

2Q FY2015 (April 1, 2014 – September 30, 2014)

Financial Announcement

Agenda :

- 2Q FY2015 Consolidated Financial Summary

Yoshiteru Harada, Corporate Director, Executive Officer

- FY2015 Business Environment and Financial Estimates

Tetsuro Higashi, Chairman, President & CEO

October 29, 2014



TOKYO ELECTRON

Corp IR/October 29, 2014

2Q FY2015 Consolidated Financial Summary

2Q FY2015: July 1, 2014 - September 30, 2014
FY2015 : April 1, 2014 - March 31, 2015

Yoshiteru Harada
Corporate Director, Executive Officer

October 29, 2014



TOKYO ELECTRON

Corp IR/October 29, 2014

Financial Summary

(Billion Yen)

	FY2014		FY2015	YoY Change	(Reference) 1H estimates announced on July 29
	1H	2H	1H		
Net sales	254.5	357.6	294.2	+16%	290.0
Gross profit <i>Gross profit margin</i>	80.0 31.5%	121.8 34.1%	107.4 36.5%	+34%	
SG&A expenses	81.8	87.8	77.3	-6%	
Operating income <i>Operating margin</i>	-1.8 -0.7%	34.0 9.5%	30.1 10.2%	+31.9 B Yen	24.5 8.4%
Income before income taxes	-0.3	-11.4	29.1	+29.4 B Yen	22.0
Net income	2.4	-21.8	20.0	+17.5 B Yen	15.5
R&D expenses	38.4	40.2	34.9	-9%	
Capital expenditures	6.7	6.0	7.2	+8%	
Depreciation and amortization	12.7	12.1	9.7	-24%	

Gross profit margin, operating margin both up year on year

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.
3. The EC/CN business was excluded from the scope of consolidation from this fiscal year (FY2015).

Sales by Division

(Billion Yen)

	FY2014				FY2015		(Reference) 1H estimates announced on July 29
	1H		2H		1H		
	Sales	Compo- sition	Sales	Compo- sition	Sales	Compo- sition	
SPE	194.7	77%	284.0	80%	272.6	93%	270.0
FPD	9.3	4%	18.9	5%	19.0	6%	18.0
PVE	3.2	1%	0.5	0%	2.3	1%	2.0
EC/CN	46.7	18%	53.9	15%			
Others	0.2	0%	0.2	0%	0.2	0%	0.0
Total	254.5	100%	357.6	100%	294.2	100%	290.0

SPE
(Semiconductor Production Equipment)

DRAM related sales strong. Solid growth in sales to the US and Taiwan.

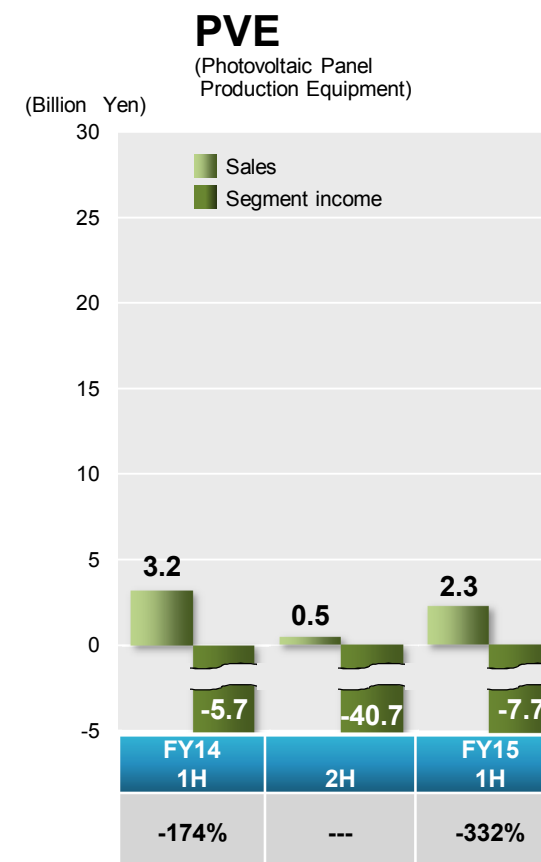
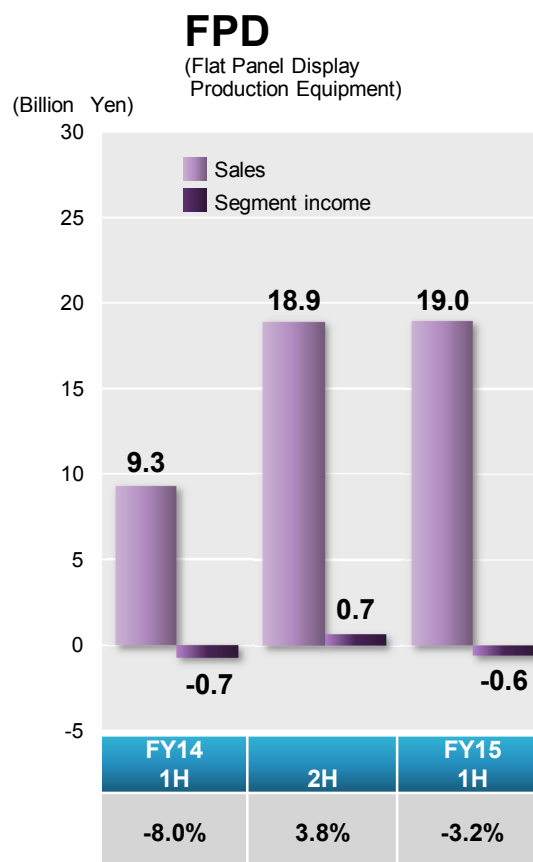
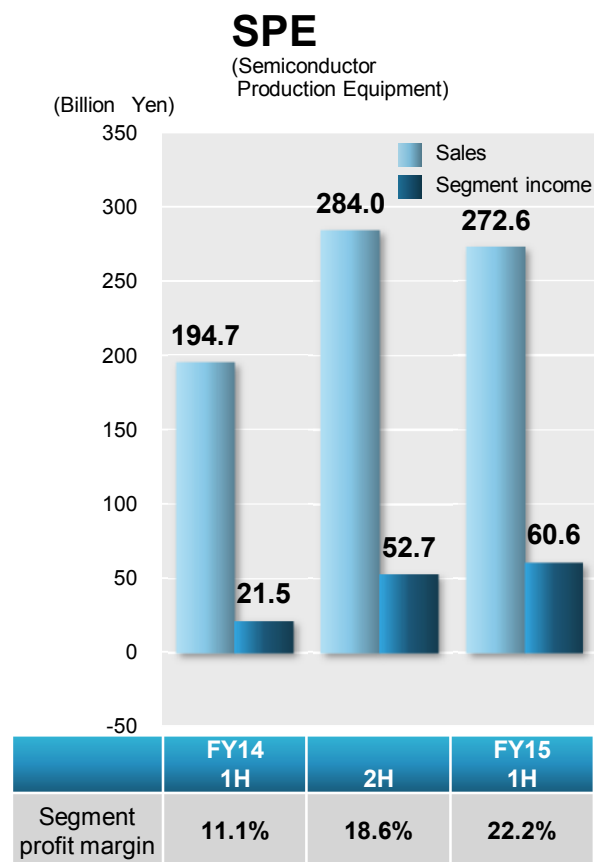
FPD
(Flat Panel Display Production Equipment)

Led by sales to China.

