

FY2014 (April 1, 2013 – March 31, 2014)

Financial Announcement

Agenda :

- FY2014 Consolidated Financial Summary
Yoshiteru Harada, Corporate Director, Executive Officer
- FY2015 Business Strategy and 1st Half Financial Estimates
Tetsuro Higashi, Chairman, President & CEO

April 28, 2014



TOKYO ELECTRON

CORP IR/April 28, 2014



FY2014 (April 1, 2013 – March 31, 2014)

Consolidated Financial Summary

Yoshiteru Harada
Corporate Director, Executive Officer

April 28, 2014



TOKYO ELECTRON

CORP IR/April 28, 2014



Financial Summary

(Billion Yen)

	FY2013	FY2014	YoY Change	(Reference) FY2014 estimates revised on December 18
Net sales	497.2	612.1	+23%	605.0
Gross profit Gross profit margin	158.7 31.9%	201.8 33.0%	+27%	-
SG&A expenses	146.2	169.6	+16%	-
Operating income Operating margin	12.5 2.5%	32.2 5.3%	+157%	30.0 5.0%
Income before income taxes	17.7	-11.7	-29.5 B Yen	-15.0
Net income	6.0	-19.4	-25.4 B Yen	-22.0
EPS (yen)	33.91	-108.31	---	-122.78
R&D expenses	73.2	78.6	+7%	77.0
Capital expenditures	21.7	12.7	-41%	17.0
Depreciation and amortization	26.6	24.8	-7%	30.0

In the 2H, sales and profitability of the SPE business improved. Withdrew from the PVE business and restructured domestic facilities, resulting in an extraordinary loss.

1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated using full amounts, before rounding.

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Sales by Division

(Billion Yen)

	FY2013		FY2014		YoY Change
	Sales	Composition	Sales	Composition	
SPE	392.0	79%	478.8	78%	+22%
FPD	20.0	4%	28.3	5%	+41%
PVE	0.0	0%	3.8	1%	---
EC/CN	84.6	17%	100.7	16%	+19%
Others	0.4	0%	0.4	0%	+7%
Total	497.2	100%	612.1	100%	+23%

SPE

(Semiconductor Production Equipment)

Sales recovered in all areas of Asia. In the 2H in particular the recovery was led by cutting-edge investment in Taiwan and China.

FPD

(Flat Panel Display Production Equipment)

From the 2H sales in a recovery trend centered on China.

PVE

(Photovoltaic Panel Production Equipment)

Withdrew business as of March 2014.(Maintaining support for delivered equipment)

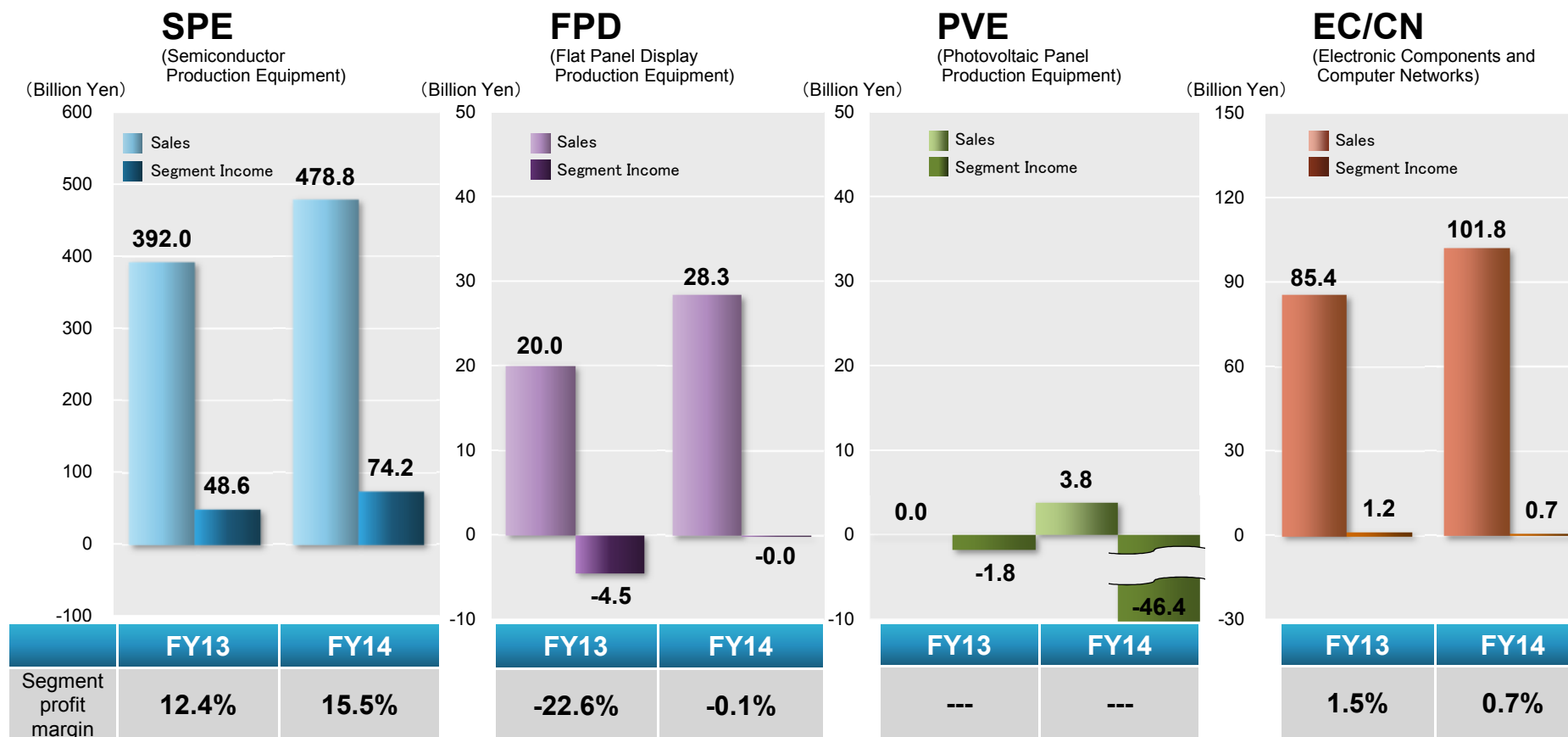
EC/CN

(Electronic Components and Computer Networks)

Sales increased driven by improved industrial equipment markets and expansion of commercial rights.(Equity method accounting from FY2015)

