

Review of Operations and Business Outlook

SALES BY SEGMENT

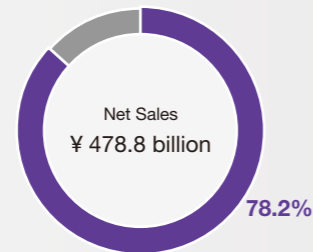
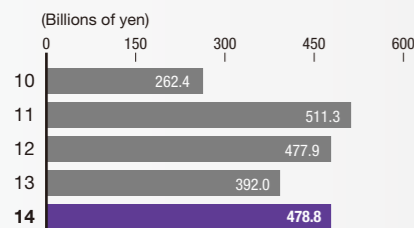
SHARE OF NET SALES

BUSINESS ENVIRONMENT

BUSINESS OVERVIEW

BUSINESS OUTLOOK

Semiconductor Production Equipment



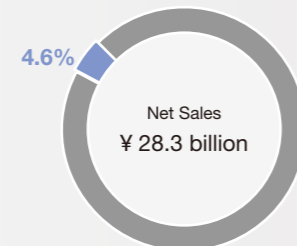
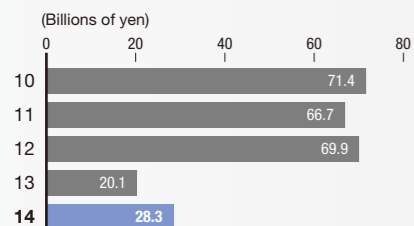
Capital investment in semiconductor production equipment saw remarkable recovery in the second half of 2013, reflecting the worldwide spread of mobile devices as well as demand for servers accompanying the growing use of cloud computing. In particular, investment to enhance manufacturing capability through miniaturization resumed for mobile DRAMs, while investment for early 3D-NAND volume production commenced. Demand for logic semiconductors remained firm, and investment in cutting-edge technologies by foundries was brisk.

- » Segment net sales were up 22.1% year on year to ¥478.8 billion.
- » Reflecting recovery in memory-related investment, sales rose 145% in China, 90% in Japan and 28% in South Korea.
- » Sales in Taiwan rose 24% on the back of solid logic-related investment.
- » Sales of cleaning systems reached their highest level ever.

Demand for semiconductors and for increasingly advanced and diverse technologies is expected to continue growing. This growth will be driven by the further adoption of smartphones and other mobile devices, the arrival of the "internet of things" and more sophisticated use of big data as well as the rapid development of the networks that support these technologies.

Tokyo Electron regards these technological changes as opportunities for growth and is aggressively bringing to market new high performance, high productivity products. For finer patterning, the Company is introducing coater/developers with new defect-reducing features, ALD systems that achieve both nano-scale deposition and high productivity, and single wafer cleaning systems with reduced pattern damage to expand sales. Tokyo Electron is also working to boost its position in markets for such new technologies as 3D NAND flash memory and FinFET by introducing etch systems featuring low damage and high selectivity as well as dry cleaning systems.

FPD Production Equipment

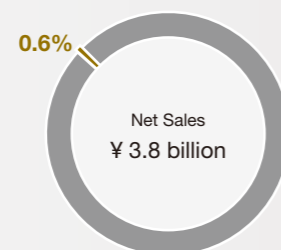
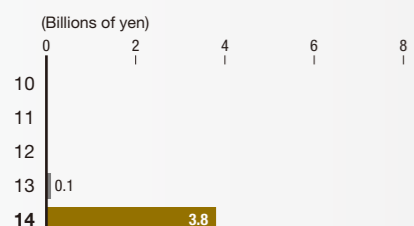


In flat panel displays (FPD), capital investment for small- and medium-sized high-definition panels remained solid in 2013, reflecting the global spread of mobile devices. Capital investment in production equipment for large-sized panels for TVs also began to recover in the second half of the year, mainly in China. As a result, the overall business environment improved.