PVE
(Photovoltaic Panel Production Equipment)

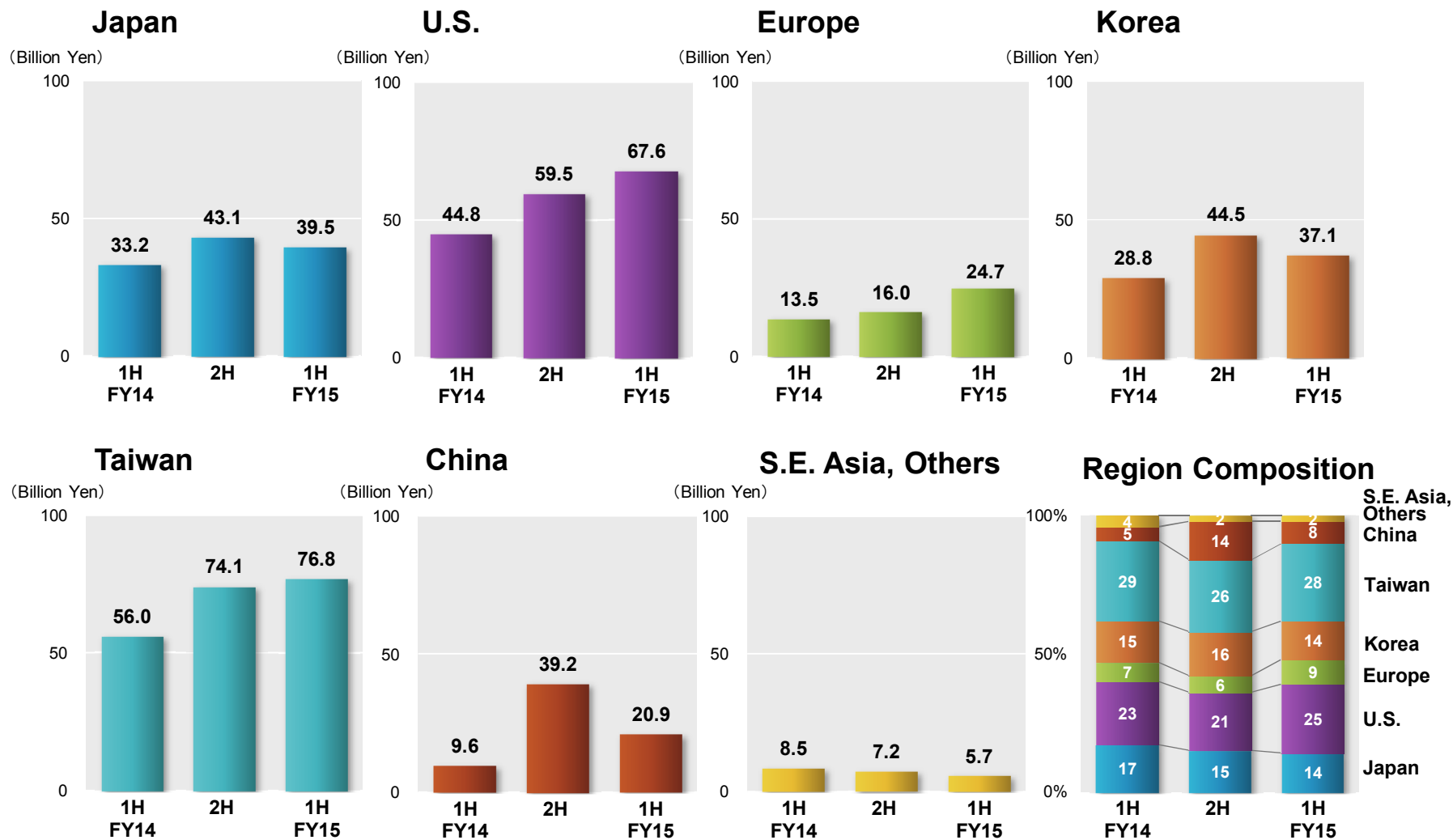
Ceased development, production and sales as of end March 2014.
Maintaining support for delivered equipment.

Segment Information



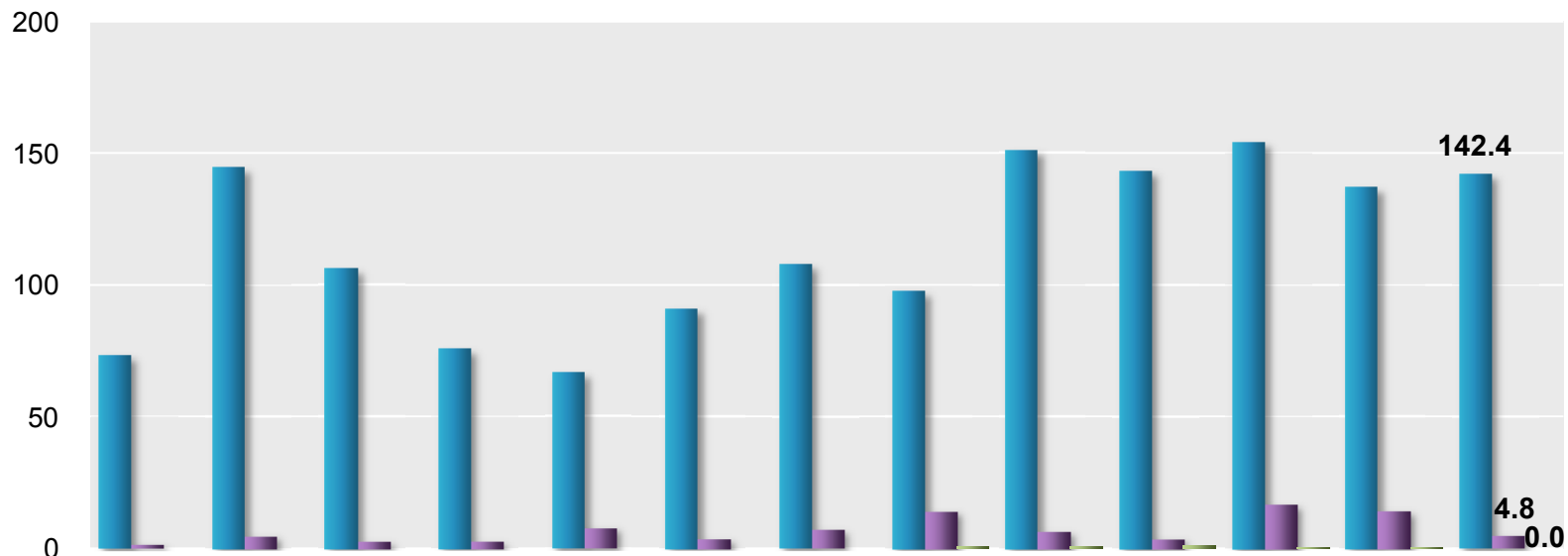
1. Formerly the FPD/PVE segment, FPD and PVE are disclosed separately from FY14/1Q.
2. Segment income is based on income before income taxes.
3. There are expenses that are not allocated to above reportable segments.