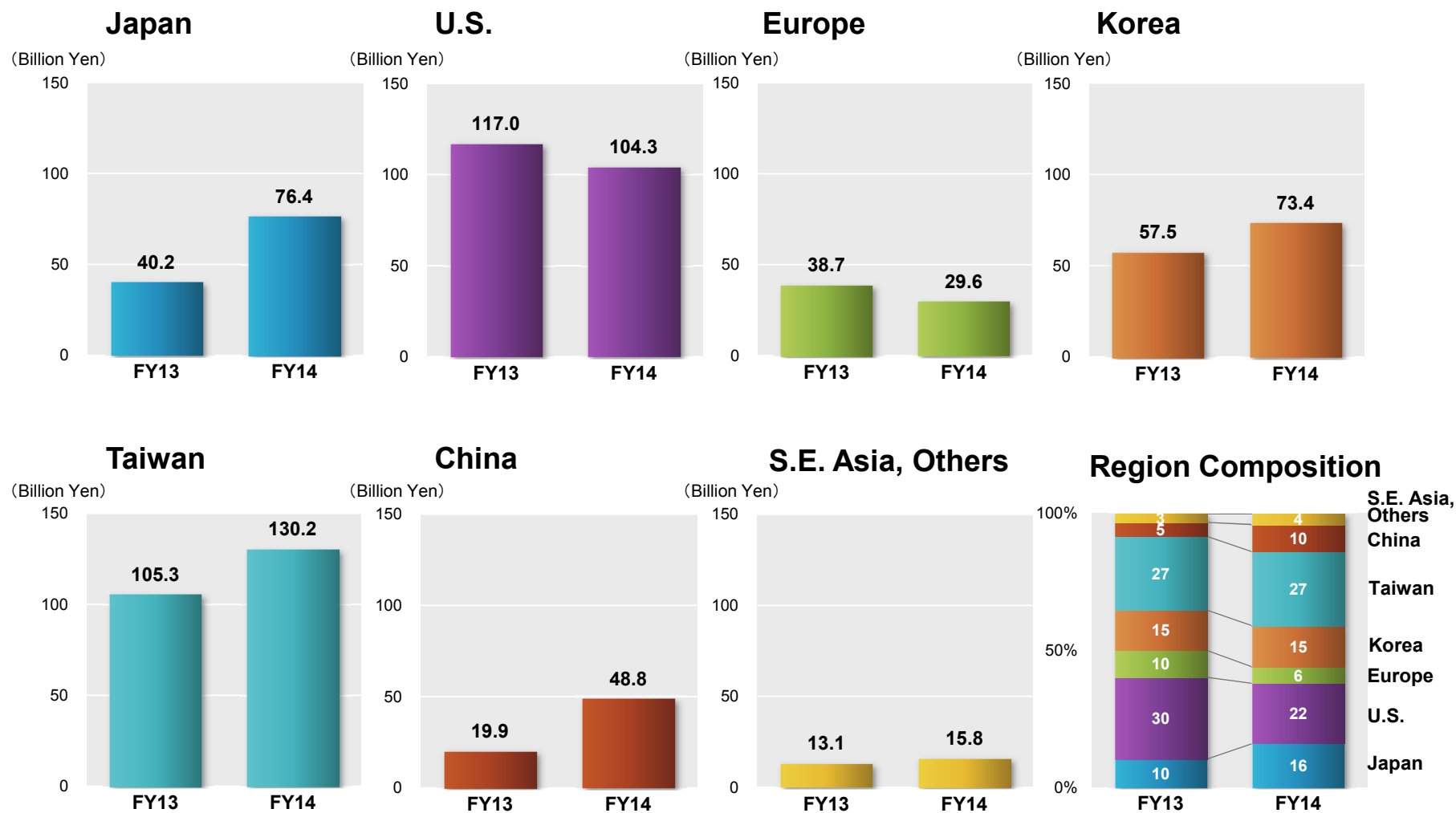
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Segment Information



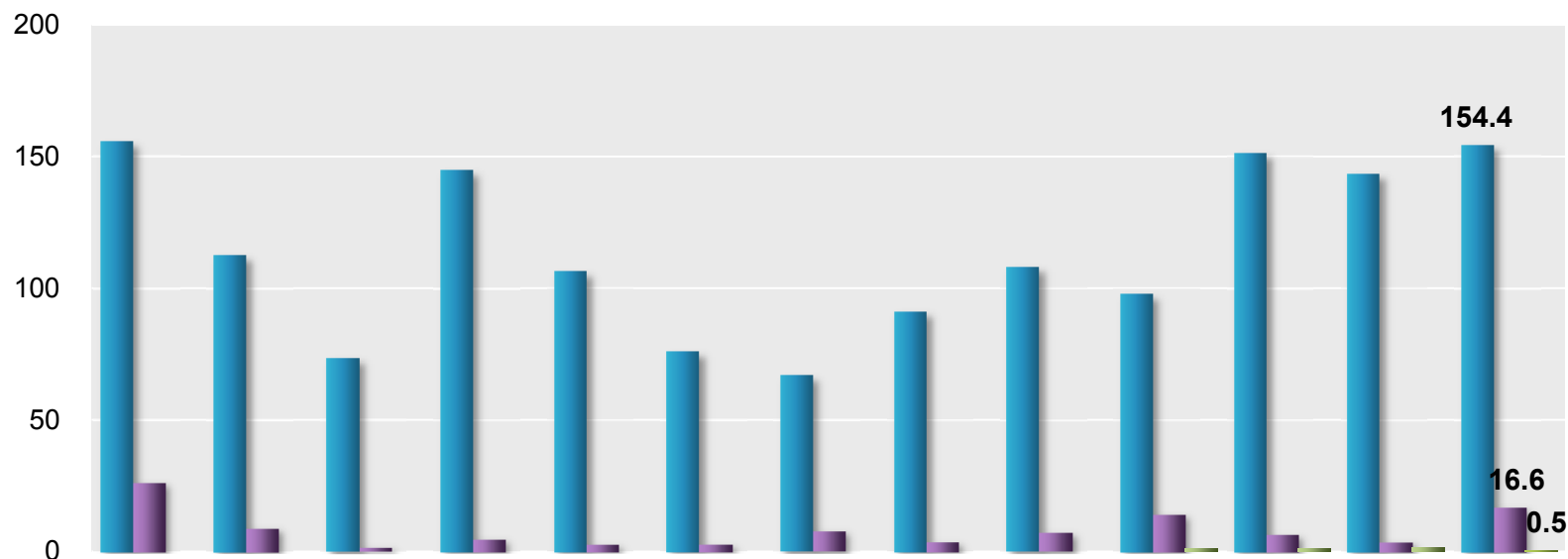
1. Formerly the FPD/PVE segment, FPD and PVE are disclosed separately. FY2013 figures have been recalculated and stated accordingly.
2. There are expenses that are not allocated to above reportable segments (mainly corporate R&D expenses and impairment losses).
(FY13; 27.0 B yen, FY14; 41.5 B yen)
3. Segment income is based on income before income taxes.

