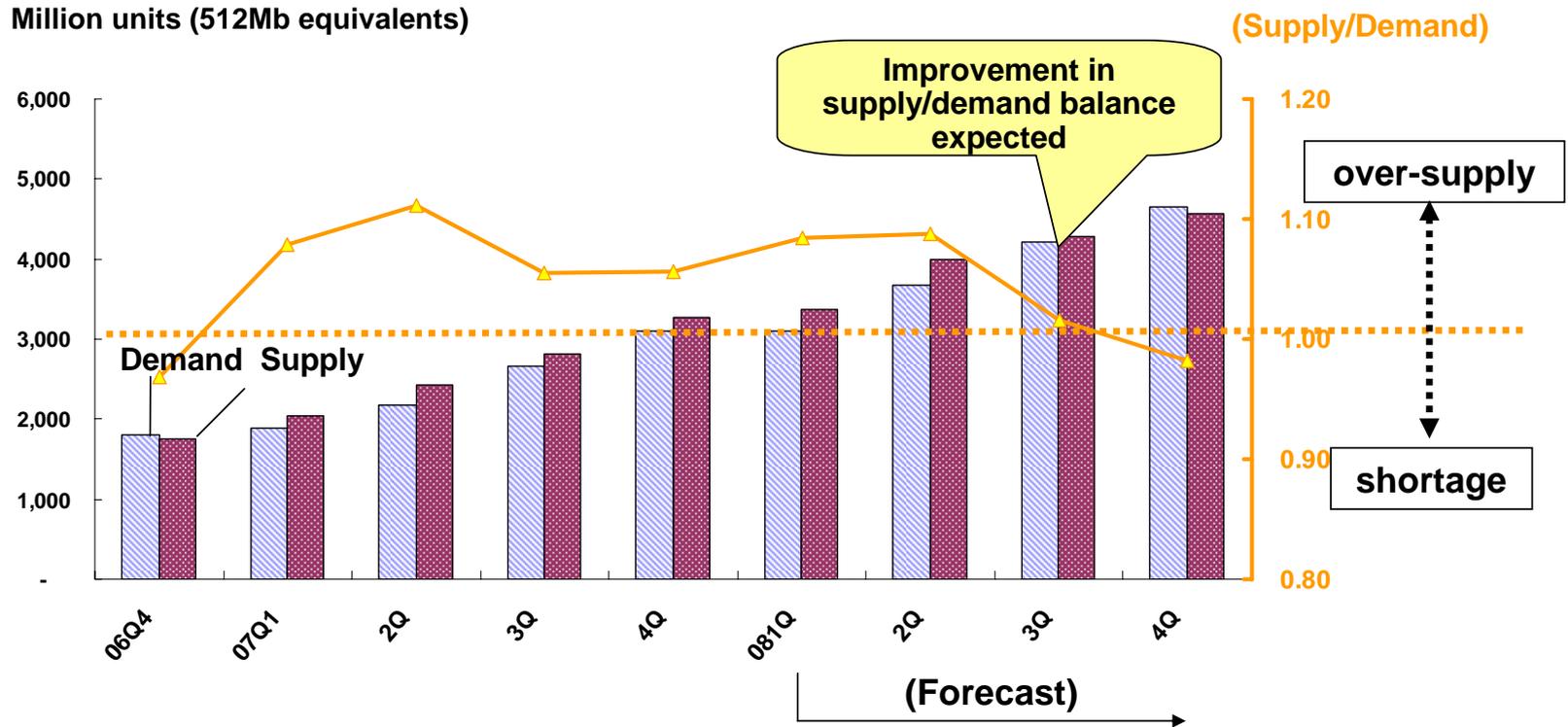
Growth Rate (% YoY)



Source: TEL estimate based on research companies' data



CY2008 DRAM Supply/Demand Balance Forecasts



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)

	FY2008	FY2009 (E)			
	Full year	1H	2H	Full year	YoY change
Net sales	906.0	300.0	400.0	700.0	-23%
SPE	726.4	208.0	288.0	496.0	-32%
FPD	68.0	38.0	52.0	90.0	+32%
EC/CN	111.1	53.5	59.5	113.0	+2%
Others	0.4	0.5	0.5	1.0	+120%
Operating income	168.4 (18.6)	26.0 (8.7)	58.0 (14.5)	84.0 (12.0)	-50%
Ordinary income	172.7 (19.1)	28.0 (9.3)	60.0 (15.0)	88.0 (12.6)	-49%
EBIT	169.2 (18.7)	28.0 (9.3)	60.0 (15.0)	88.0 (12.6)	-48%
Net income	106.2 (11.7)	17.0 (5.7)	38.0 (9.5)	55.0 (7.9)	-48%