SPE Sales by Region



Orders, Order Backlog

(Billion Yen)

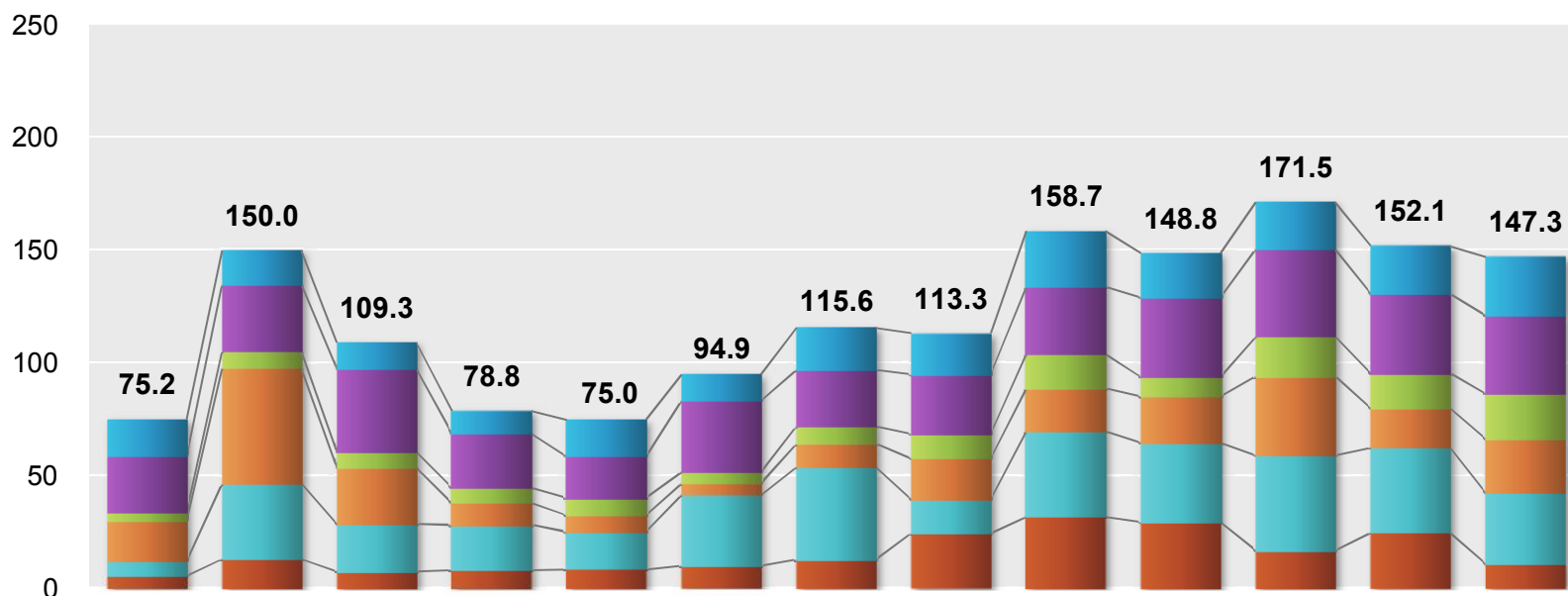


	FY12 2Q	3Q	4Q	FY13 1Q	2Q	3Q	4Q	FY14 1Q	2Q	3Q	4Q	FY15 1Q	2Q
SPE Orders	73.5	144.9	106.4	76.0	66.9	91.3	108.2	97.7	151.3	143.4	154.4	137.2	142.4
FPD Orders	1.7	5.0	2.8	2.7	8.0	3.6	7.3	14.4	6.3	3.8	16.6	14.2	4.8
PVE Orders				0.0	0.0	0.0	0.0	1.1	1.1	1.4	0.5	0.5	0.0
SPE Order backlog	166.7	220.1	188.6	157.7	118.7	142.6	141.6	164.5	196.0	237.2	209.9	211.0	217.0
FPD Order backlog	39.4	27.8	14.2	12.2	15.8	14.8	16.0	25.5	27.4	22.5	29.0	29.3	29.1
PVE Order backlog				0.0	-	8.4	8.4	7.6	7.4	7.7	8.9	8.4	7.2

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

Orders by Region: SPE+FPD+PVE

(Billion Yen)

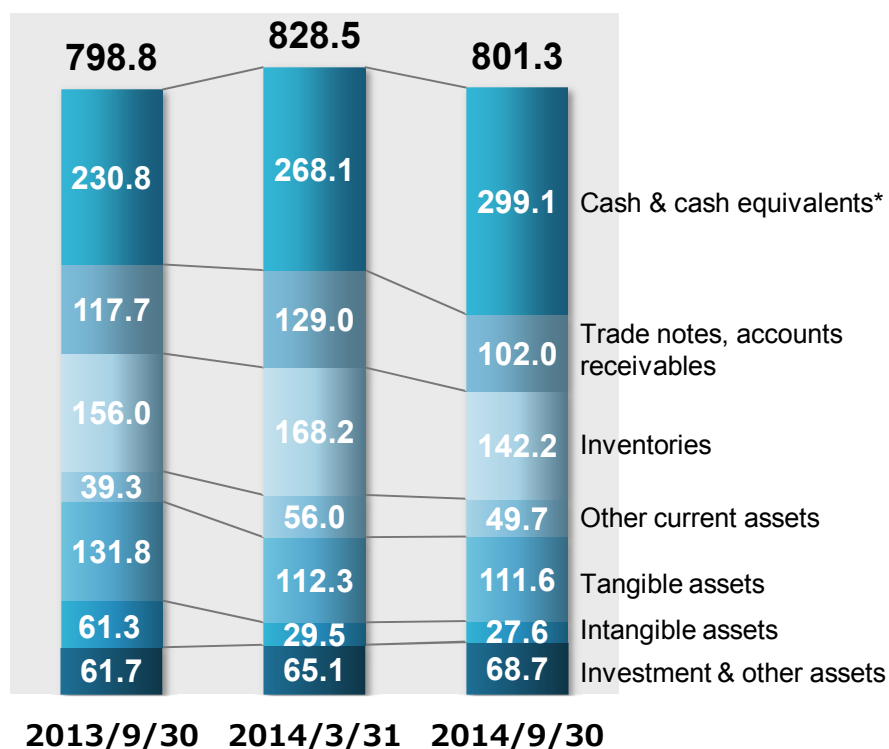


	FY12 2Q	3Q	4Q	FY13 1Q	2Q	3Q	4Q	FY14 1Q	2Q	3Q	4Q	FY15 1Q	2Q
Japan	16.3	14.9	11.7	10.0	16.3	11.5	18.7	18.3	24.7	19.6	20.9	21.2	25.9
U.S.	24.8	29.7	36.8	24.0	18.4	31.7	24.9	26.4	29.8	35.3	38.9	35.2	34.8
Europe	3.9	7.6	7.0	6.8	7.7	5.0	7.7	10.9	15.3	8.5	17.5	15.5	19.9
Korea	17.9	51.1	25.1	9.7	7.3	5.2	10.5	18.2	19.1	20.6	35.0	17.6	24.1
Taiwan	6.6	33.5	21.0	20.0	16.7	31.3	41.0	14.9	37.8	35.2	42.3	37.7	31.3
China, S.E. Asia, Others	5.4	12.9	7.4	8.1	8.3	10.0	12.7	24.4	31.7	29.3	16.7	24.6	11.0

