

# Business Environment

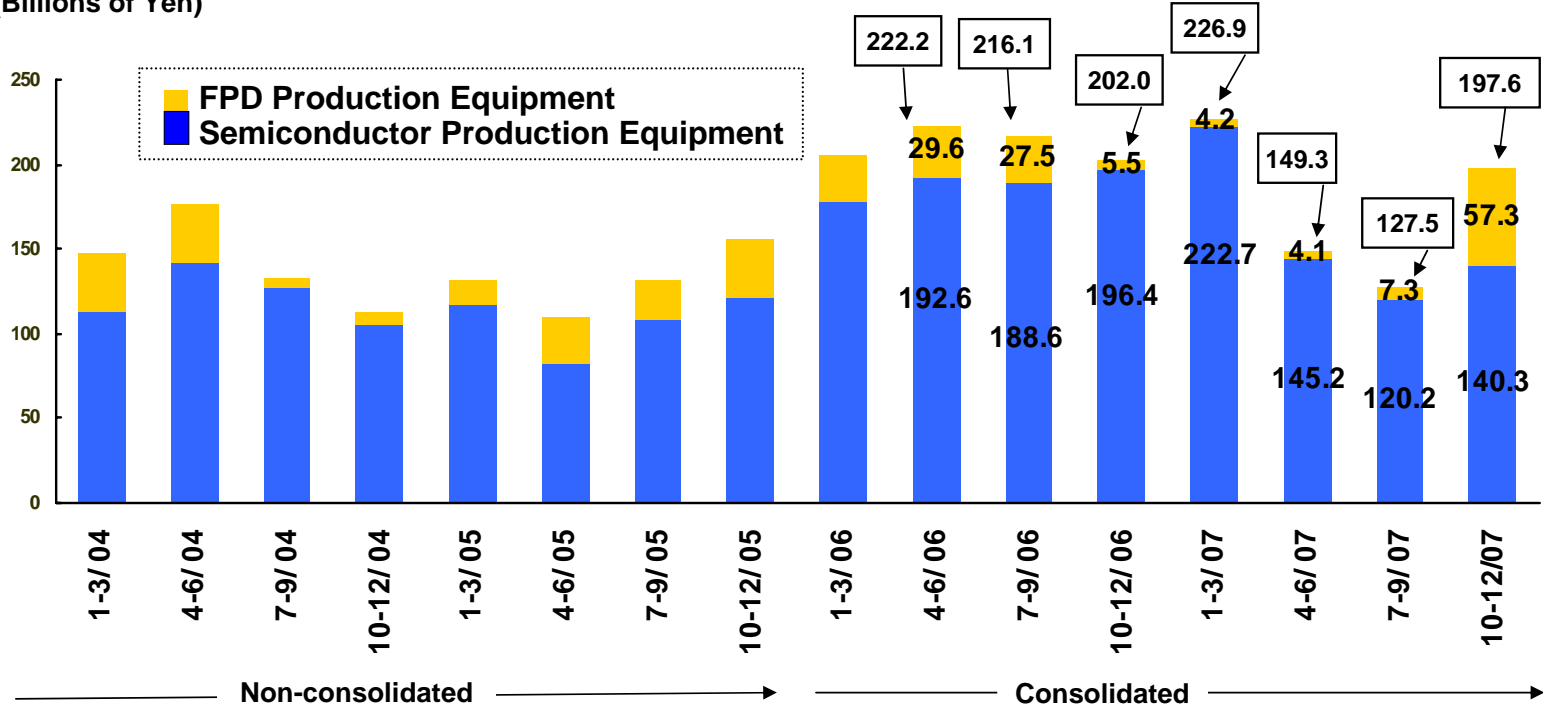
Kiyoshi Sato, President & COO

February 5, 2008

# Quarterly SPE+FPD Orders

▶▶ FPD Production Equipment orders sharply recovered

(Billions of Yen)