SPE Sales by Region



Orders, Order Backlog

(Billion Yen)

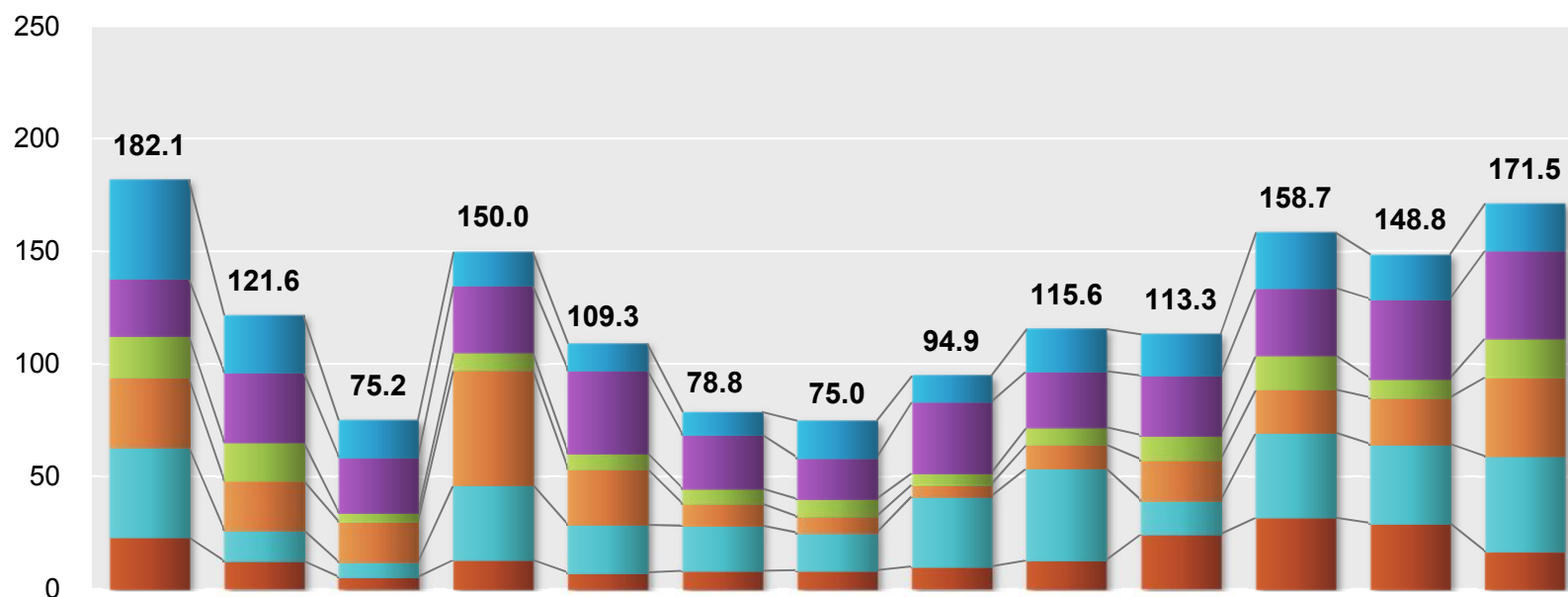


	FY11 4Q	FY12 1Q	2Q	3Q	4Q	FY13 1Q	2Q	3Q	4Q	FY14 1Q	2Q	3Q	4Q
SPE Orders	155.8	112.6	73.5	144.9	106.4	76.0	66.9	91.3	108.2	97.7	151.3	143.4	154.4
FPD Orders	26.3	8.9	1.7	5.0	2.8	2.7	8.0	3.6	7.3	14.4	6.3	3.8	16.6
PVE Orders						0.0	0.0	0.0	0.0	1.1	1.1	1.4	0.5
SPE Order backlog	228.9	220.7	166.7	220.1	188.6	157.7	118.7	142.6	141.6	164.5	196.0	237.2	209.9
FPD Order backlog	65.4	61.8	39.4	27.8	14.2	12.2	15.8	14.8	16.0	25.5	27.4	22.5	29.0
PVE Order backlog						0.0	-	8.4	8.4	7.6	7.4	7.7	8.9

PVE orders and order backlog for and before FY12/4Q are shown together with FPD.

Orders by Region: SPE+FPD+PVE

(Billion Yen)

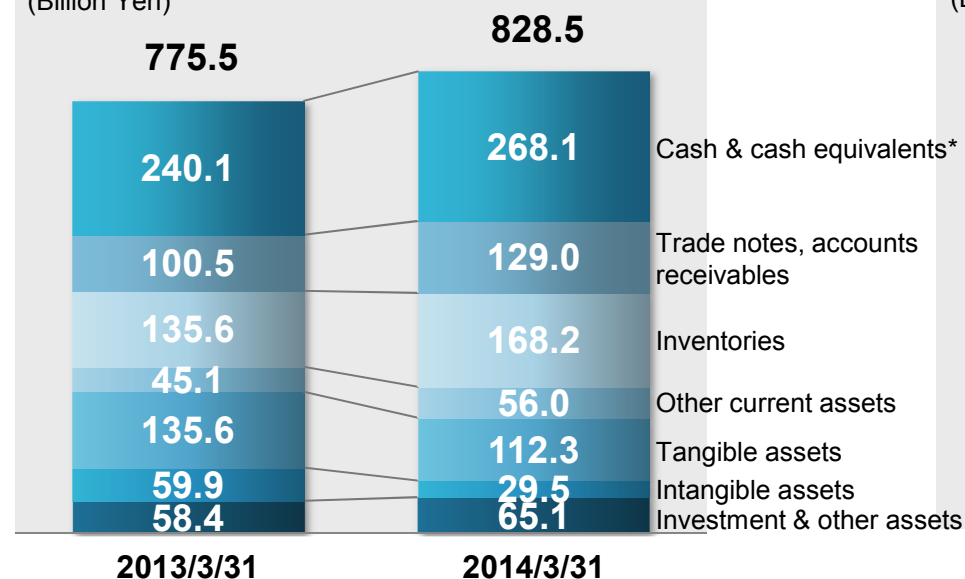


	FY11 4Q	FY12 1Q	FY12 2Q	FY12 3Q	FY12 4Q	FY13 1Q	FY13 2Q	FY13 3Q	FY13 4Q	FY14 1Q	FY14 2Q	FY14 3Q	FY14 4Q
Japan	43.9	25.0	16.3	14.9	11.7	10.0	16.3	11.5	18.7	18.3	24.7	19.6	20.9
U.S.	25.4	31.1	24.8	29.7	36.8	24.0	18.4	31.7	24.9	26.4	29.8	35.3	38.9
Europe	18.6	17.2	3.9	7.6	7.0	6.8	7.7	5.0	7.7	10.9	15.3	8.5	17.5
Korea	30.7	21.9	17.9	51.1	25.1	9.7	7.3	5.2	10.5	18.2	19.1	20.6	35.0
Taiwan	40.3	13.7	6.6	33.5	21.0	20.0	16.7	31.3	41.0	14.9	37.8	35.2	42.3
China, S.E. Asia, Others	22.9	12.5	5.4	12.9	7.4	8.1	8.3	10.0	12.7	24.4	31.7	29.3	16.7