Balance Sheet

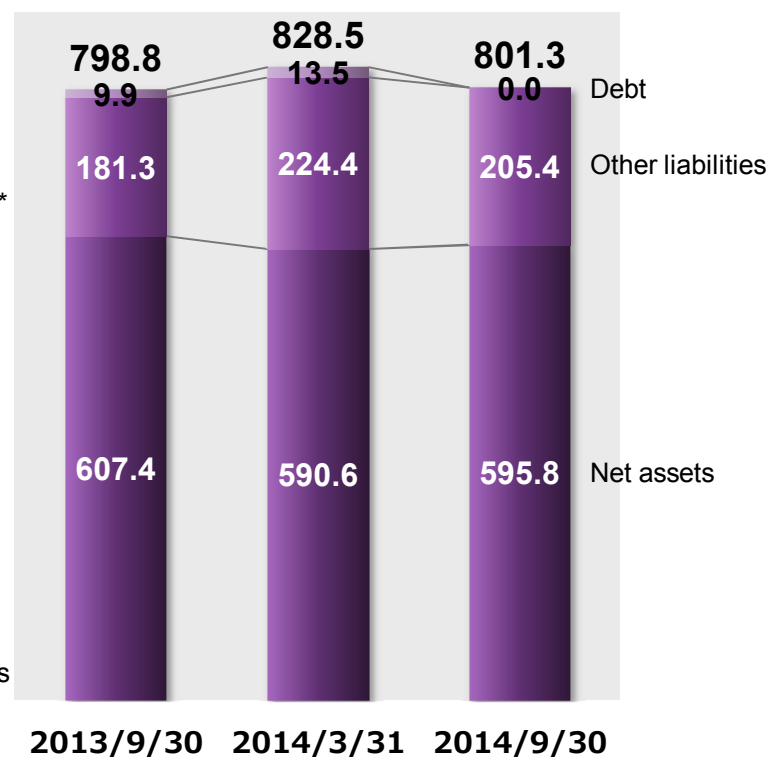
Assets

(Billion Yen)



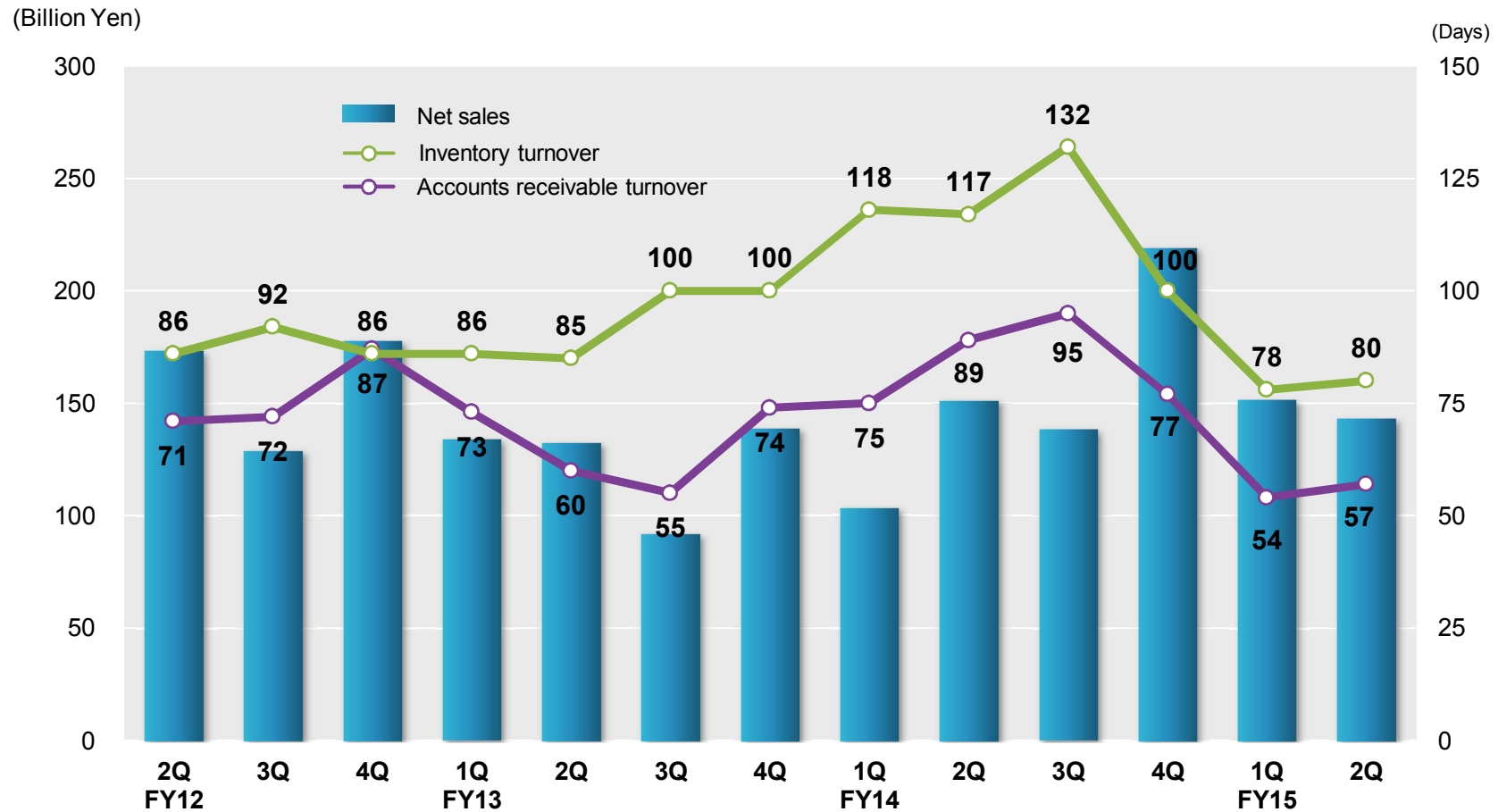
Liabilities & Net Assets

(Billion Yen)



- *Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).
- The EC/CN business was excluded from the scope of consolidation from this fiscal year (FY2015).