() Profit ratio%

SPE: Semiconductor Production Equipment

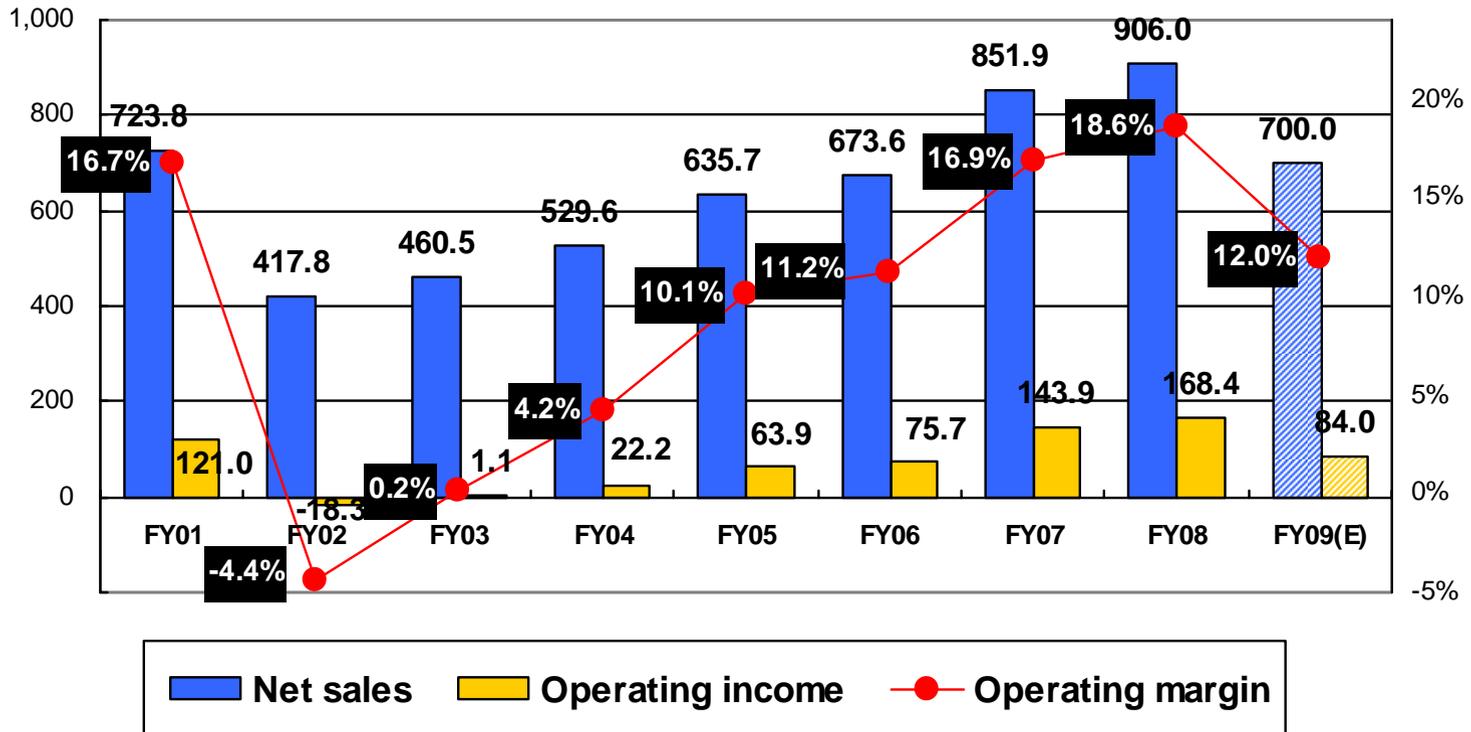
FPD: FPD Production Equipment

EC/CN: Electronic Components and Computer Networks



Net Sales, Operating Income, Operating Margin

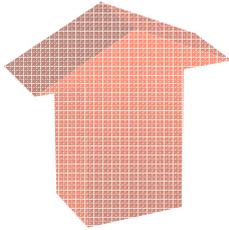
(Billions of Yen)