Balance Sheet

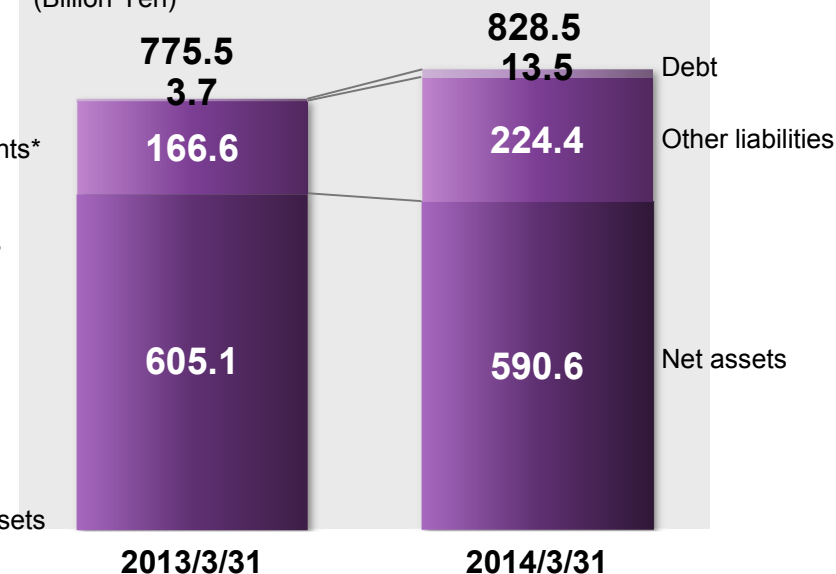
Assets

(Billion Yen)



Liabilities & Net Assets

(Billion Yen)



Primary changes

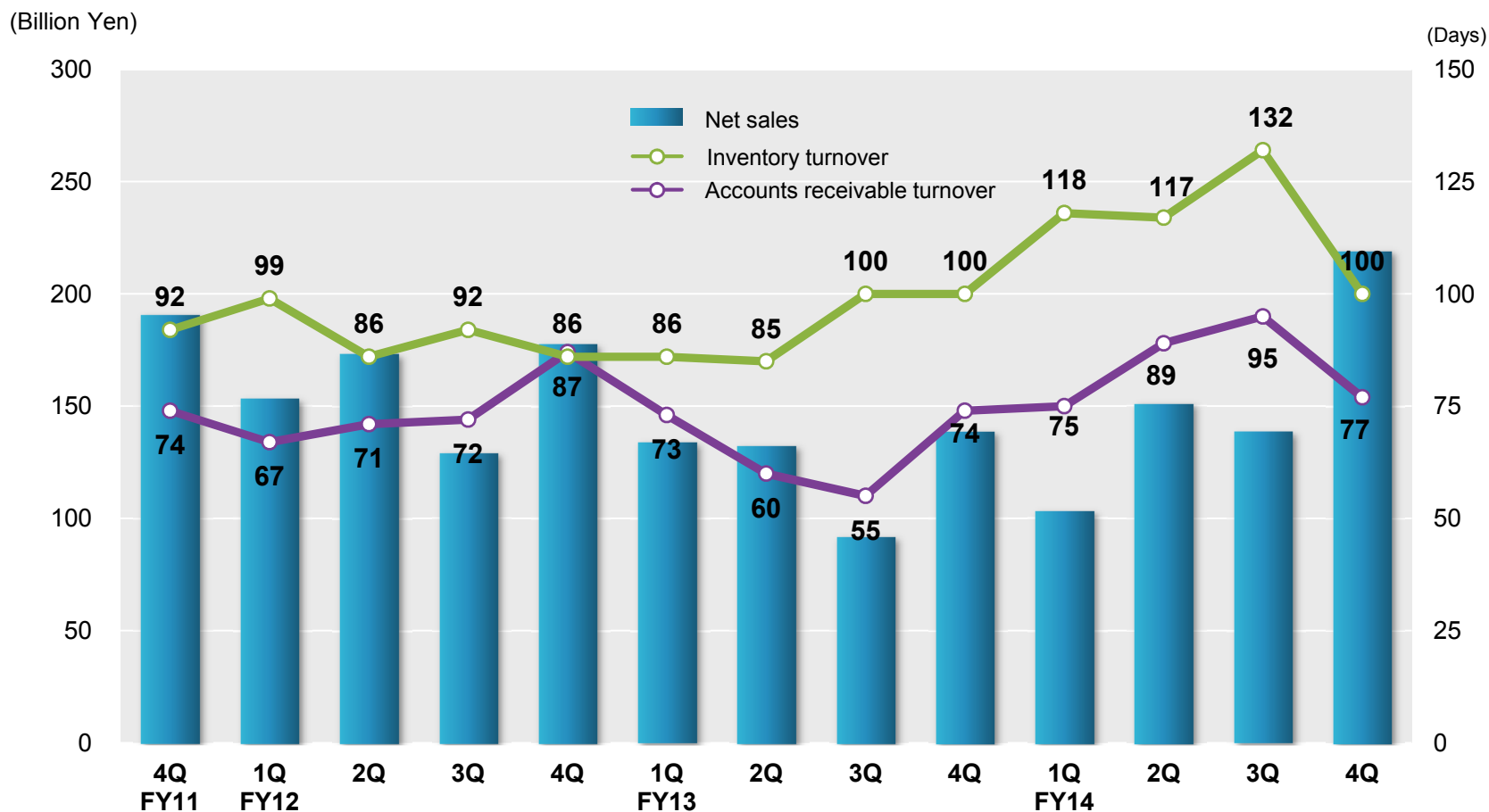
(Billion Yen)

		Change	Primary factors
Assets	Trade notes, accounts receivables	+28.5	Increase in sales
	Inventories	+32.5	Increase in production, increase in equipment shipped but set up/test not yet complete
	Intangible assets	-30.3	Impairment loss: PVE -31.6, NEXX -5.0
	Cash & cash equivalents	+28.0	
Liabilities	Other liabilities	+57.8	Increase in customer advances+20.9, increase in accounts payable+17.4, increase in income taxes payable+11.7

*Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

○

Inventory Turnover and AR Turnover



Turnover days = Inventory or AR at the end of each quarter / last 12 months sales x 365

