

2Q FY2014 (April 1, 2013 – September 30, 2013)

Financial Announcement

Agenda:

- 2Q FY2014 Consolidated Financial Summary

Yoshiteru Harada, Corporate Director, Executive Officer

- Revision of FY2014 Financial Estimates and Major Progress in this Fiscal Year

Tetsuro Higashi, Chairman, President & CEO

October 29, 2013

2Q FY2014 Consolidated Financial Summary

2Q FY2014: July 1, 2013 - September 30, 2013
FY2014 : April 1, 2013 - March 31, 2014

Yoshiteru Harada
Corporate Director, Executive Officer

October 29, 2013

Financial Summary

(Billion Yen)

	FY2013		FY2014	YoY Change	(Reference) 1H estimates announced on July 30
	1H	2H	1H		
Net sales	266.6	230.6	254.5	-4.5%	252.0
Gross profit Gross profit margin	85.6 32.1%	73.1 31.7%	80.0 31.5%	-6.5%	
SG&A expenses	73.4	72.7	81.8	+11.5%	
Operating income Operating margin	12.2 4.6%	0.3 0.2%	-1.8 -0.7%	—	-6.5 -2.6%
Income before income taxes	15.5	2.2	-0.3	—	-5.5
Net income	6.0	-0.0	2.4	-59.3%	-1.0
R&D expenses	37.4	35.8	38.4	+2.7%	
Capital expenditures	12.8	8.8	6.7	-47.7%	
Depreciation and amortization	11.7	14.8	12.7	+8.1%	

Recovery in Semiconductor capex was evident from Q2, led to increase in sales

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		(Reference) 1H estimates announced on July 30
	1H		2H		1H		
	Sales	Compo- sition	Sales	Compo- sition	Sales	Compo- sition	
SPE	214.6	81%	177.3	77%	194.7	77%	196.0
FPD	9.1	3%	10.9	5%	9.3	4%	10.0
PVE	0.0	0%	0.0	0%	3.2	1%	4.0
EC/CN	42.4	16%	42.1	18%	46.7	18%	42.0
Others	0.2	0%	0.2	0%	0.2	0%	-
Total	266.6	100%	230.6	100%	254.5	100%	252.0

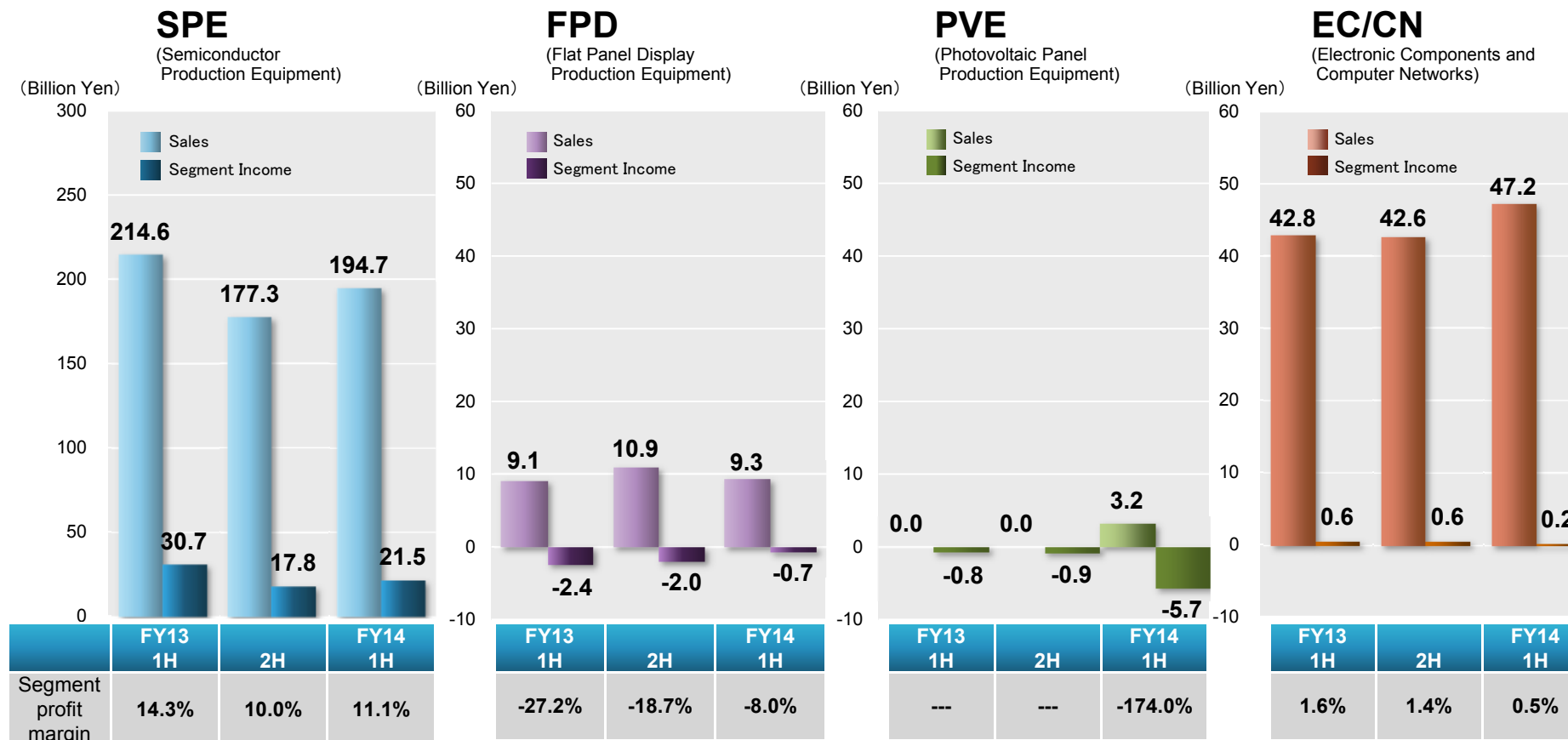
SPE Sharp recovery in sales from Q2 due to active foundry and memory investment
(Semiconductor Production Equipment)

FPD Primarily equipment sales for mobile panels
(Flat Panel Display Production Equipment)

PVE Mainly percentage of completion method sales from on delivered equipment
(Photovoltaic Panel Production Equipment)

