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VLSI RESEARCH INC

2008 Top Ten IC and Related Equipment Suppliers

Santa Clara, CA, March 17, 2009: VLSI Research Inc has announced the Top Ten IC Manufacturing Equipment Suppliers for 2008.

The exhaustion of the memory industry, the worldwide financial crisis, and waning consumer confidence led to the downturn of the semiconductor equipment industry in 2008. In the first half of 2008, equipment vendors were still enjoying good revenue, brisk bookings, and backlogs. During Semicon West, both equipment vendors and analysts were still projecting that 2008 would be an upturn year. There was no sign to portend the tsunami that was coming. It was not until the end of September that the wave front of the downturn became visible.

The deceleration of the IC equipment industry in 2008 turned out to be similar to the year after the 'dot-com' collapse in 2001. Combined revenues in 2008 for the Top 10 IC equipment suppliers were \$24.5B, a 25.8% decrease from the previous year. They declined slightly faster than the total IC manufacturing equipment industry, which dwindled 25.1% to our current number of \$41.8B.

The top five of the 2008 ranking are **Applied Materials**, **ASML**, **Tokyo Electron**, **KLA-Tencor**, and **Lam Research**. These companies have abided in their positions for three consecutive years as the foremost five IC equipment suppliers. The move to 2nd ranking

was vital for ASML and reflected the more significant role lithography is playing for the semiconductor industry and especially in memory during the last couple of years. **Nikon** sustained the 6th position while **Canon** moved up to 7th place from the 11th mark. **Hitachi High-Technologies** and **Dainippon Screen** moved up a mark from the previous year to 8th and 9th, respectively. Finally, **Novellus Systems** closed out the top ten.

ASM International took the 11th slot, while the two ATE companies - **Teradyne** and **Advantest** - landed the 12th and 13th places. **Varian Semiconductor** was next, followed by **Verigy**, which has come into its own following a spin-off from Agilent Technologies, to close out the Top 15.

The Top 15 IC equipment companies continue to represent the core of the industry. Their combined revenues account for close to 70% of the total market. Within the group, 11 of the 15 suppliers are wafer processing suppliers, two supply test equipment, and one supplies both wafer processing and assembly equipment.

Surprisingly, among the top 15 companies Teradyne is the only equipment vendor with a positive gain in 2008 of 5.5%. The SOC market did well, and the increased revenue helped when the company acquired NextTest in January of 2008. Deteriorating growth rates for individual companies were randomly distributed. ASML managed the lowest annual decline in sales with a negative 15%, while Advantest plunged to a negative 46% because of the rapid demand decline of memory testers.

Regional allocation for the Top 15 IC equipment suppliers altered slightly as compared to 2007. North American and Japanese equipment providers each drifted a percentage

point, whereas the European representatives gained two points from the overall share. The major U.S. players accounted for 45.7%, while Japanese suppliers tally 35.6% of the group revenues. The two European suppliers combined to 18.7% of the Top 15 revenues.

Top Ten IC Equipment Suppliers[†]

<u>2008</u>		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Rank</u>	<u>Company</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>Rank</u>	<u>Rank</u>
1	Applied Materials	5877.8	8524.8	8355.6	1	1
2	ASML	4367.2	5144.9	4538.2	3	3
3	Tokyo Electron LTD.	4343.3	6291.0	5030.1	2	2
4	KLA-Tencor	2112.3	2771.2	2349.2	4	4
5	Lam Research Corporation	1903.7	2623.7	2200.8	5	5
6	Nikon Corporation	1742.1	2147.6	1881.0	6	7
7	Canon, Inc.	1090.3	1308.7	1287.7	11	10
8	Hitachi High-Technologies Corp.	1055.8	1385.4	1263.5	9	11
9	Dainippon Screen Mfg. Co., Ltd.	1041.3	1329.5	1323.0	10	9
10	Novellus Systems, Inc.	969.7	1509.6	1636.8	8	8

Next Five

11	ASM International N.V.	961.3	1171.8	968.1	12	12
12	Teradyne, Inc.	924.7	876.5	1088.9	14	14
13	Advantest Corporation	884.4	1656.5	1906.8	7	6
14	Varian Semiconductor Equipment	687.4	1073.9	785.8	13	13
15	Verigy	605.8	761.5	375.3	15*	15*

[†]Includes revenues from IC & related system sales, service and support. Flat Panel Displays are not included.

*Agilent spun off their Semiconductor Test business to Verigy US Inc. in June 2006.

An IC equipment supplier's revenue is classified as sales of systems used to manufacture semiconductors, thin-film heads, MEMs, as well as service, support, and retrofitted systems.

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