Cash Flow

		FY2013	FY2014	(Billion Yen)
Cash flow from operating activities		84.2	44.4	
	Income before income taxes	17.7	-11.7	
	Depreciation and amortization	26.6	24.8	
	Impairment loss	0.0	46.9	
	Increase/decrease in accounts receivable	57.5	-25.3	
	Increase/decrease in inventories	20.2	-32.0	
	Increase/decrease in accounts payable	-15.4	15.6	
	Income taxes paid	-7.6	-1.7	
	Others	-14.8	27.9	
Cash flow from investing activities		-141.7	-19.5	
	Capital expenditures	-19.0	-9.4	
	Cash paid for acquisitions	-56.1	-	
	Term deposits over 3 months	-66.0	-8.5	
	Others	-0.5	-1.6	
Cash flow from financing activities		-10.6	-0.1	
	Dividends paid	-9.3	-9.1	
	Others	-1.3	8.9	
Cash and cash equivalents at end of term		85.3	104.7	
Term deposits over 3 months at end of term (short-term investments, etc. included)		154.8	163.3	
Cash and deposits at end of term (short-term investments, etc. included)		240.1	268.1	

Appendix



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Financial Summary

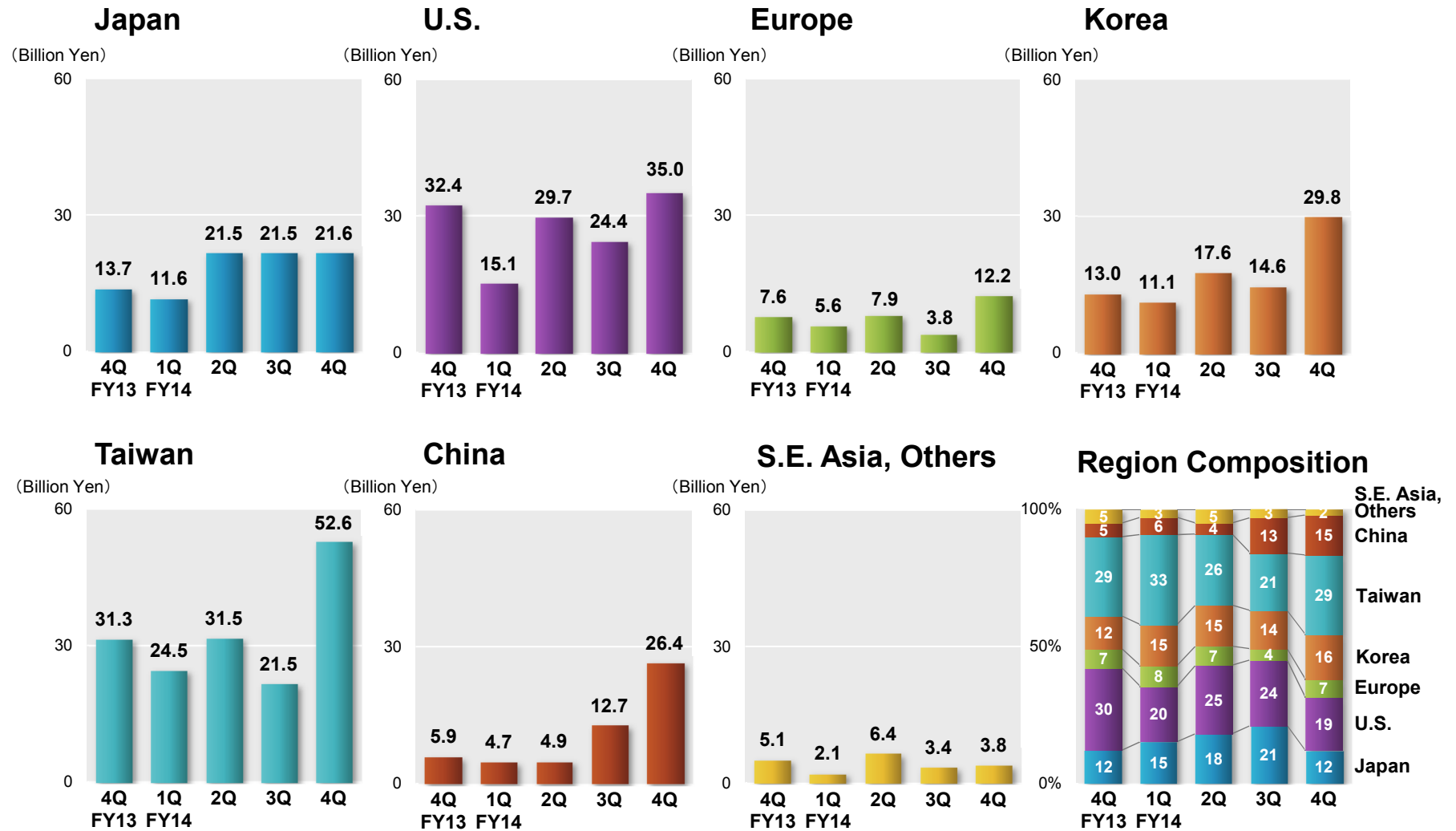
(Billion Yen)

	FY2013	FY2014				
	4Q	1Q	2Q	3Q	4Q	4Q YoY
Net sales	138.7	103.4	151.0	138.4	219.2	+58%
SPE	109.3	74.9	119.8	102.2	181.7	+66%
FPD	6.2	4.9	4.4	8.8	10.1	+62%
PVE	0.0	2.0	1.2	1.1	-0.6	---
EC/CN	23.0	21.4	25.3	26.0	27.9	+21%
Others	0.1	0.1	0.1	0.0	0.1	+1%
Gross profit	44.8	29.9	50.1	50.3	71.5	+59%
Gross profit margin	32.3%	28.9%	33.2%	36.4%	32.6%	
SG&A expenses	37.6	39.5	42.3	41.2	46.5	+24%
Operating income	7.2	-9.6	7.8	9.0	24.9	+246%
Operating margin	5.2%	-9.3%	5.2%	6.6%	11.4%	
Income before income taxes	8.4	-9.8	9.5	-37.2	25.7	+206%
Net income	7.0	-2.9	5.4	-38.0	16.2	+131%
R&D expenses	18.3	17.9	20.4	18.9	21.2	+16%
Capital expenditures	2.9	4.7	1.9	1.4	4.5	+54%
Depreciation and amortization	8.2	6.3	6.4	5.8	6.2	-24%