Management Approach

FY2009: Preparatory period for a new stage of growth

Strengthen

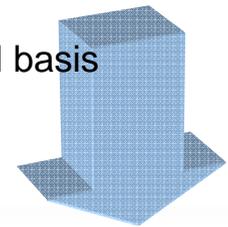


- R&D / product development
 - Technology innovation in SPE (scaling, new materials, 3Di, etc.)
 - New business domains
- Manufacturing
 - Reduce lead times
 - Prepare for new Miyagi plant
- Post-sales businesses

Review/shrink

■ Steep cost-cutting

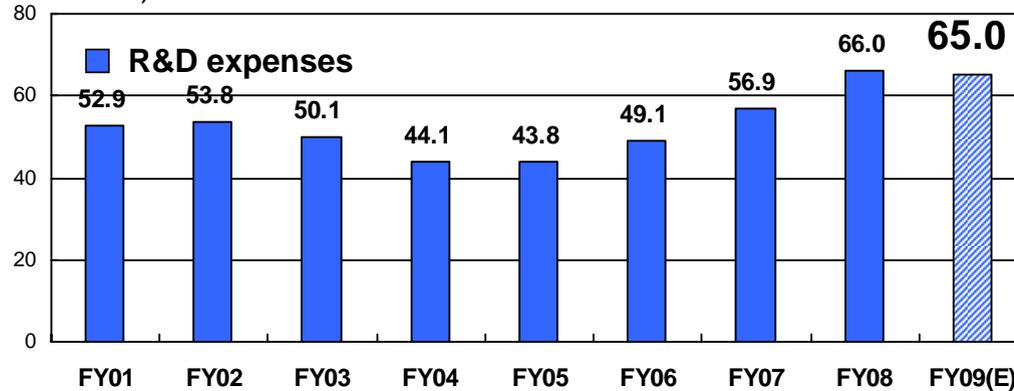
- Review personnel placement on a global basis
- Reduce outsourcing costs, etc.



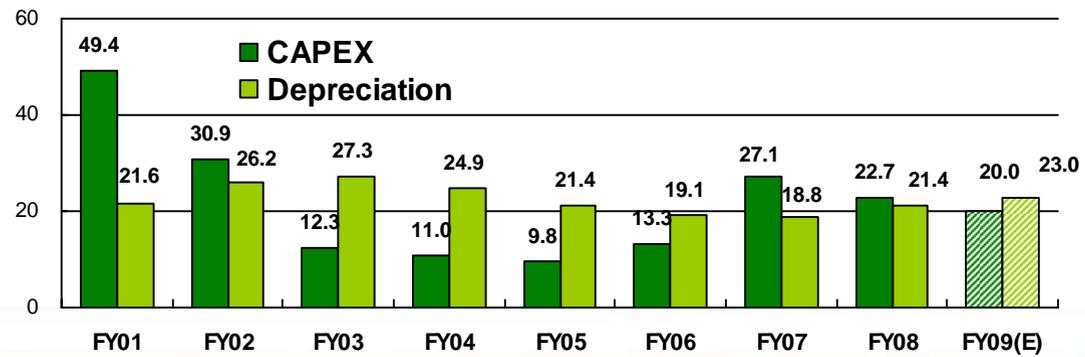
Projected R&D Expenses and CAPEX

Sustaining high level of R&D expenses despite a severe circumstance

(Billions of Yen)