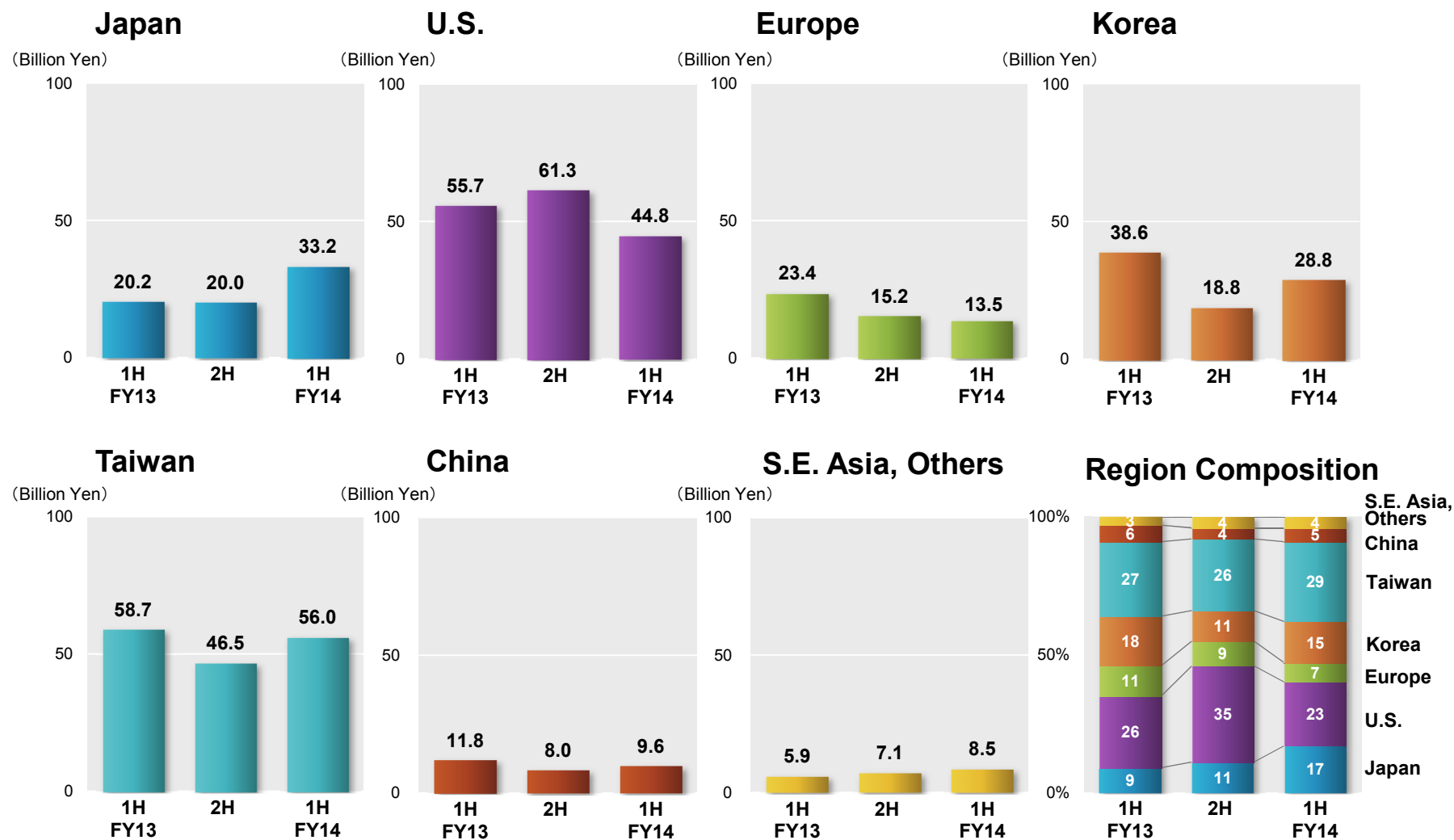
EC/CN Domestic and overseas sales grew due to expanded commercial rights for semiconductor products
(Electronic Components and Computer Networks)

Segment Information



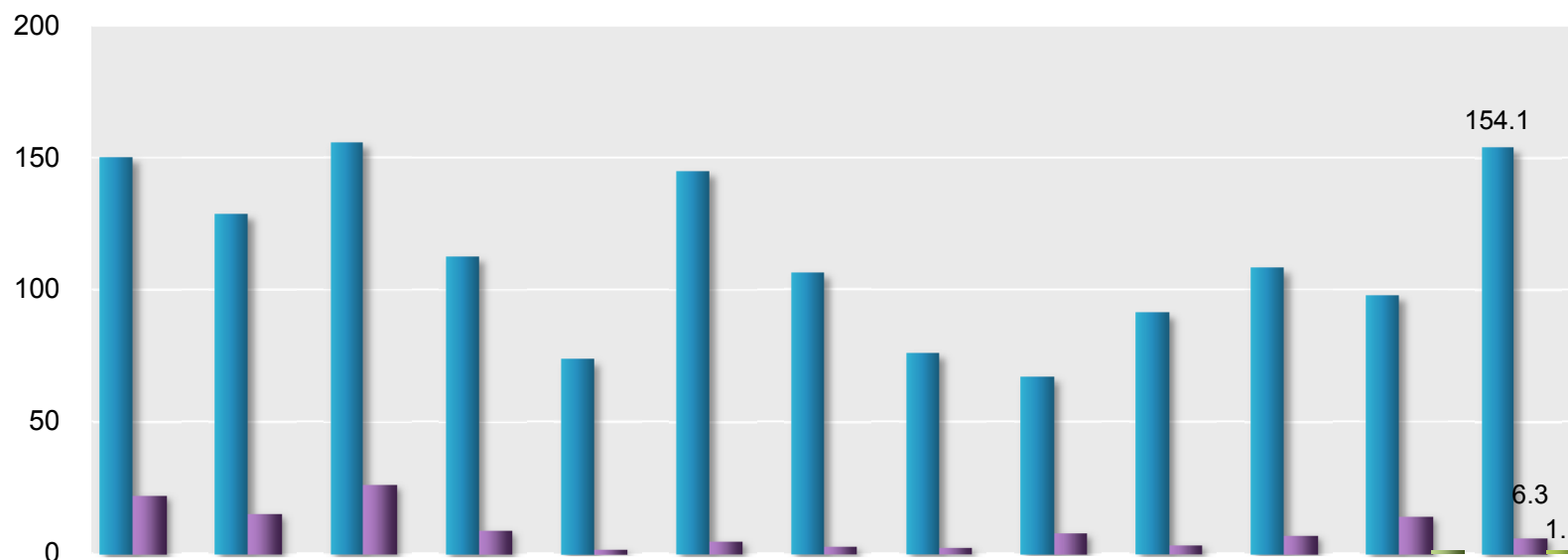
1. Formerly the FPD/PVE segment, FPD and PVE are disclosed separately from FY14/Q1. FY2013 figures have been recalculated and stated accordingly.
2. Segment income is based on income before income taxes.
3. R&D expenses such as fundamental research and element research are not included in above reportable segments.

SPE Sales by Region



Orders, Order Backlog

(Billion Yen)