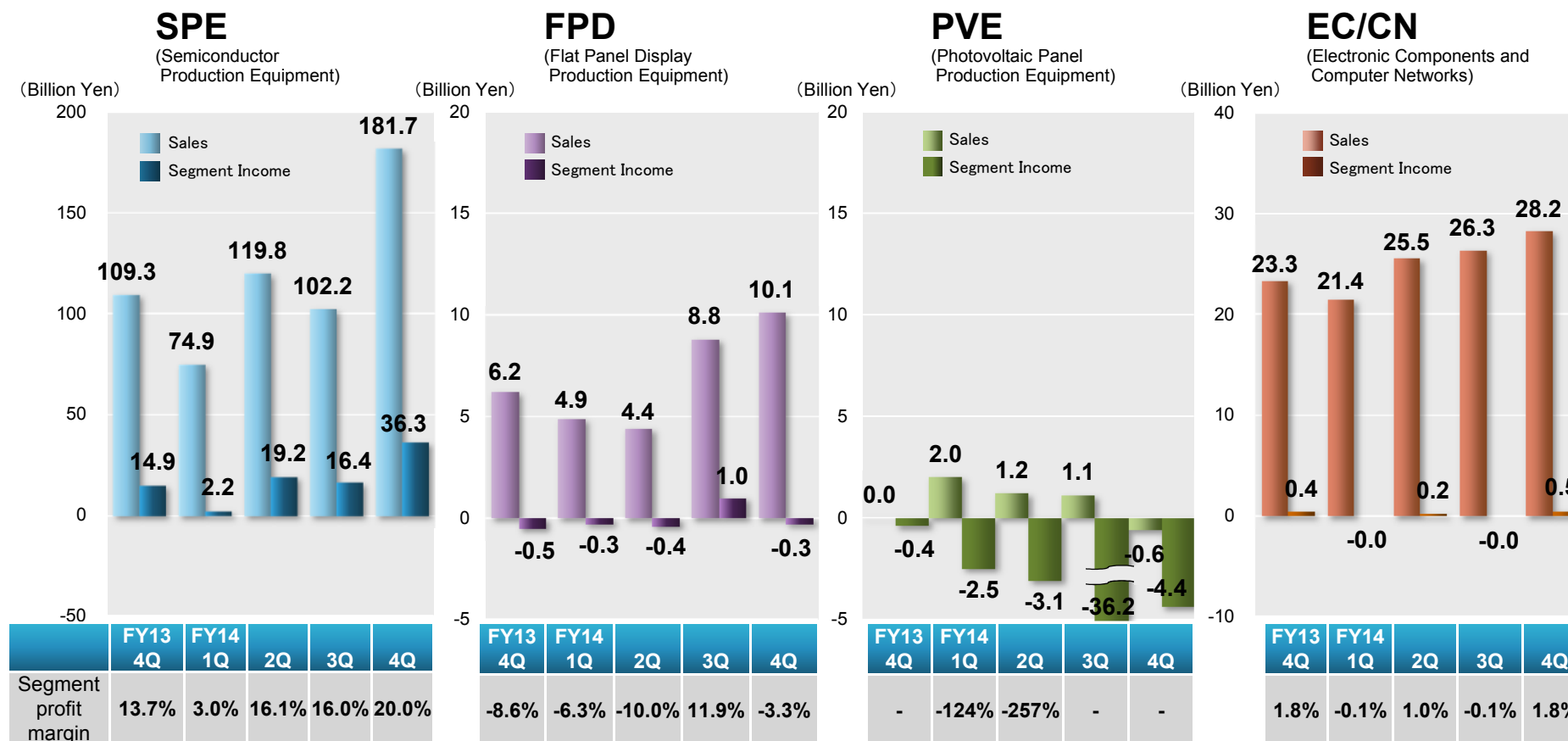
1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD/PV production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios and YoY changes are calculated using full amounts, before rounding.

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SPE Sales by Region



Segment Information

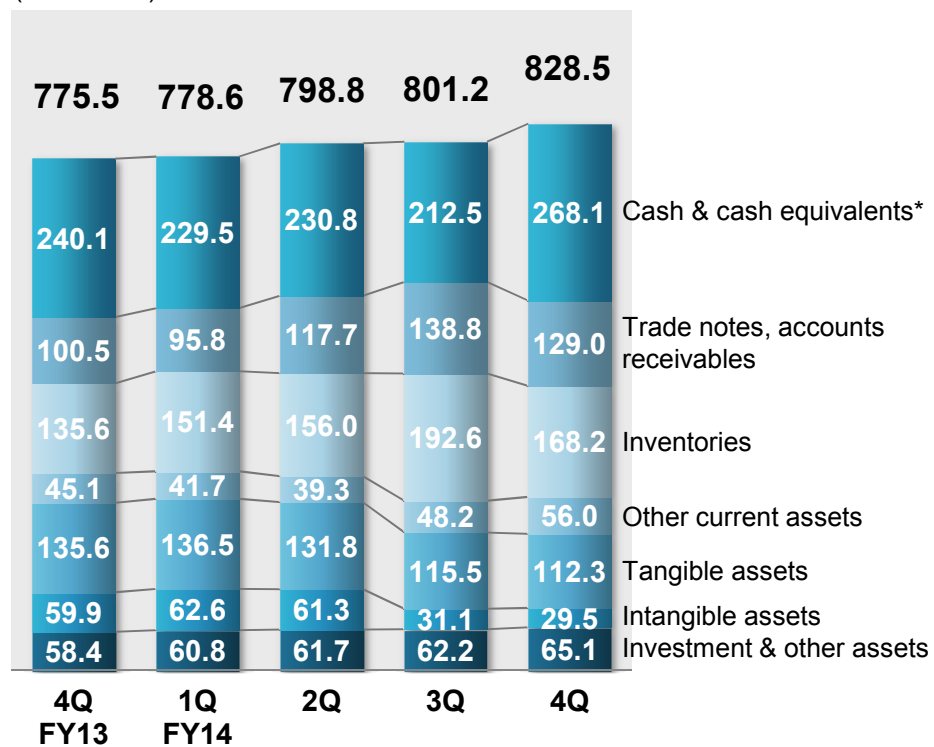


- Formerly the FPD/PVE segment, FPD and PVE are disclosed separately from FY14/1Q. FY2013 figures have been retroactively reclassified.
- Segment income is based on income before income taxes.
- R&D expenses such as fundamental research and element research are not included in above reportable segments.
- For the PVE segment, 4Q sales were reassessed according to degree of progress on a percentage of completion basis.