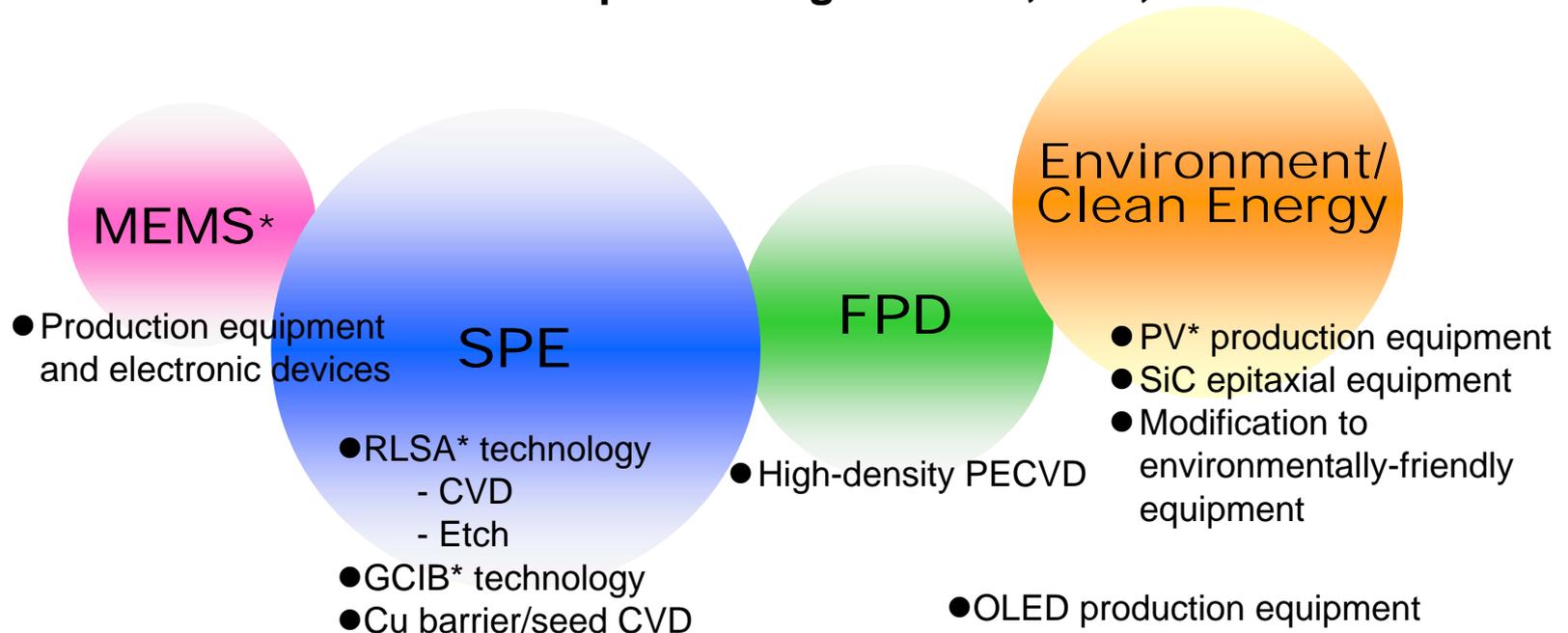


(Billions of Yen)