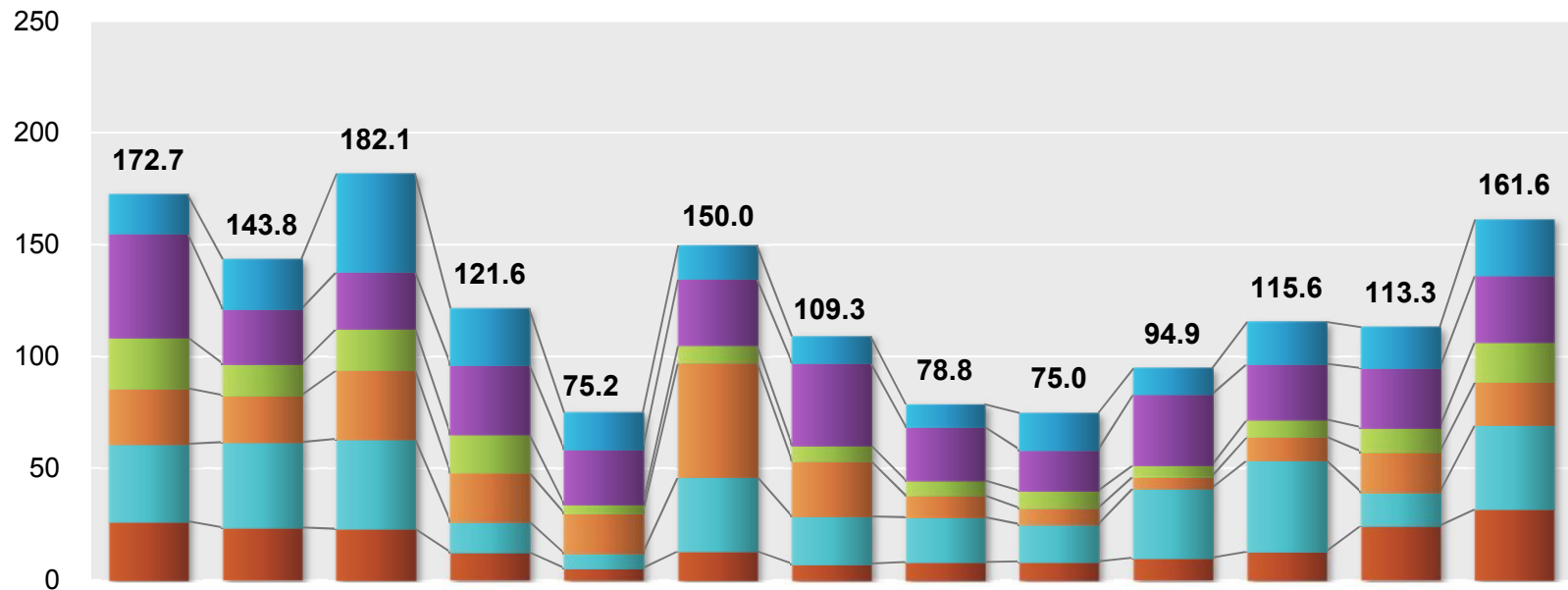


	FY11 2Q	3Q	4Q	FY12 1Q	2Q	3Q	4Q	FY13 1Q	2Q	3Q	4Q	FY14 1Q	2Q
SPE Orders	150.2	128.6	155.8	112.6	73.5	144.9	106.4	76.0	66.9	91.3	108.2	97.7	154.1
FPD Orders	22.4	15.2	26.3	8.9	1.7	5.0	2.8	2.7	8.0	3.6	7.3	14.4	6.3
PVE Orders								0.0	0.0	0.0	0.0	1.1	1.1
SPE Order backlog	215.5	228.8	228.9	220.7	166.7	220.1	188.6	157.7	118.7	142.6	141.6	164.5	198.9
FPD Order backlog	57.8	51.0	65.4	61.8	39.4	27.8	14.2	12.2	15.8	14.8	16.0	25.5	27.4
PVE Order backlog								0.0	-	8.4	8.4	7.6	7.4

PVE orders and order backlog for and before FY12/Q4 are shown together with FPD.

Orders by Region: SPE+FPD+PVE

(Billion Yen)

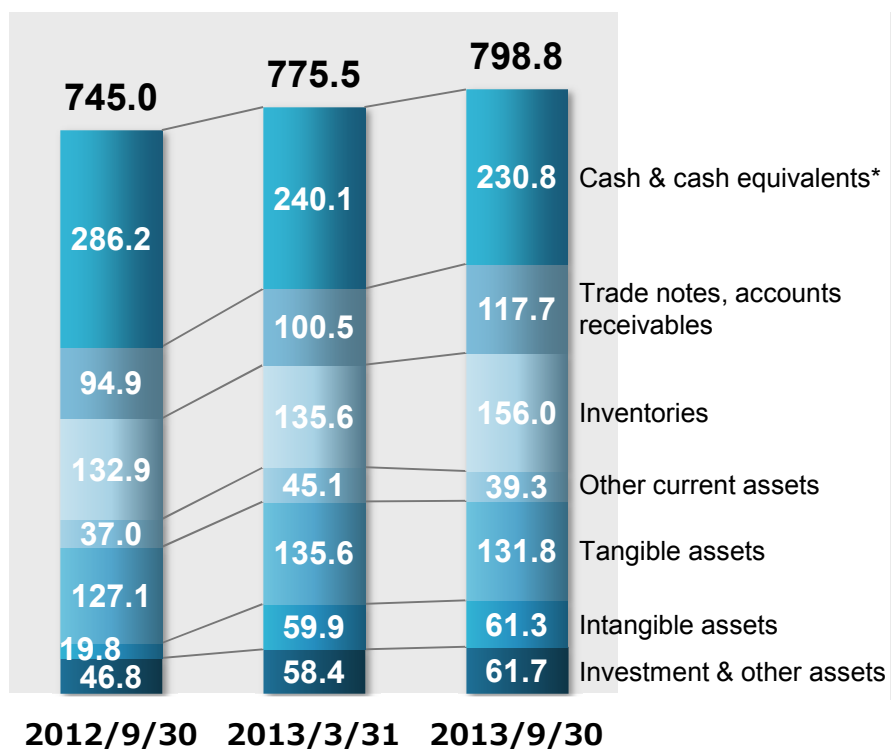


	FY11 2Q	3Q	4Q	FY12 1Q	2Q	3Q	4Q	FY13 1Q	2Q	3Q	4Q	FY14 1Q	2Q
Japan	17.3	22.2	43.9	25.0	16.3	14.9	11.7	10.0	16.3	11.5	18.7	18.3	24.7
U.S.	46.6	24.5	25.4	31.1	24.8	29.7	36.8	24.0	18.4	31.7	24.9	26.4	29.8
Europe	22.8	14.1	18.6	17.2	3.9	7.6	7.0	6.8	7.7	5.0	7.7	10.9	18.2
Korea	24.9	21.0	30.7	21.9	17.9	51.1	25.1	9.7	7.3	5.2	10.5	18.2	19.1
Taiwan	34.6	38.2	40.3	13.7	6.6	33.5	21.0	20.0	16.7	31.3	41.0	14.9	37.8
China, S.E. Asia, Others	26.3	23.5	22.9	12.5	5.4	12.9	7.4	8.1	8.3	10.0	12.7	24.4	31.7

Balance Sheet

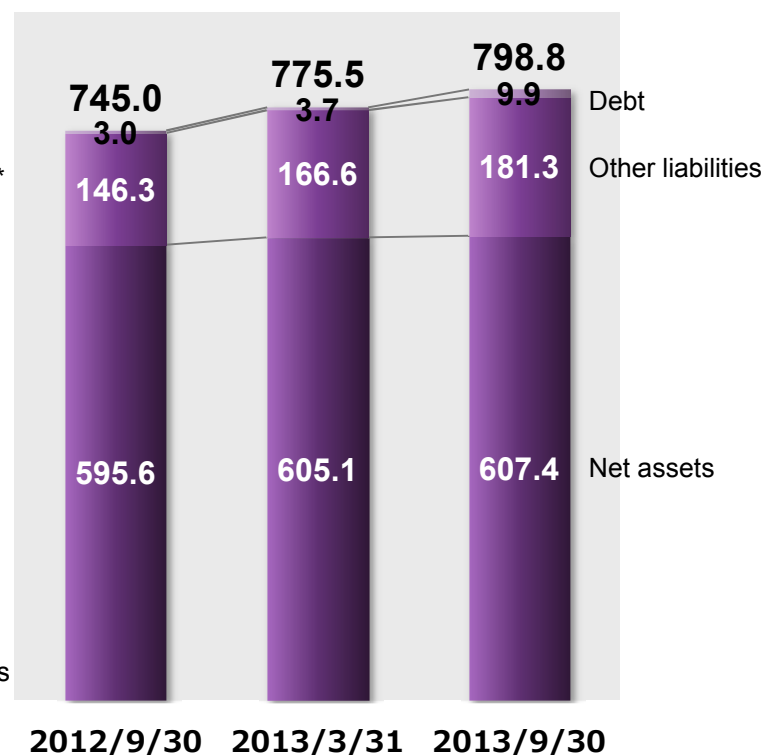
Assets

(Billion Yen)