Balance Sheet

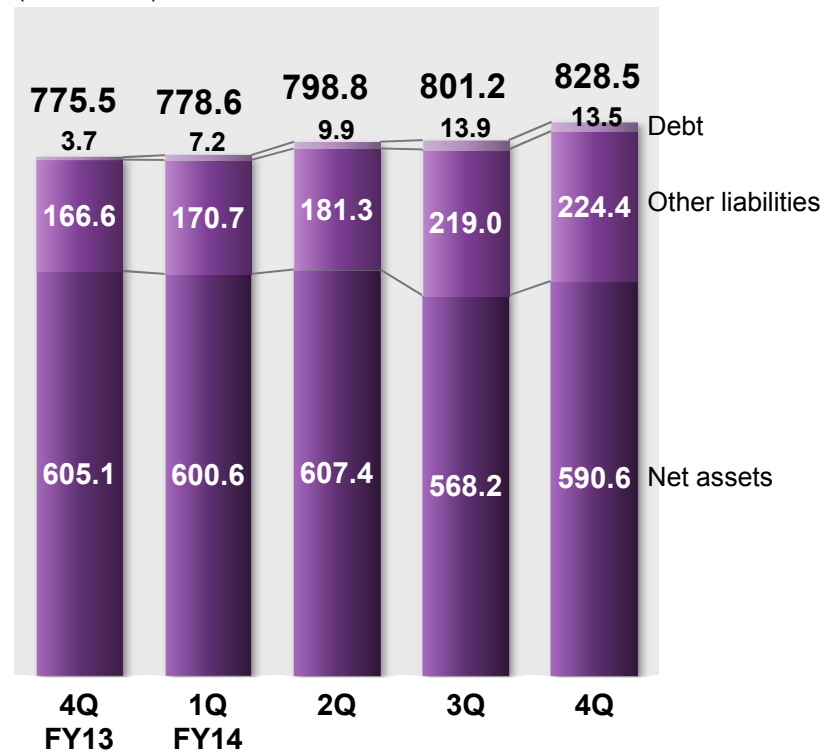
Assets

(Billion Yen)



Liabilities & Net Assets

(Billion Yen)



*Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

Number of Employees

(Person)

		FY2013	FY2014
	Japan	8,186	8,205
	U.S.	1,633	1,652
	Europe	888	888
	Asia	1,494	1,559
Total		12,201	12,304



FY2015 Business Strategy and 1st Half Financial Estimates

Tetsuro Higashi
Chairman, President & CEO

April 28, 2014



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FY2014 Highlights



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FY2014 Highlights(1)

- ▶ Announced merger with Applied Materials (2013/9/24)

Objectives

- Provide solutions to customers' high-value problems
- Bring together complementary leading technologies and products in semiconductor and display
- Mutual commitment to improve profitability
- Company structure to enable higher cash returns to investors

Progress

- Launched Integration Management Office (IMO) to rapidly achieve optimal post-merger operations
- Submitted Form S-4 registration statement to U.S. Securities and Exchange Commission (SEC) regarding the merger
- Merger completion expected for the mid to the second half of 2014

FY2014 Highlights(2)

▶ Restructured operations and optimized facilities

- Withdrawal from PVE Business
 - Ceased development, production, and sales as of end March 2014.
Only continuing business is support functions for supplied equipment.
- Consolidation of R&D facilities
 - Closed Technology Center Tsukuba
 - Integrated Technology Center Sendai into Tokyo Electron Miyagi
- Announced partial sale of shareholding in Tokyo Electron Device
 - To further focus management resources on core equipment business

Market Environment and Business Strategy



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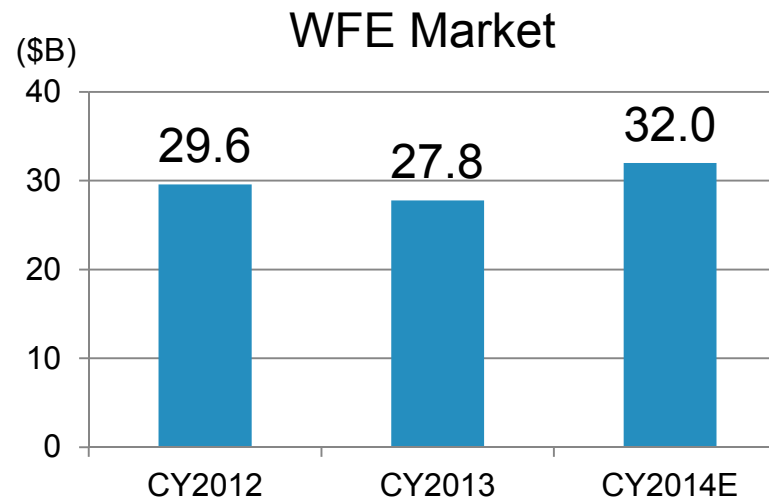


SPE Business Environment

► SPE capex

CY2014 WFE (wafer fab equipment) capex expected to be around +15% YonY.
Mobile device volume expected to be +20% YonY.
Capex expansion expected, particularly for memory.

- DRAM/NAND: Mobile devices continue to drive demand, capex expanding
- Foundry: Capex for mobile devices to rise YonY
- Logic: Although PC market shrinking, capex expected to be flattish YonY