Inventory Turnover and AR Turnover



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

Cash Flow

	FY2014 1H	FY2015 1H	(Billion Yen)
Cash flow from operating activities	Δ0.2	43.3	
Income before income taxes	Δ0.3	29.1	
Depreciation and amortization	12.7	9.7	
Increase/decrease in accounts receivable	Δ16.3	5.3	
Increase/decrease in inventories	Δ20.3	5.1	
Increase/decrease in accounts payable	9.0	Δ6.5	
Income taxes paid	0.3	Δ15.3	
Others	14.5	15.8	
Cash flow from investing activities	7.1	85.3	
Capital expenditures	Δ5.2	Δ6.5	
Sales of investments in subsidiaries resulting in change in scope of consolidation	-	1.7	
Term deposits over 3 months	13.9	89.3	
Others	Δ1.5	0.9	
Cash flow from financing activities	1.1	Δ6.4	
Dividends paid	Δ4.6	Δ6.2	
Others	5.7	Δ0.1	
Cash and cash equivalents at end of term	89.9	225.0	
Term deposits over 3 months at end of term (short-term investments, etc. included)	140.8	74.0	
Cash and deposits at end of term (short-term investments, etc. included)	230.8	299.1	

Supplement Data



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Corp IR/October 29, 2014

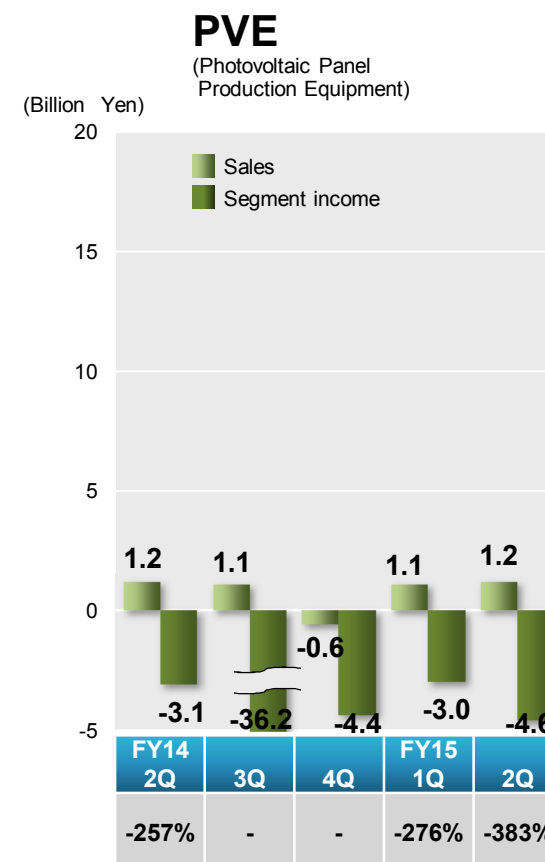
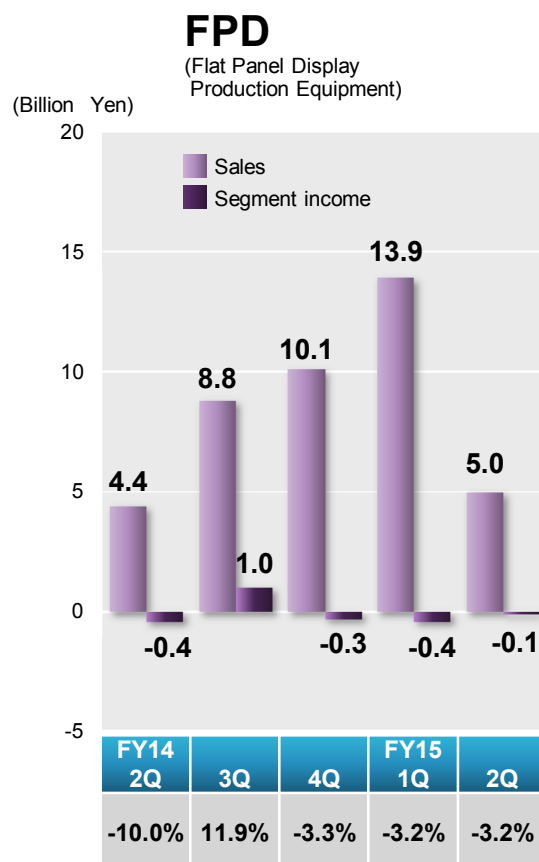
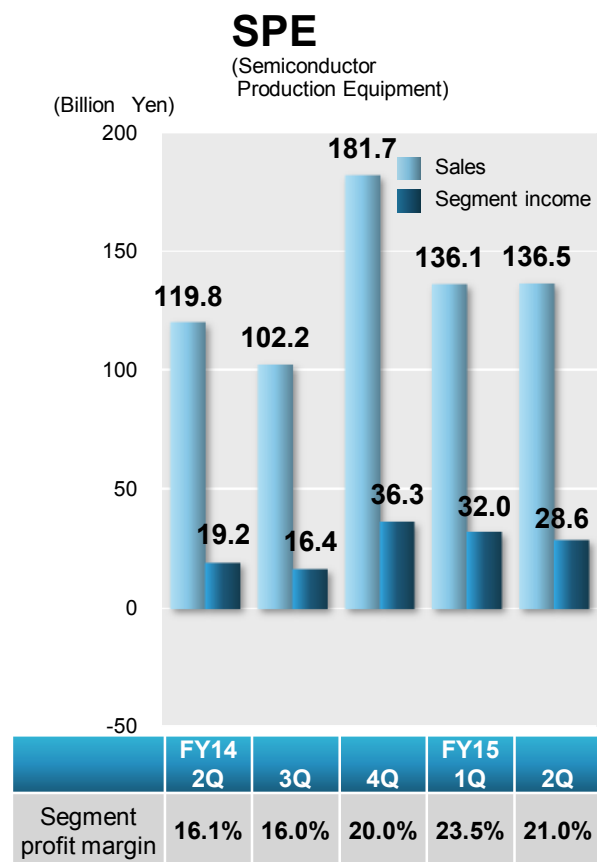
Financial Summary

(Billion Yen)

	FY2014			FY2015	
	2Q	3Q	4Q	1Q	2Q
Net sales	151.0	138.4	219.2	151.3	142.9
SPE	119.8	102.2	181.7	136.1	136.5
FPD	4.4	8.8	10.1	13.9	5.0
PVE	1.2	1.1	-0.6	1.1	1.2
EC/CN	25.3	26.0	27.9		
Others	0.1	0.0	0.1	0.1	0.1
Gross profit	50.1	50.3	71.5	55.3	52.0
Gross profit margin	33.2%	36.4%	32.6%	36.6%	36.4%
SG&A expenses	42.3	41.2	46.5	38.3	39.0
Operating income	7.8	9.0	24.9	17.0	13.0
Operating margin	5.2%	6.6%	11.4%	11.3%	9.1%
Income before income taxes	9.5	-37.2	25.7	15.0	14.0
Net income	5.4	-38.0	16.2	11.8	8.1
R&D expenses	20.4	18.9	21.2	16.7	18.1
Capital expenditures	1.9	1.4	4.5	3.7	3.5
Depreciation and amortization	6.4	5.8	6.2	4.7	5.0