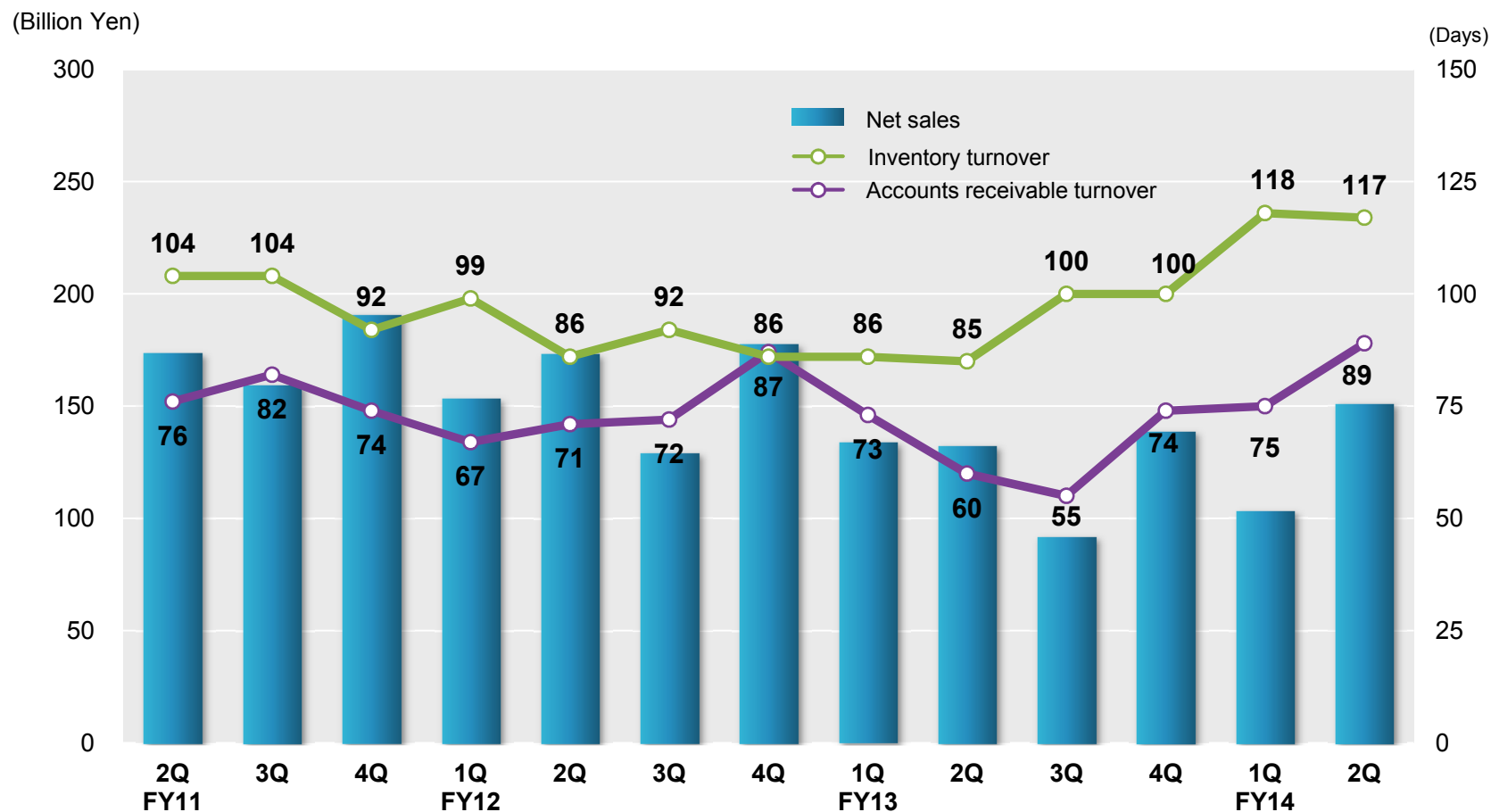
Liabilities & Net Assets

(Billion Yen)



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

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 1H	FY2014 1H	(Billion Yen)
Cash flow from operating activities	73.9	-0.2	
Income before income taxes	15.5	-0.3	
Depreciation and amortization	11.7	12.7	
Increase/decrease in accounts receivable	54.6	-16.3	
Increase/decrease in inventories	14.8	-20.3	
Increase/decrease in accounts payable	-14.3	9.0	
Income taxes paid	-1.8	0.3	
Others	-6.6	14.5	
Cash flow from investing activities	-84.2	7.1	
Capital expenditures	-11.8	-5.2	
Cash paid for acquisitions	-15.8	-	
Term deposits over 3 months	-55.7	13.9	
Others	-0.8	-1.5	
Cash flow from financing activities	-6.4	1.1	
Dividends paid	-4.8	-4.6	
Others	-1.6	5.7	
Cash and cash equivalents at end of term	141.6	89.9	
Term deposits over 3 months at end of term (short-term investments, etc. included)	144.5	140.8	
Cash and deposits at end of term (short-term investments, etc. included)	286.2	230.8	

Supplement Data



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Financial Summary

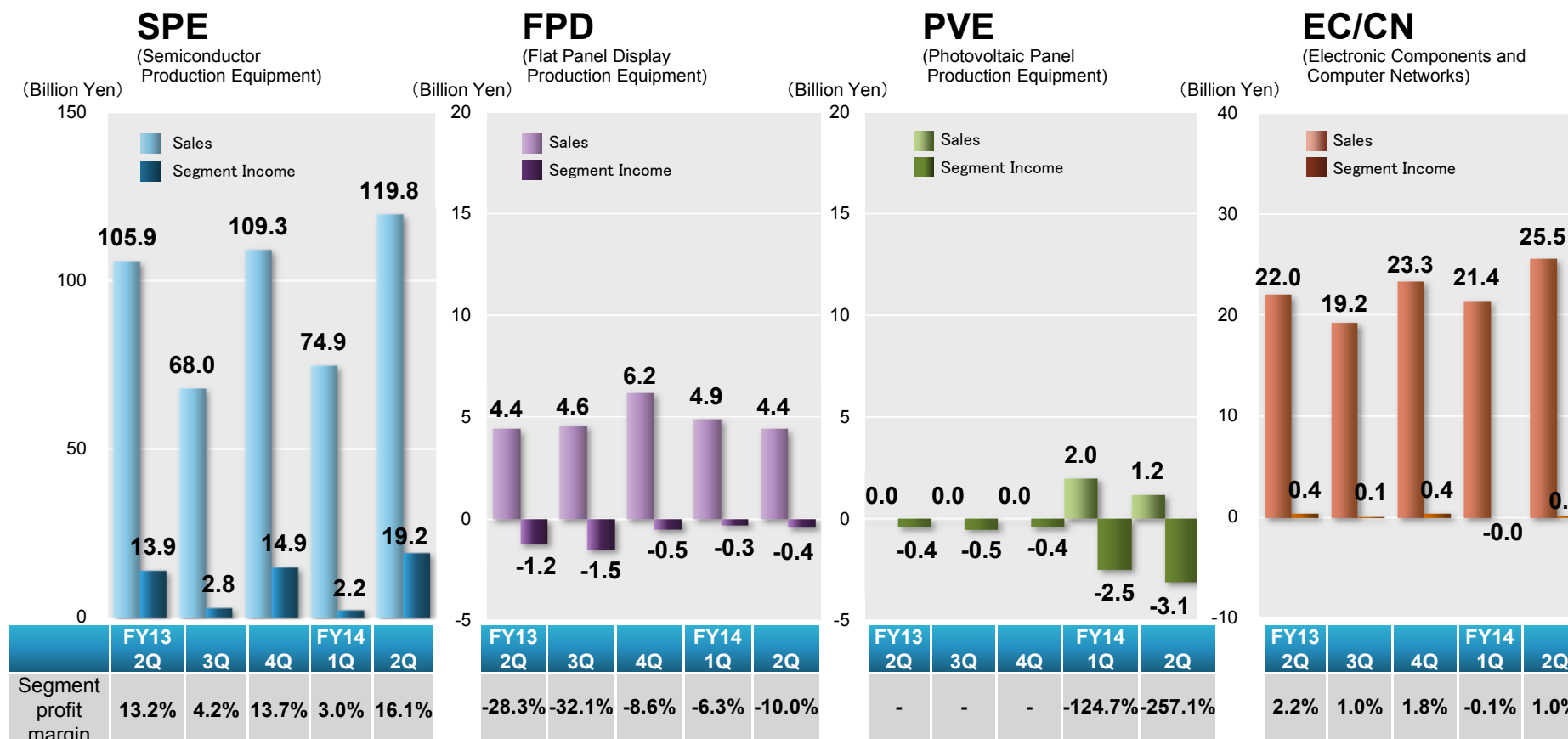
(Billion Yen)