Accelerating R&D in New Business Domains

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



*MEMS: Micro Electro Mechanical System

*RLSA: Radial Line Slot Antenna

*GCIB: Gas Cluster Ion Beam

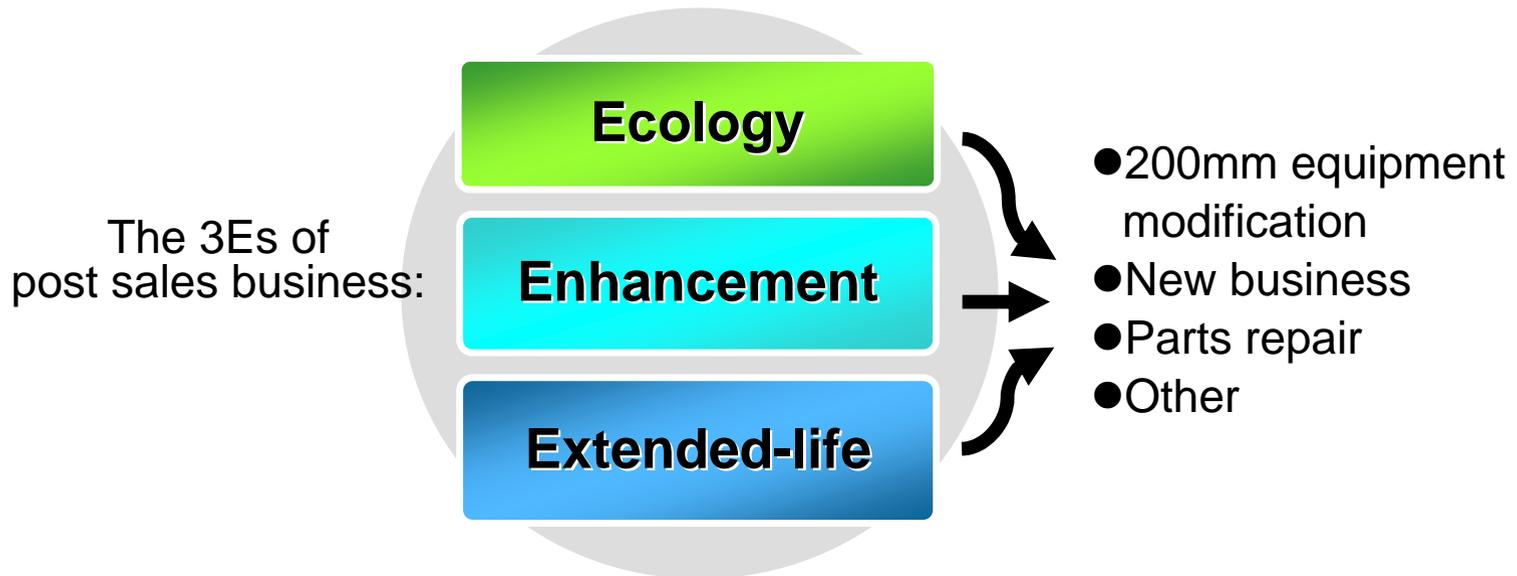
*PV: Photovoltaic



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



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



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.

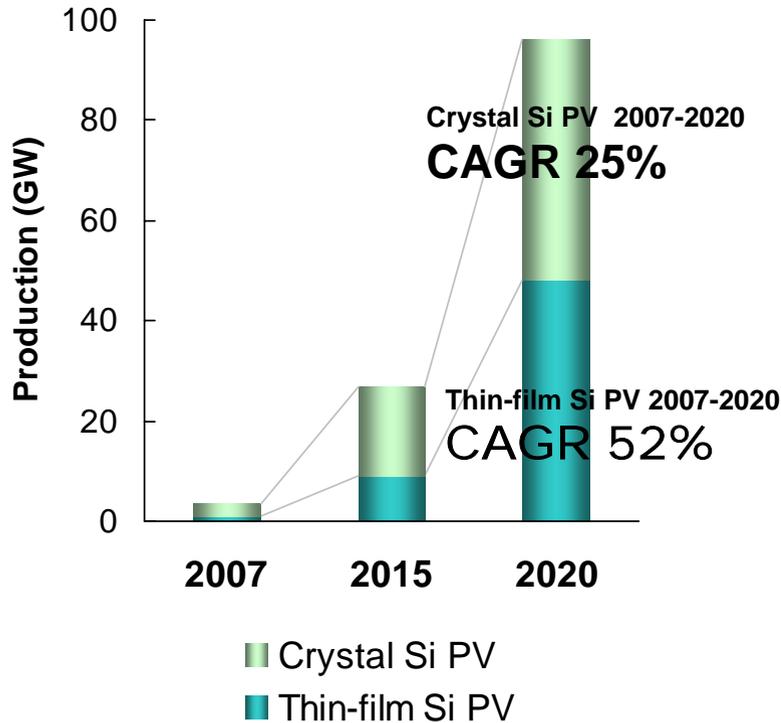
- Provide manufacturing equipment for energy-saving devices
 - SiC epitaxial equipment for power IC
 - OLED production equipment

- Provide manufacturing equipment for clean energy
 - Photovoltaic production equipment