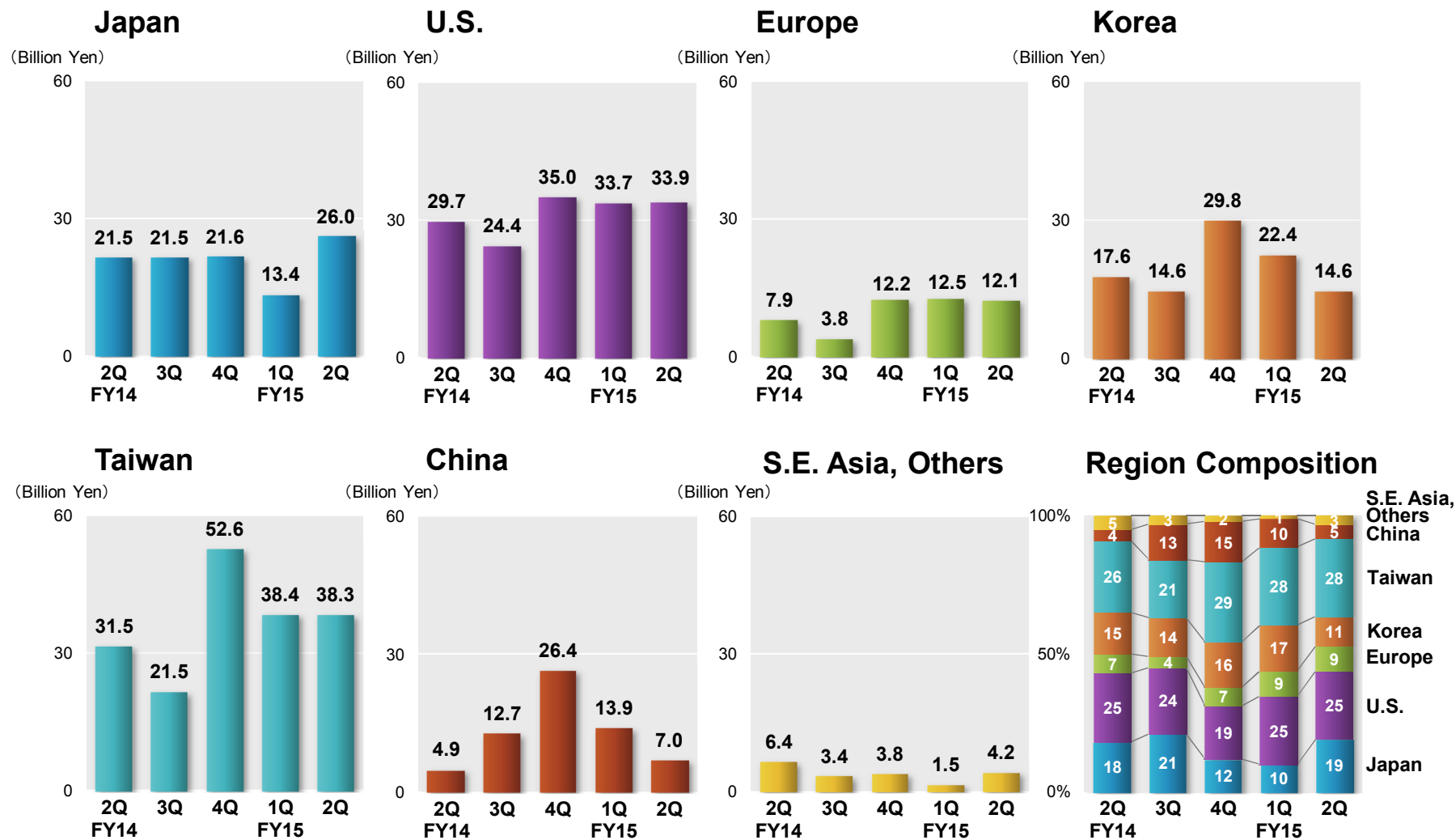
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2. Profit ratios are calculated using full amounts, before rounding.

Segment Information



1. Formerly the FPD/PVE segment, FPD and PVE are disclosed separately from FY14/1Q.
2. Segment income is based on income before income taxes.
3. There are expenses that are not allocated to above reportable segments.
4. For the PVE segment, FY14/4Q sales were reassessed according to degree of progress on a percentage of completion basis.

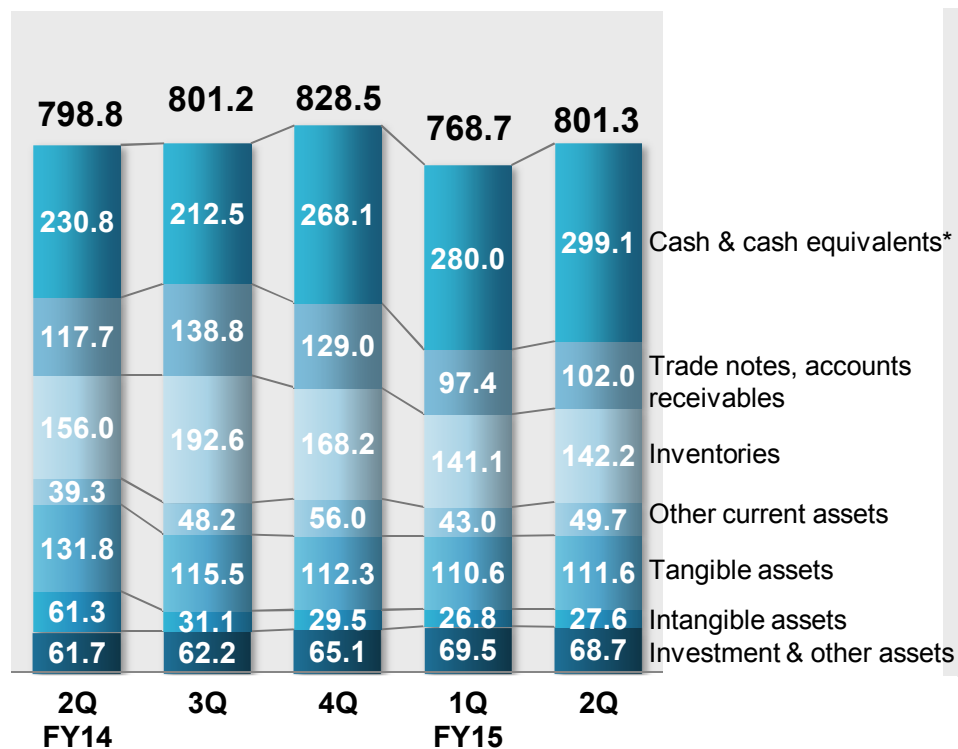
SPE Sales by Region



Balance Sheet

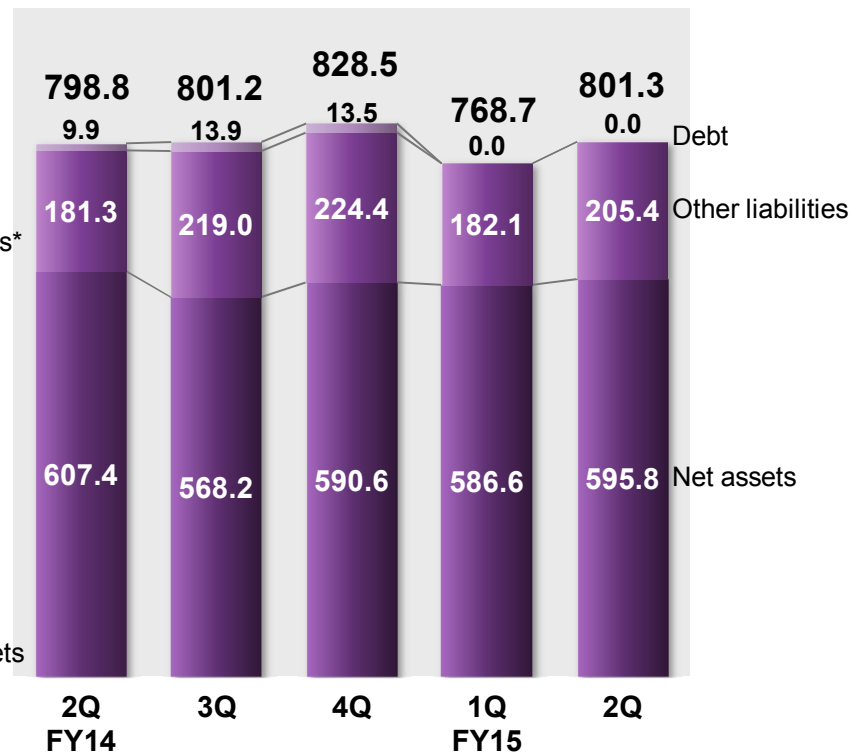
Assets

(Billion Yen)



Liabilities & Net Assets

(Billion Yen)



- *Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).
- The EC/CN business was excluded from the scope of consolidation from this fiscal year (FY2015).