	FY2013			FY2014	
	2Q	3Q	4Q	1Q	2Q
Net sales	132.4	91.9	138.7	103.4	151.0
SPE	105.9	68.0	109.3	74.9	119.8
FPD	4.4	4.6	6.2	4.9	4.4
PVE	0.0	0.0	0.0	2.0	1.2
EC/CN	21.8	19.1	23.0	21.4	25.3
Others	0.1	0.0	0.1	0.1	0.1
Gross profit	41.5	28.2	44.8	29.9	50.1
Gross profit margin	31.4%	30.7%	32.3%	28.9%	33.2%
SG&A expenses	38.6	35.1	37.6	39.5	42.3
Operating income	2.9	-6.8	7.2	-9.6	7.8
Operating margin	2.2%	-7.5%	5.2%	-9.3%	5.2%
Income before income taxes	4.3	-6.1	8.4	-9.8	9.5
Net income	0.3	-7.0	7.0	-2.9	5.4
R&D expenses	19.4	17.4	18.3	17.9	20.4
Capital expenditures	5.2	5.9	2.9	4.7	1.9
Depreciation and amortization	6.2	6.6	8.2	6.3	6.4

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2. Profit ratios are calculated using full amounts, before rounding.

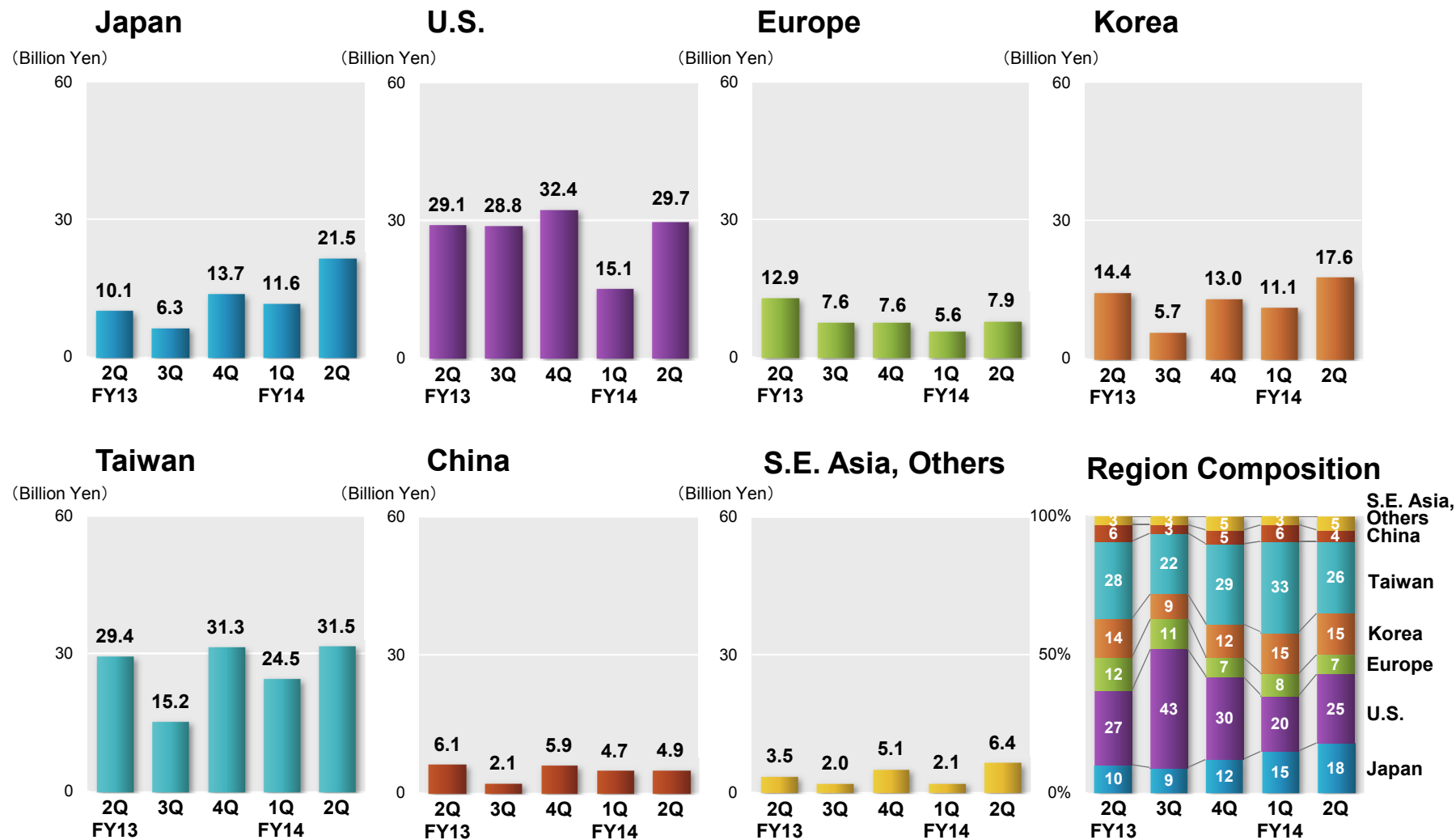
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Segment Information



1. Formerly the FPD/PVE segment, FPD and PVE are disclosed separately from FY14/Q1. FY2013 figures have been recalculated and stated accordingly.
2. Segment income is based on income before income taxes.
3. R&D expenses such as fundamental research and element research are not included in above reportable segments.