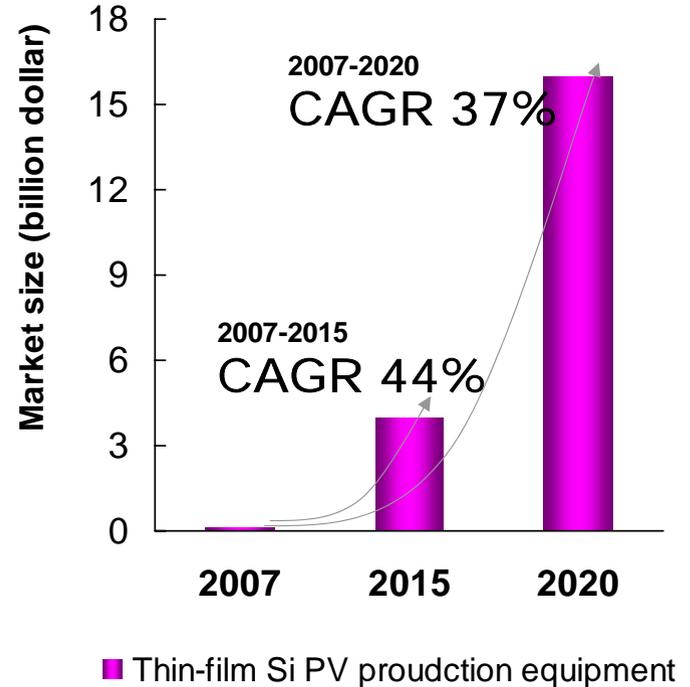


Fast Growing Photovoltaic Market

Photovoltaic production



Thin-film Si photovoltaic production equipment

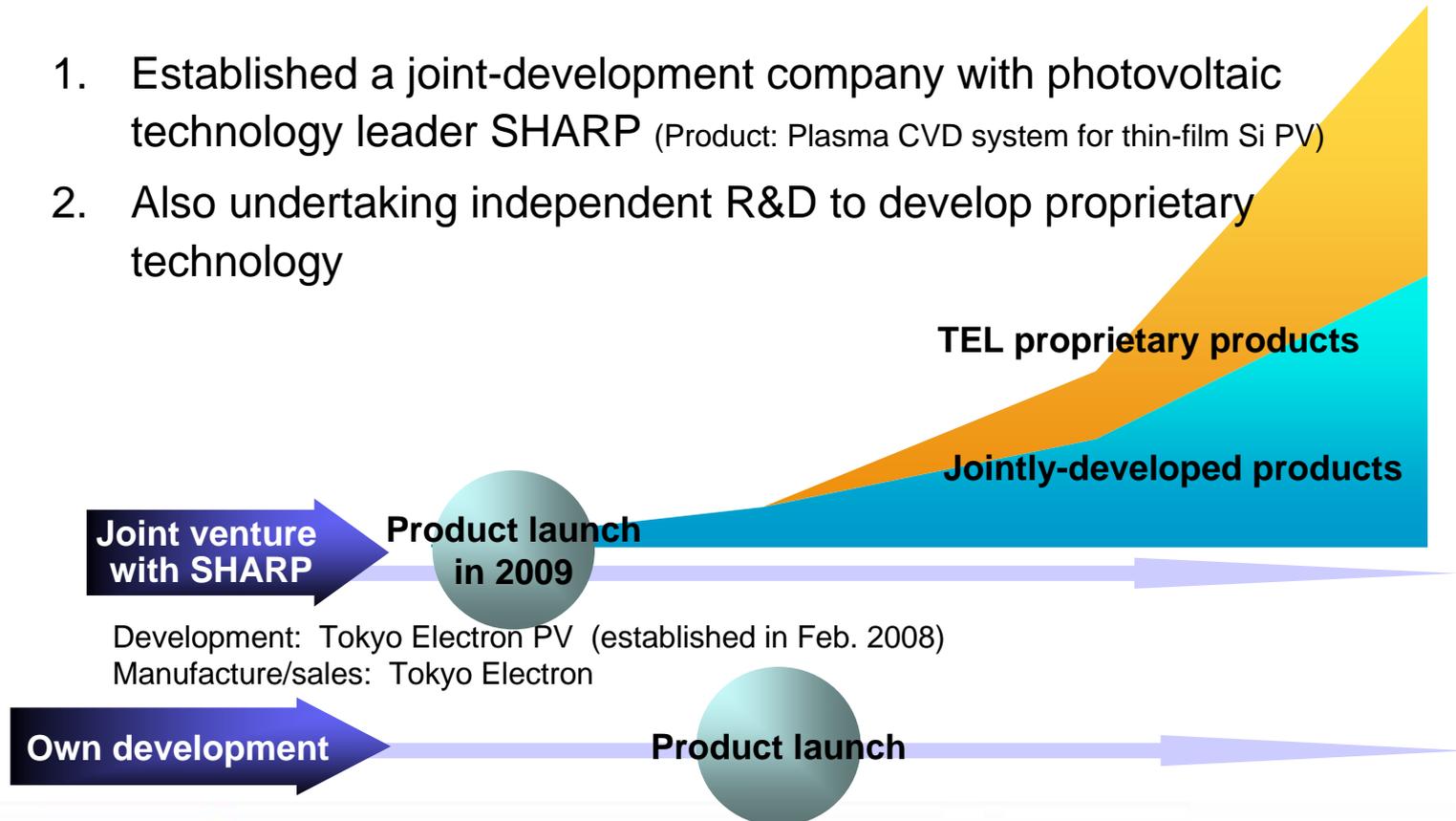


Source: TEL estimate based on a power demand forecast



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



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.