- » Segment net sales rose 41.0% to ¥28.3 billion.
- » Sales in China accounted for approximately 60% of the total sales.
- » Sales of new ICP etch systems, for higher definition panels, were strong.
- » Tokyo Electron began to receive orders for inkjet printing systems for manufacturing OLED panels.

The overall market for FPD production equipment is firm, reflecting capital investment in small- and medium-sized panels for smartphones, tablets and other mobile devices and accelerating investment for large-sized panels in China. In thin-film transistor (TFT) processes, the use of low-temperature polysilicon (LTPS) and indium gallium zinc oxide (IGZO) in place of conventional amorphous silicon is growing. Tokyo Electron is working to increase sales by introducing new products to accommodate these new technologies. The Company furthermore aims to expand the production equipment market for OLED displays, which are hailed as the next generation of display technology, with the release of inkjet printing equipment for use in the manufacture of large-sized OLED panels.

PV Production Equipment



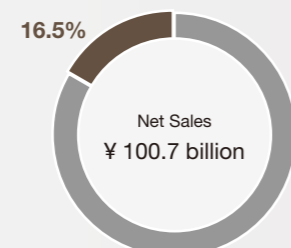
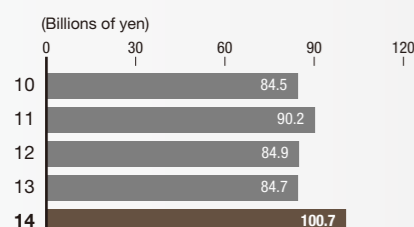
From FY2010 to FY2012, PV production equipment sales are included in FPD production equipment sales.

Amid steadily growing worldwide demand for photovoltaic panels, the number of panels installed continued to grow in 2013. However, production equipment remained in oversupply around the globe, and new investment did not recover.

- » Segment net sales came to ¥3.8 billion, up from the previous fiscal year's ¥83 million.

Aiming to break into the thin-film silicon photovoltaic panel market, Tokyo Electron became the exclusive sales representative of Switzerland-based Oerlikon Solar in 2009 and began sales of end-to-end production lines for photovoltaic panels. In 2012, the Company acquired Oerlikon Solar, with the aim of generating growth by merging its technologies with the production equipment technologies of the Group. However, due to changes in the market environment, panel production equipment has since been in oversupply. While Tokyo Electron boosted development efforts to increase conversion efficiency and took all available measures to reduce costs, the business environment remained extremely harsh. Having determined that it could not expect a reasonable return on investment going forward, Tokyo Electron ended all research and development, manufacturing and sales operations in the PV production equipment business at the end of March 31, 2014. Going forward, the Company will continue only support operations for delivered units.

Electronic Components and Computer Networks



In 2013 the market for electronic components reached a new high, driven by demand in the United States and Asia. Domestic demand for industrial electronics recovered, and demand for devices used in smartphones and automobiles grew in Asia. In the domestic information and communication equipment market, capital investment related to data centers was firm, reflecting the rapid growth of cloud computing.

- » Segment net sales rose 19.0% year on year to ¥100.7 billion.
- » In the electronic components business, sales of general-purpose integrated circuits (IC) for use in automobiles increased, buoyed by an expansion of commercial rights.
- » In the computer networks business, sales of equipment for data centers increased.
- » Increasing sales abroad caused the segment's overseas sales ratio to rise from 19.3% in the previous fiscal year to 22.0%.

This segment has been operated by Tokyo Electron Device Limited and its subsidiaries. Considering the future development of the distinct businesses in which Tokyo Electron and Tokyo Electron Device engage, the Company determined that the establishment of growth strategies more uniquely attuned to each party would benefit the corporate value of both companies. Accordingly, in April 2014, Tokyo Electron sold a portion of its shares in Tokyo Electron Device. As a result, from fiscal 2015 onward, Tokyo Electron Device will be classified as an equity method affiliate rather than a consolidated subsidiary, and Tokyo Electron's equity in income of Tokyo Electron Device will be included in investment profit or loss on equity method affiliates on the consolidated statements of income.