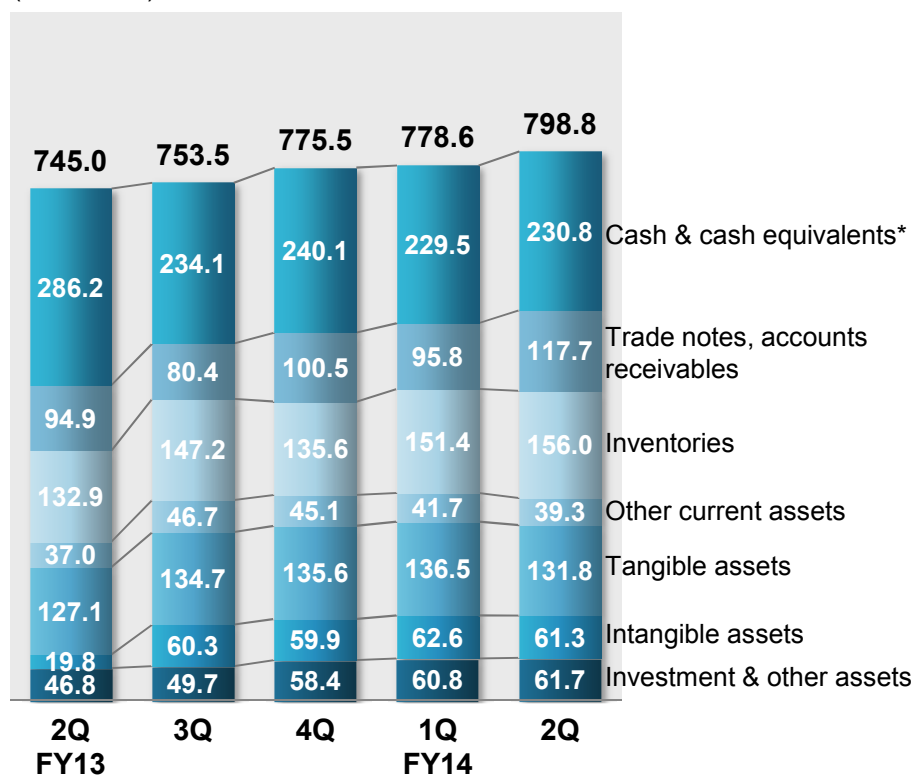
SPE Sales by Region



Balance Sheet

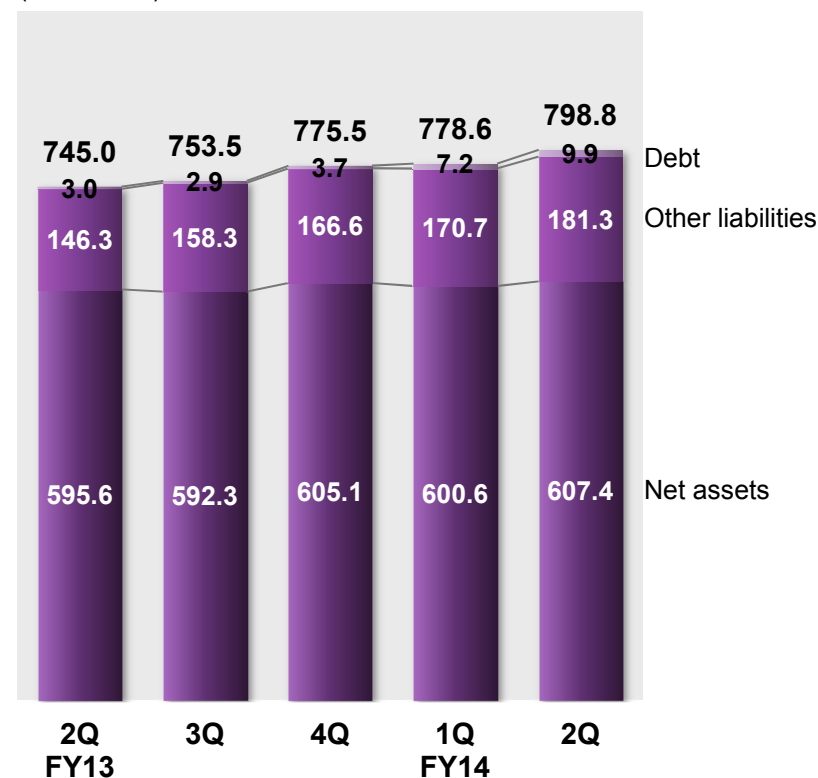
Assets

(Billion Yen)



Liabilities & Net Assets

(Billion Yen)



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

Revision of FY2014 Financial Estimates and Major Progress in this Fiscal Year

Tetsuro Higashi
Chairman, President & CEO

October 29, 2013

Business Environment



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Business Environment

▶ SPE capex

CY2013 WFE market expected to be flat YonY at \$30B.

In 2nd half customers' investment appetite growing, causing increase in orders.

- Memory: Demand expected to increase, mainly in middle-end smartphones
DRAM: In addition to miniaturization investment, capacity investment is also active
NAND: Investment driven by mobile device demand
- Logic/foundry: Cutting-edge capacity investment continues

▶ FPD capex

CY2013 demand for large, medium and small LCD panel production equipment expected to grow around 50% YonY, mainly in China. The OLED TV market is expected to be established from 2016, with major capex starting from 2015.

▶ PVE capex

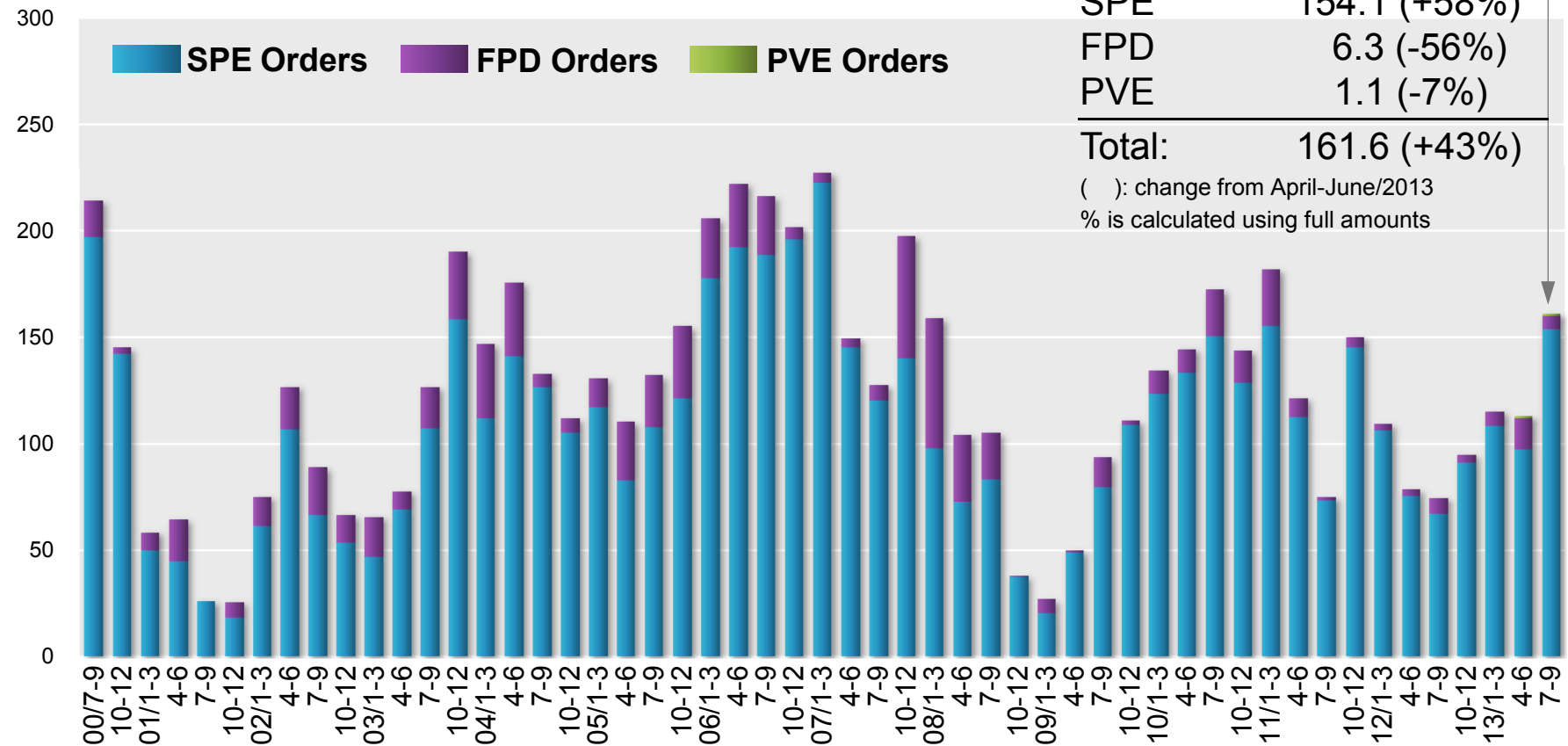
Regarding the market for solar panels, oversupply is continuing and demand for solar panel manufacturing equipment continues to be sluggish.