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

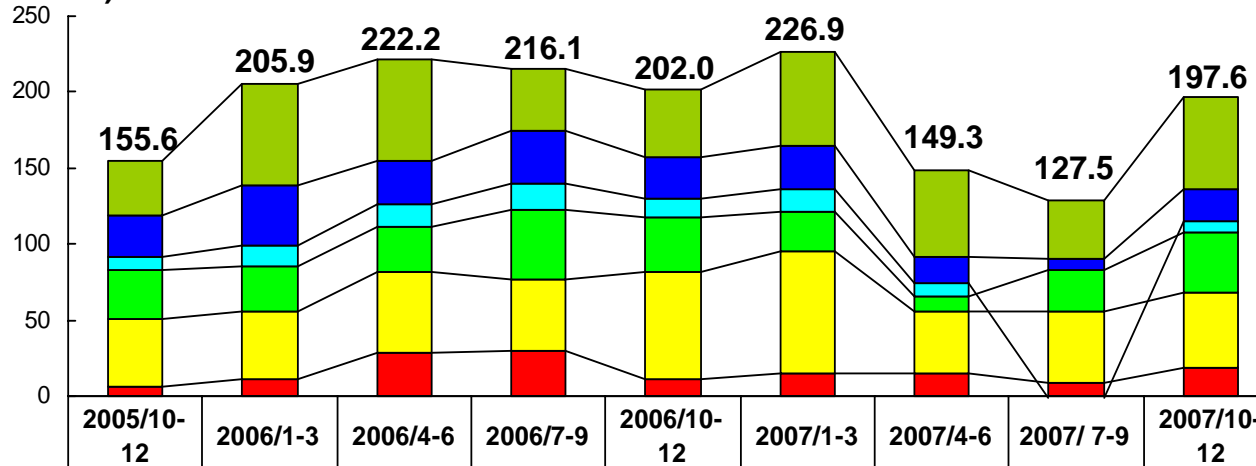
\*Main difference between consolidated and non-consolidated: Consolidated figures include post-sales orders at overseas subsidiaries.



# Quarterly SPE+FPD Orders by Region

► Orders increased in Japan & Korea

(Billions of Yen)



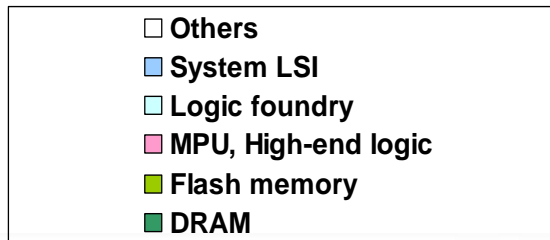
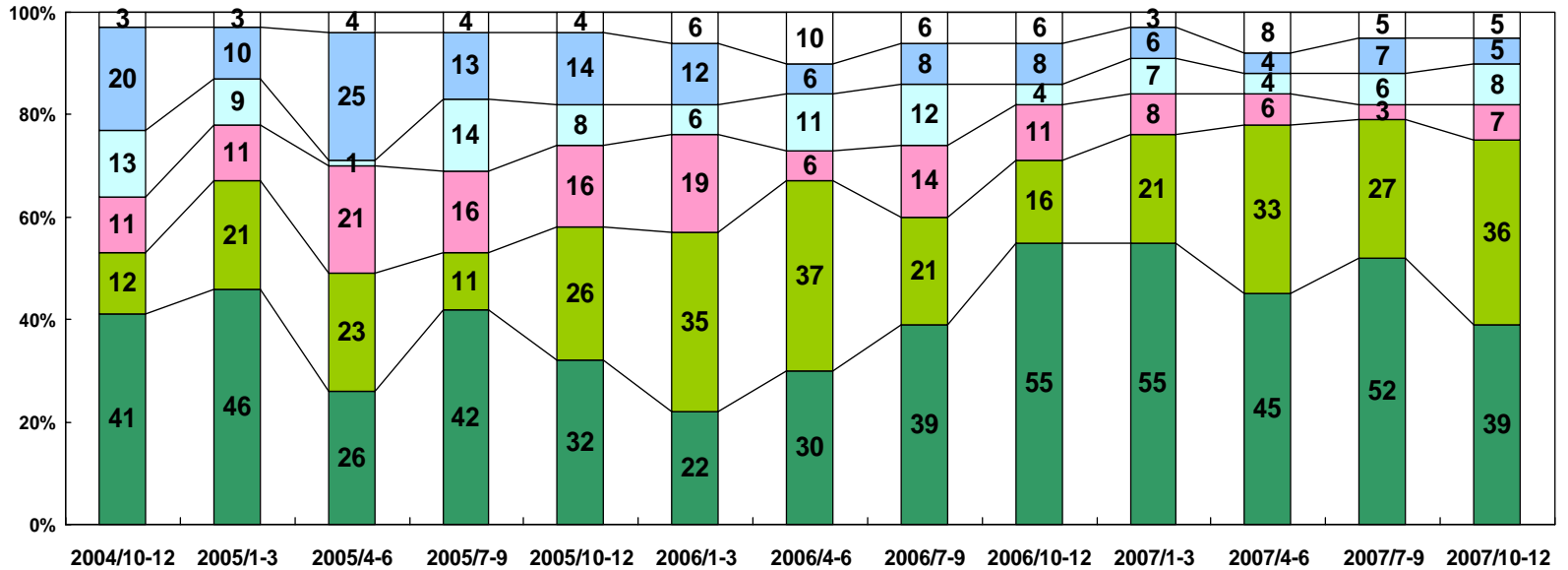
Region	2005/10-12	2006/1-3	2006/4-6	2006/7-9	2006/10-12	2007/1-3	2007/4-6	2007/7-9	2007/10-12
Japan	36.7	66.6	67.7	41.4	45.1	62.4	57.8	37.8	61.5
U.S.	26.4	39.9	28.5	34.4	26.4	28.3	17.2	8.1	20.4
Europe	9.1	13.9	14.5	17.5	13.0	14.9	8.6	-0.8	7.3
Korea	32.4	29.0	30.1	45.6	35.3	25.7	9.9	26.8	39.9
Taiwan	44.5	45.7	52.9	47.6	71.0	80.4	40.9	47.0	49.8
China, S.E. Asia, others	6.2	10.6	28.2	29.3	10.9	15.0	14.7	8.6	18.5