FY2015 Business Environment and Financial Estimates

Tetsuro Higashi
Chairman, President & CEO

October 29, 2014



TOKYO ELECTRON

FY2015 Business Environment



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Corp IR/October 29, 2014

SPE Business Environment

▶ WFE in 2014: Expected to be +15% YonY (\$32B)

Mobile device unit sales expected to be +25% 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: PC market is firm, capex expected to be flattish YonY

▶ FPD capex

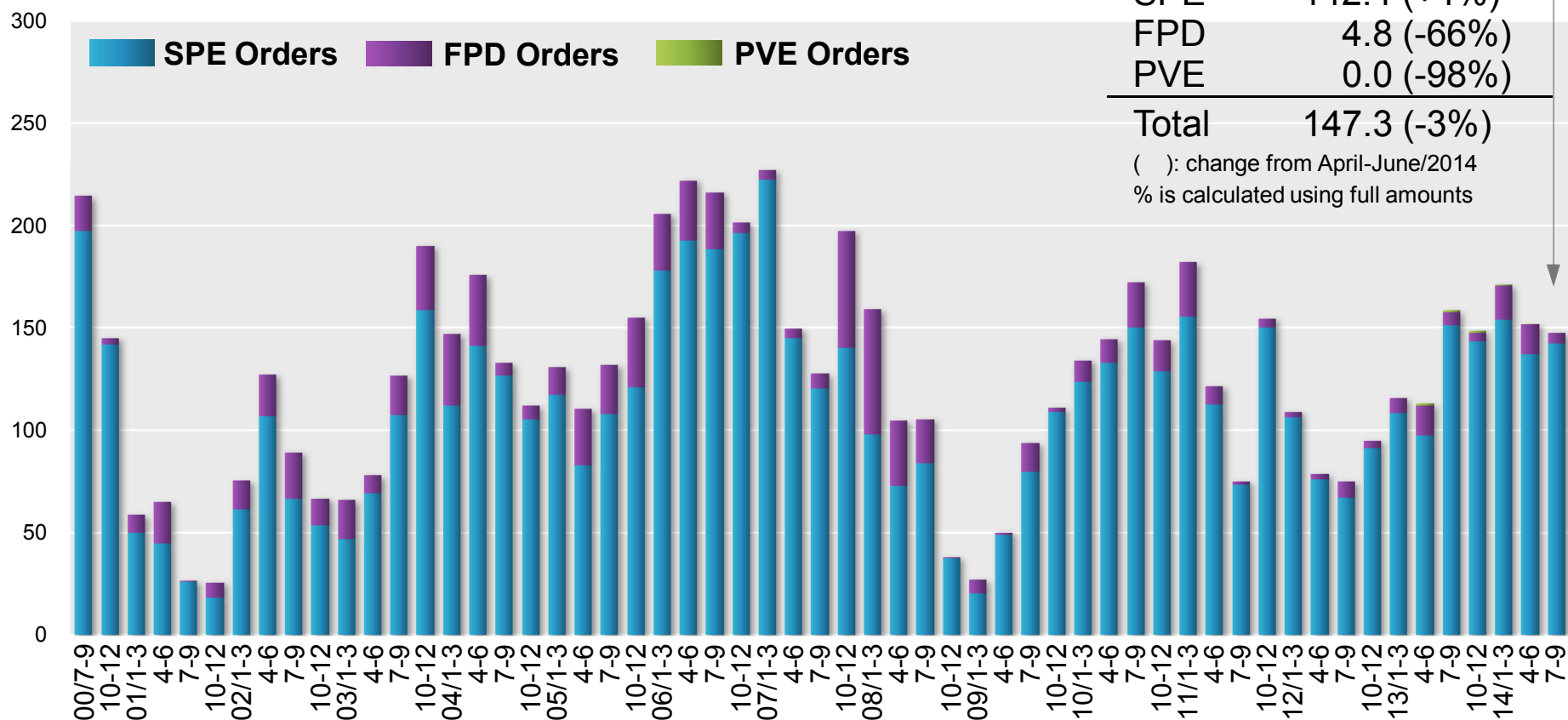
CY2014 demand for LCD panel production equipment to remain firm, mainly driven by capex for large panels in China. CY2015 demand for small and medium panels to increase, continued active investment expected.

The OLED TV market will become established from 2016.

(Outlook as of October 2014)

Quarterly Orders

(Billion Yen)