WFE: wafer fab equipment

(Outlook as of October 2013) 18

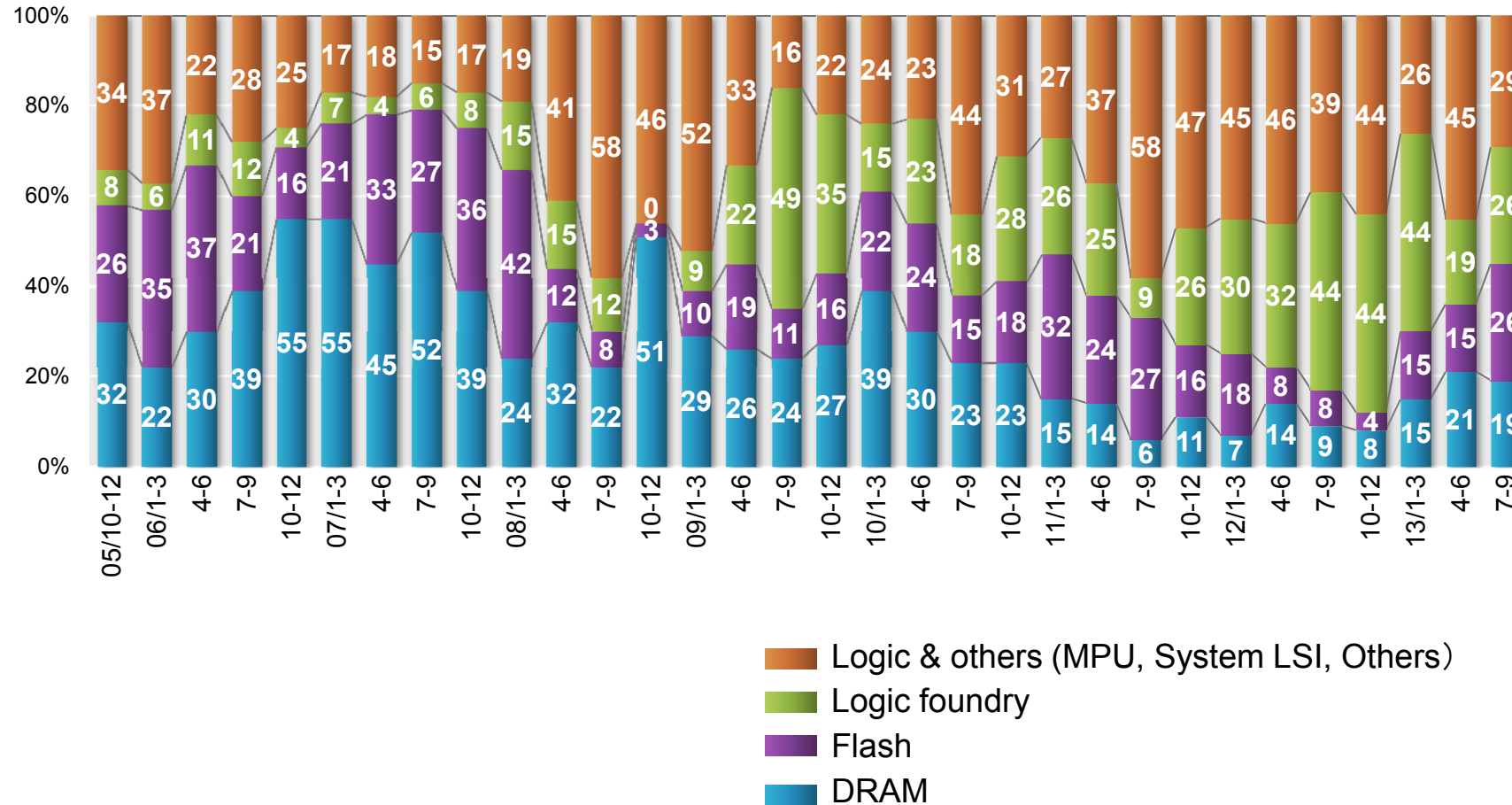
Quarterly Orders

(Billion Yen)



PVE orders for or before 2012/1-3 are included in FPD orders.

SPE Orders by Application: Equipment only



Revision of FY2014 Financial Estimates



TOKYO ELECTRON

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Revision of FY2014 Financial Estimates

(Announced on October 23)

(Billion Yen)

	FY2013	FY2014 (E)					
		1 st half	2 nd half		Full year		YoY change
		Actual	New estimates	Adjustments*	New estimates	Adjustments*	
Net sales	497.2	254.5	350.5	+40.5	605.0	+43.0	+22%
SPE	392.0	194.7	280.3	+40.3	475.0	+39.0	+21%
FPD	20.0	9.3	16.7	+0.7	26.0	-	+30%
PVE	0.0	3.2	3.8	-3.2	7.0	-4.0	-
EC/CN	84.6	46.7	49.8	+2.8	96.5	+7.5	+14%
Others	0.4	0.2	0.3	+0.3	0.5	+0.5	+12%
Operating income	12.5	-1.8	31.8	+7.3	30.0	+12.0	+17.4
Lower line: OP margin	2.5%	-0.7%	9.1%	+1.2pts	5.0%	+1.8pts	+2.5pts
Income before income taxes	17.7	-0.3	32.3	+6.8	32.0	+12.0	+14.2
Net income	6.0	2.4	20.6	+6.6	23.0	+10.0	+16.9

*Adjustments: changes from the figures announced on July 30, 2013.

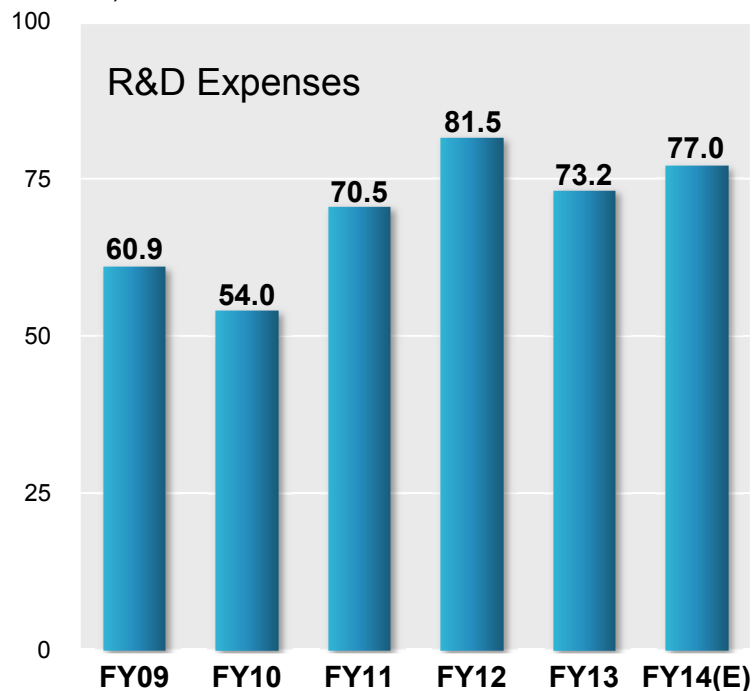
SPE: Semiconductor Production Equipment, FPD: Flat Panel Display Production Equipment, PVE: Photovoltaic Panel Production Equipment
EC/CN: Electronic Components and Computer Networks