Order volume are on a consolidated basis from Jan-Mar 2006 quarter.



# SPE Quarterly Orders by Application

## (Equipment only)



(TEL estimation included in memory portion)



# Record Performance to Continue in FY2008

► Consolidated sales and income forecasts remain as before, record-setting performance expected

(Billions of Yen)

	FY2007	FY2008 (E)			
	Full year	H1	H2 (E)	Full year (E)	YoY change
<b>Net sales</b>	<b>851.9</b>	<b>476.3</b>	<b>423.7</b>	<b>900.0</b>	<b>+5.6%</b>
SPE	642.6	379.2	342.8	722.0	+12.4%
FPD	100.7	43.6	24.4	68.0	- 32.5%
EC/CN	107.4	53.2	55.8	109.0	+1.4%
Others	1.1	0.2	0.8	1.0	- 10.8%
<b>Operating income</b>	<b>143.9 (16.9)</b>	<b>95.0 (19.9)</b>	<b>65.0 (15.3)</b>	<b>160.0 (17.8)</b>	<b>+11.1%</b>
<b>Ordinary income</b>	<b>143.9 (16.9)</b>	<b>95.7 (20.1)</b>	<b>68.3 (16.1)</b>	<b>164.0 (18.2)</b>	<b>+13.9%</b>
<b>EBIT</b>	<b>144.4 (17.0)</b>	<b>98.2 (20.6)</b>	<b>65.8 (15.5)</b>	<b>164.0 (18.2)</b>	<b>+13.6%</b>
<b>Net income</b>	<b>91.2 (10.7)</b>	<b>62.4 (13.1)</b>	<b>41.6 (9.8)</b>	<b>104.0 (11.6)</b>	<b>+14.0%</b>

( ) Profit ratio%

SPE: Semiconductor Production Equipment, FPD: FPD Production Equipment,  
EC/CN: Electronic Components and Computer Network