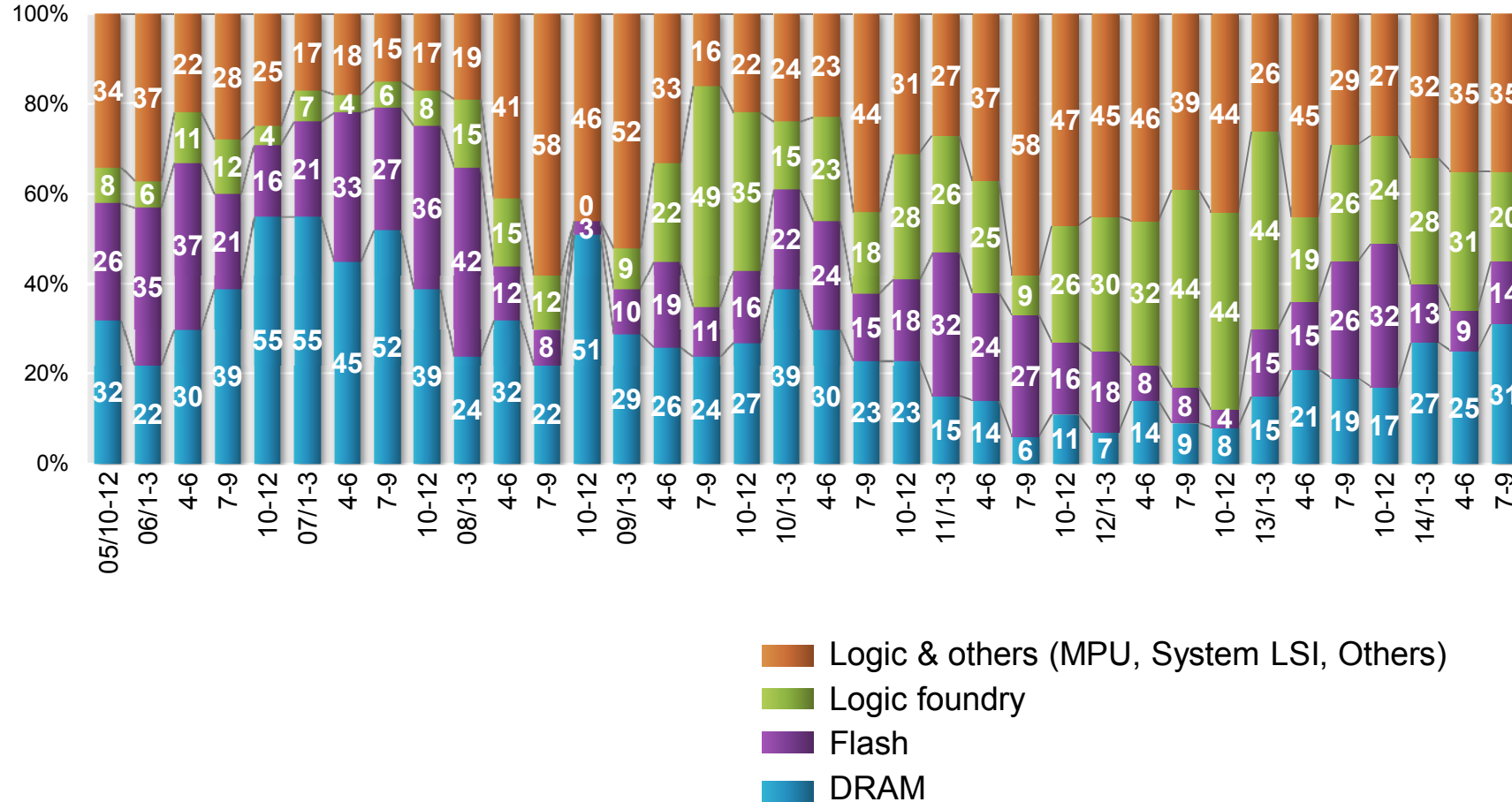
July-September 2014

SPE	142.4 (+4%)
FPD	4.8 (-66%)
PVE	0.0 (-98%)
Total	147.3 (-3%)

() : change from April-June/2014
% is calculated using full amounts

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

SPE Orders by Application: Equipment only



SPE Capex Outlook

CY2014

- ▶ Investment in DRAM/NAND miniaturization
- ▶ Start of 3D NAND investment
- ▶ Full-scale foundry 20nm investment

Continued growth in electronic equipment and semiconductor markets driving SPE capex

CY2015

- ▶ Investment to raise DRAM/NAND production
- ▶ Increased 3D NAND investment
- ▶ Start of foundry 1Xnm investment

SPE capex expected to increase YoY

FY2015 Financial Estimates

(FY2015 : April 1, 2014 - March 31, 2015)



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Corp IR/October 29, 2014

FY2015 Financial Estimates

- ▶ Profitability improved, operating income in the 2nd half to be up 40% on the 1st half

(Billion Yen)

	FY2014	FY2015				YoY Change
		1 st half	2 nd half	Full year		
		Actual	Estimates (Reference)	Estimates (Reference)		
Net Sales	612.1	294.2	304.0	598.2	-2%	
SPE	478.8	272.6	285.0	557.7	+16%	
FPD	28.3	19.0	13.0	32.0	+13%	
PVE	3.8	2.3	6.0	8.3	-	
EC/CN*	100.7					
Others	0.4	0.2	-	0.2	-	
Operating income	32.2	30.1	43.0	73.1	+40.9	
Lower line; OP margin	5.3%	10.2%	14.2%	12.2%	+6.9pts	
Income before income taxes	-11.7	29.1	-	-	-	
Net income	-19.4	20.0	-	-	-	

Since the effective date of the business combination still remains undetermined, 2nd half and full year forecasts are not formal financial estimates and are included for reference.

* Tokyo Electron Device, which operates the EC/CN business, changed from consolidated subsidiary to equity method affiliate from FY2015.

Business Highlights

▶ SPE business

- Coater/Developer: Maintained large market share thanks to high value added products with defect prevention functions
- Thermal processing system: Customer evaluation progressing in semi-batch ALD systems
- Etch system: Business expanded due to strong logic investment and memory process expansion
- Cleaning system: Strong sales of products adapted to miniaturization
- Single wafer deposition system: Strong growth in sales of metallization products
- Test system: Customer rollout of integrated multi-cell test systems proceeding well

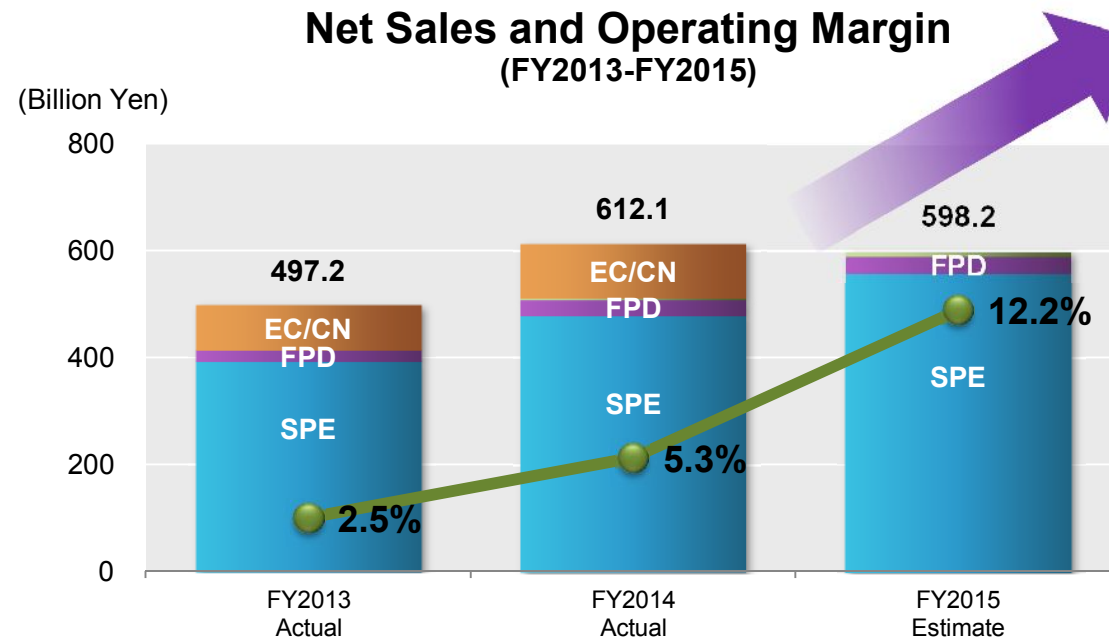
▶ FPD business

- Maintaining lead in ICP* etch system for G8 *ICP: Inductively Coupled Plasma

Expect CY2014 WFE share to be around 13%

Pursuing Profitable Growth

- ▶ Sales and profitability rising due to launch of competitive products
- ▶ Focus resources in core business, SPE and FPD



Medium-term goal of 25% OPM or higher

Progress on Merger with AMAT

- ▶ We are in ongoing discussions with regulators
- ▶ We are making tremendous progress in getting our organizations ready to merge, bringing together the best from both cultures to become a single company



While we continue to work towards our goal of closing the merger before the end of this year, completion may extend into the first calendar quarter of 2015.

Summary

1. CY2014 WFE expected to be up 15% YoY
Continued active investment by memory and foundry customers, driven by mobile devices
2. Focusing resources on SPE/FPD businesses, aiming for profit growth through launch of competitive products
3. Aim to complete merger with Applied Materials in 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 panel 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