**Upward revision due to active investment in
advanced logic and memory**

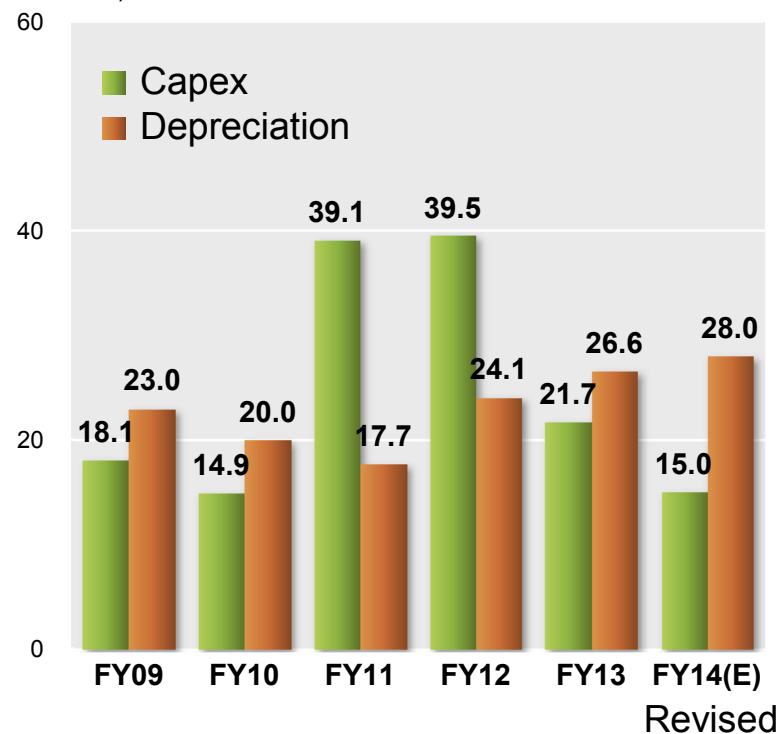
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R&D Expenses, Capex, Depreciation

(Billion Yen)



(Billion Yen)



- R&D Expenses: No change
- Capex: 17.0B to 15.0B yen (revised)
- Depreciation: 30.0B to 28.0B yen (revised)

Major Progress in this Fiscal Year



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Progress in SPE Business (areas of enhancement)

► Cleaning System

- In single wafer cleaning, customer penetration is proceeding as planned due to our original technology. Sales growing in Taiwan and South Korea
- In dry cleaning, we continue to have a high share by addressing miniaturization needs

➤ Providing solutions through a broad range of products

Batch	Single Wafer		Dry Cleaning	Physical Cleaning	
WET	WET		DRY		WET
			Gas Chemical	Aerosol	Scrubber
EXPEDIUS™ 	CELLESTA™ 	ORION™  High temp SPM	Certas™ 	ANTARES™  Particle removal	NS300+ 

SPM: Sulfuric Acid & Hydrogen Peroxide Mixture

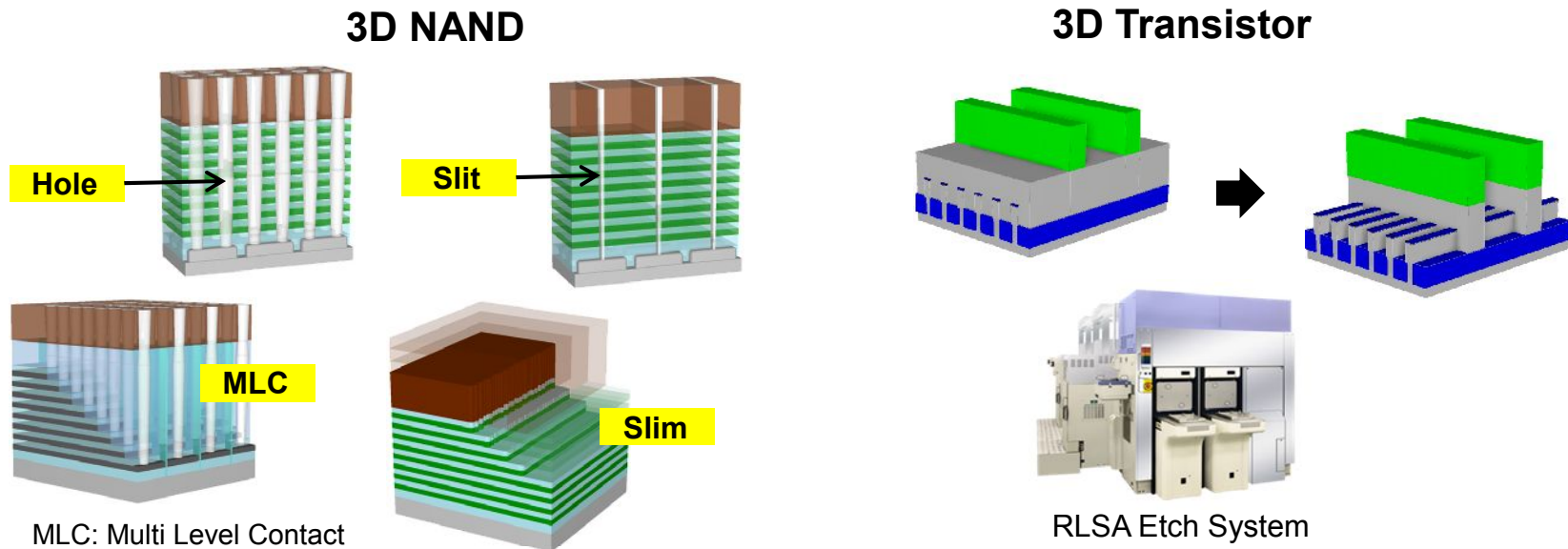
Sales and share growing in logic and memory sectors

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Progress in SPE Business (areas of enhancement)

► Etch System

- Aim to grow share in new 3D NAND process
- Obtained POR from multiple customers with RLSA equipment through the FinFET process



Grow share in new 3D NAND process using our strengths in deep hole technology. Develop customers for FinFET process using low damage RLSA equipment.

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SPE Business – other highlights

▶ Thermal Processing System

- Our original technology is highly regarded and is being newly adopted by major logic maker
- High performance ALD system (NT333) adopted for mass-production of NAND

▶ Acceleration of STT-MRAM equipment development (joint development with Tohoku University)

- Installation of our equipment at Tohoku University completed, moving to full-scale development

STT-MRAM equipment development



GCIB system
(TEL Epion)



Cleaning
system



Etching/CVD
system



Magnetic annealing
system
(TEL Magnetic Solutions)



Oxide/Nitride
CVD system



Magnetic/Metal
PVD system

STT-MRAM: Spin Transfer Torque-Magnetoresistive Random Access Memory

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Progress in FPD/PVE Business

▶ **FPD production equipment**

- Launch new ICP etch system for G8. Aim to grow revenue with new technology for high resolution panels (4K), OLED, etc.
- Ship equipment from our Kunshan, China plant.

Aim to increase profits by continuing to enhance our ability to respond to customers and our local supply ratio.

➤ **OLED production equipment**

- Large scale manufacturing of OLED TV panels from 2016
- Focusing on development of inkjet method equipment that will achieve higher productivity for customers

▶ **PV production equipment**

- Accelerate next-generation equipment development in order to quickly achieve higher conversion efficiency

ICP: Inductively Coupled Plasma

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Summary

1. Expect good market environment for WFE to continue into next year due to cutting-edge logic and memory investment.
2. July-September SPE orders recovered to ¥150bn. Upward revision in financial estimates for FY2014 due to strong customer investment plans.
3. Expanding customer base in cleaning business, etching business and thermal processing business. Continue to work to increase revenue and share based on our differentiated technology.

▶ **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