# CY2008 Growth Forecast by Research Firms

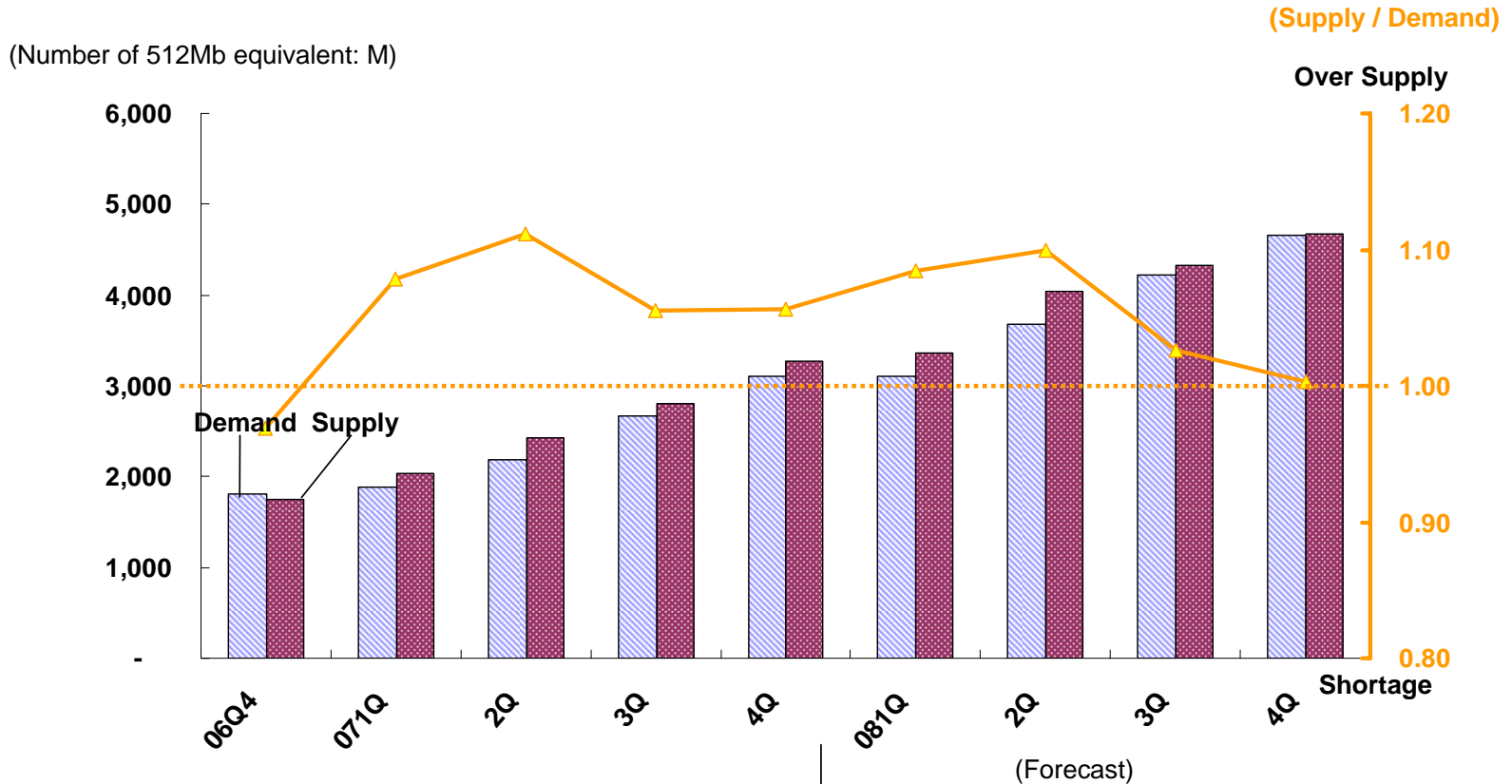
	<b>Semiconductor</b>	<b>Semiconductor CAPEX</b>
<b>WSTS</b>	<b>+9.1%</b>	<b>-</b>
<b>iSuppli</b>	<b>+7.5%</b>	<b>-</b>
<b>Gartner Dataquest</b>	<b>+ 6.2%</b>	<b>-10.2%</b>
<b>VLSI Research</b>	<b>+7.5%</b>	<b>-5.9%</b>
<b>SEMI</b>	<b>-</b>	<b>-4.9%</b>

**As of Jan 2008**



# 2008 DRAM Supply/Demand Balance Forecast

▶▶ Supply/Demand balance will be healthier in CY08 2<sup>nd</sup> half



TEL survey

Note: Supply assumption is based on fab utilization of 100%.



# CY2008: Business Environment Outlook

## ▶ Semiconductor CAPEX

- **DRAM:** Investment continuing for miniaturization to reduce chip costs. Adjustment period due to supply/demand gap will last till mid year.
- **NAND:** Investment continuing steadily at our major customers, supported by strong demand.
- **LOGIC/Foundry:** Increase in cutting-edge investment expected in the latter half of 2008, as expanding demand for electronic devices.

**Expecting -10% Semiconductor CAPEX growth in 2008**

## ▶ FPD CAPEX

- Orders started to recover in anticipation of demand for digital TVs, mainly for large substrate glass equipment.

**Expecting +40% FPD CAPEX growth in 2008**





# Challenge for CY2008

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## **In time of adjustment period**

Control fixed costs, bringing right staff allocation and right-sizing subcontractors.

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## **Strengthen R&D and product development**

Accelerate R&D to make a great leap forward in the next boom years. Investment for selected R&D, M&A and production reform to be maintained despite adjustment period.

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## **Strengthen manufacturing capability**

Restructure supply chain management

- New coater/developer Kyushu factory being ramped up well.
- Production reform is in progress towards Miyagi factory open in 2010.



# Summary

- ◆ **No major change to full-year business forecasts despite slight weakening of sales in 2nd half. Record-setting performance expected for the current fiscal year ending March 2008.**
- ◆ **SPE business environment: Entering an adjustment period, but DRAM miniaturization investment and NAND Flash investment for capacity up continuing steadily at our major customers. Recovery expected from 2<sup>nd</sup> half of 2008.**
- ◆ **FPD business environment: Orders recovered from Q3, and expecting 40% growth in CY2008 CAPEX.**
- ◆ **TEL targeting even greater growth at peak of next cycle. Entering adjustment period provides good opportunity to take next leap forward, and is a key preparation period. While minimizing increases of fixed costs, strategic R&D investment, and investment to reform production is committed to continue.**