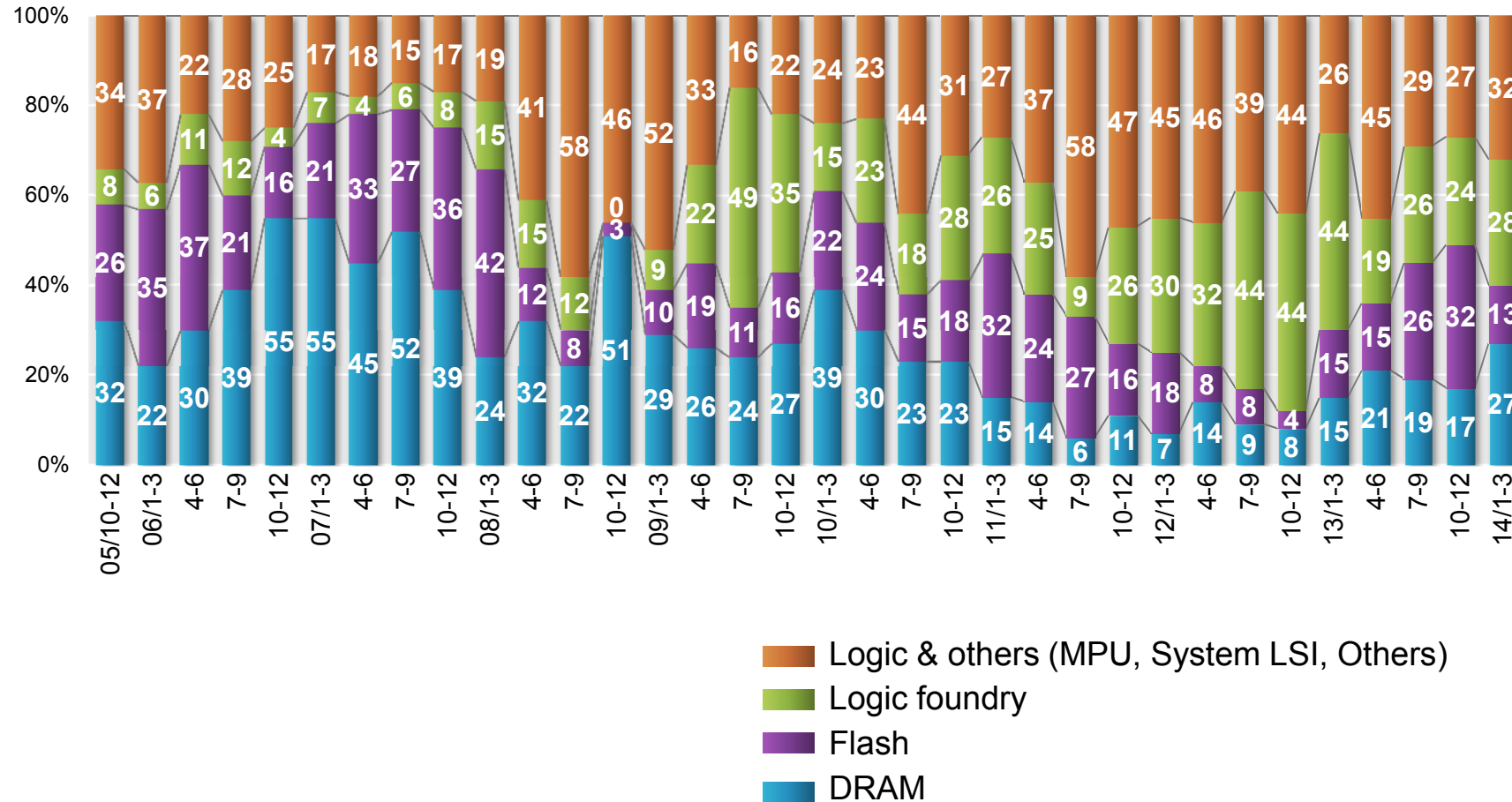


Source:
CY2014: TEL estimate
CY2012/2013: Gartner, "Forecast:
Semiconductor Manufacturing
Equipment, Worldwide, 1Q14 Update"

(Outlook as of April 2014)

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SPE Orders by Application: Equipment only



SPE Business in FY2014

▶ WFE market share

	CY2012	CY2013	Change
Market share	13.2%	10.5%	-2.7 pts

(Source: Gartner, "Market Share: Semiconductor Manufacturing Equipment, Worldwide, 2013")

Background to share decline

- Currency effects (\$/yen 79⇒97)
- Effects of differences in sales recognition standard (Shipment basis/Completion of installation basis)
- Product mix, customer mix

SPE Business Strategy

Etching system

▶ FY2014 results

- YonY share decline: Product mix (expansion of silicon etch market)
- RLSA etch system received favorable reviews by several customers

▶ FY2015 key issues

- Focus on silicon etch segment where sustained market growth expected
- Roll-out RLSA etch system to customers for FinFET process, increase process steps in NAND
- Expand position in multi-patterning processes



Plasma Etch System
Tactras™ RLSA™ Etch

Thermal processing system

▶ FY2014 results

- YonY share decline: Customer mix, product mix
- Newly adopted by major logic customer

▶ FY2015 key issues

- Increase share of ALD market where growth is expected
- Expand applications using NT333, our newest model ALD system



ALD System
NT333™

SPE Business Strategy

Cleaning system

► FY2014 results

- Slight share increase YonY : Customer penetration and product development proceeding as planned; acquired position in key processes (contribution to share in CY2014)

► FY2015 key issues

- Aim to penetrate customers for TEL's proprietary memory technologies
- Expand position in logic-device BEOL processes
- Expand number of dry cleaning processes in FinFET process



Single Wafer
Cleaning System
CELLESTA™-i

Coater/Developer

► FY2014 results

- Maintained high share YonY: Received favorable reviews for defect prevention in advanced immersion process equipment market

► FY2015 key issues

- Develop patterning technology for immersion to 10nm node and beyond
- Continue strengthening of development of next-generation lithography technology (EUV/DSA)



Coater/Developer
CLEAN TRACK™
LITHIUS Pro™ Z

EUV: extreme ultraviolet, DSA: directed self-assembly, BEOL: back end of line

SPE Business Strategy

Single wafer deposition system

▶ FY2015

- Metal ALD market expanding. Pursue efforts to expand share of metallization systems (Triase+ EX-II), which excel in thin-film controllability, low temperature, and uniformity
- Improve position in logic applications

Test system

▶ FY2015

- Enter NAND test market with integrated multi-cell test system. Pursue earnings growth by introducing the new product that achieve significant reductions in customers' test costs through footprint reduction and advanced testing functions.



Integrated test system
Cellcia™

- Reduces test costs by more than 20%
- Can test multiple wafers simultaneously

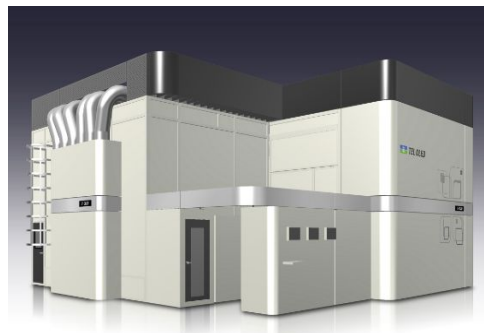
FPD Business Environment and Strategy

▶ FPD capex

- CY2014 demand for LCD panel production equipment to remain strong, mainly driven by capex for large panels in China.
The OLED TV market will be established from 2016.

▶ Business strategy

- Customer penetration with latest model ICP etch system. Pursue earnings growth through differentiated products that meet new technological needs, such as high-resolution panels (4K) and OLED
- Introduced inkjet printing system for manufacturing OLED panels



Inkjet printing system for manufacturing OLED panels
Elius™ 2500

- Highly efficient usage of materials
- Atmosphere environment process

FY2015 1st Half Financial Estimates

FY2015 1st Half Financial Estimates

(Billion Yen)

	FY2015 1 st half (Estimate)
Net sales	278.0
SPE	260.0
FPD	16.0
PVE	2.0
Others	0.0
Operating income	18.0
Lower line: OP margin	6.5%
Income before income taxes	15.5
Net income	11.0
Earnings per share (yen)	61.38

- Dividend forecast
 - 10 yen per share on Q1
- 2nd half financial estimates
 - Net sales 307.0B yen,
Operating income 48.0B yen

※As the merger with Applied Materials is expected in the mid- to second half of 2014, only 1st half financial estimates are disclosed.

Summary

1. CY2014 WFE expected to be up 15% YonY. Continued buoyant investment by memory and foundry customers driven by mobile devices
2. Strengthen product development in new technologies such as FinFET, 3D NAND and multi-patterning
3. Focus on improving share in etching equipment and thermal processing systems
Cleaning systems business expanding in line with plan
4. Focus management resources on SPE/FPD and improve profits
5. Merger with Applied Materials expected to complete on target in the mid to second half of 2014

▶ **Disclaimer regarding forward-looking statement**

Forecast of TEL's performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast described here due to changes in various external and internal factors, including the economic situation, semiconductor/FPD/PV market conditions, intensification of sales competition, safety and product quality management, and intellectual property-related risks.

▶ **Processing of numbers**

For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

▶ **Exchange Risk**

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD/PV production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD/PV: Flat panel display/Photovoltaic panel

50 Years