FY2012 Financial Forecast and Management Policy

Hiroshi Takenaka, President & CEO

May 13, 2011
FY2011 Review
# FY2011 Consolidated Financial Results

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>418.6</td>
<td>668.7</td>
<td>+59.7%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>-2.1</td>
<td>97.8</td>
<td>+100.0</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>-0.5%</td>
<td>14.6%</td>
<td>+15.1 pts</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>-7.7</td>
<td>99.5</td>
<td>+107.3</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>-9.0</td>
<td>71.9</td>
<td>+80.9</td>
</tr>
<tr>
<td><strong>Dividend per share (Yen)</strong></td>
<td>12</td>
<td>114</td>
<td>+102</td>
</tr>
</tbody>
</table>
FY2011 Results

- Net sales ¥668.7 billion, up 59.7%
- Operating income ¥97.8 billion, up ¥100 billion
- Profitability improved
  - Gross profit margin: 35.1%
  - SPE segment pre-tax profit margin: 23.6%
- R&D expenses: ¥70.5 billion, record level
- Operating cash flow: ¥83.2 billion generated
- Executing production facility strategy
  - Started construction of new Miyagi Plant
  - Decided to construct new plant in Kunshan City, Jiangsu Province, China
FY2011 New Products

Introduced high performance, high productivity and low power consumption products

- RLSA plasma etch system “Tactras™ RLSA™ Etch”
- Plasma enhanced batch thermal ALD system “TELINDY PLUS™ IRad™ SA”
- Plasma processing system “Trias™ e+ SPAi”
- Gas chemical etch system “Certas WING™”
- SiC epitaxial system “Probus-SiC™”
Business Environment
CY2011 Business Environment

▶ SPE capex
Although 1\textsuperscript{st} first half capex is expected to be slightly below the initial forecast due to the effects of the Japan earthquake, expecting increase in 2\textsuperscript{nd} half. Because investments for NAND, Logic/Foundry are still strong, overall capex for the year is expected to increase 10%.

▶ FPD capex
Although large panel investment in adjustment phase, small and mid-sized panel investment for smartphones is strong and overall capex expected to be about same level as 2010

▶ PV capex
Currently, single crystal silicon and Cd-Te strong, good future potential for thin-film silicon as conversion efficiency improves

FPD: Flat Panel Display  PV: Photovoltaic Cell
CY2011 WFE CAPEX by Application

Investments for NAND & Logic/Foundry are expanding

Source: Gartner Dataquest, TEL
Quarterly Orders

(Billions of yen)

Jan-Mar/2011

SPE 155.8 (+21%)
FPD/PVE 26.3 (+73%)
Total: 182.1 (+27%)

( ): change from Oct-Dec/2010
% is calculated using full amounts
SPE Orders by Application
(equipment only)

<table>
<thead>
<tr>
<th>Month</th>
<th>Logic &amp; others (MPU, System LSI, Others)</th>
<th>Logic foundry</th>
<th>Flash</th>
<th>DRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/10-12</td>
<td>34</td>
<td>37</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>06/1-3</td>
<td>22</td>
<td>25</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>4-6</td>
<td>17</td>
<td>15</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>7-9</td>
<td>15</td>
<td>7</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>10/1-3</td>
<td>11</td>
<td>21</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>07/1-3</td>
<td>4</td>
<td>27</td>
<td>27</td>
<td>52</td>
</tr>
<tr>
<td>4-6</td>
<td>8</td>
<td>0</td>
<td>22</td>
<td>39</td>
</tr>
<tr>
<td>7-9</td>
<td>10</td>
<td>19</td>
<td>10</td>
<td>58</td>
</tr>
<tr>
<td>10-12</td>
<td>9</td>
<td>16</td>
<td>22</td>
<td>46</td>
</tr>
<tr>
<td>08/1-3</td>
<td>12</td>
<td>49</td>
<td>11</td>
<td>52</td>
</tr>
<tr>
<td>4-6</td>
<td>19</td>
<td>15</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>7-9</td>
<td>16</td>
<td>24</td>
<td>19</td>
<td>49</td>
</tr>
<tr>
<td>10/1-3</td>
<td>15</td>
<td>35</td>
<td>22</td>
<td>46</td>
</tr>
<tr>
<td>09/1-3</td>
<td>18</td>
<td>23</td>
<td>23</td>
<td>44</td>
</tr>
<tr>
<td>10-12</td>
<td>26</td>
<td>28</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>4-6</td>
<td>18</td>
<td>26</td>
<td>27</td>
<td>24</td>
</tr>
<tr>
<td>7-9</td>
<td>15</td>
<td>39</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>10-12</td>
<td>15</td>
<td>23</td>
<td>30</td>
<td>39</td>
</tr>
<tr>
<td>06/1-3</td>
<td>18</td>
<td>30</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>7-9</td>
<td>12</td>
<td>27</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>10-12</td>
<td>15</td>
<td>16</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>07/1-3</td>
<td>11</td>
<td>16</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>4-6</td>
<td>16</td>
<td>11</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>7-9</td>
<td>15</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>10-12</td>
<td>18</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>08/1-3</td>
<td>19</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>4-6</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>7-9</td>
<td>11</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>10-12</td>
<td>15</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>09/1-3</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>10-12</td>
<td>15</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>4-6</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>7-9</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>10-12</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>11/1-3</td>
<td>15</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

Legend:
- Orange: Logic & others (MPU, System LSI, Others)
- Light green: Logic foundry
- Purple: Flash
- Blue: DRAM

TOKYO ELECTRON

Corporation IR/May 13, 2011
FY2012 Financial Estimates
The Great East Japan Earthquake Status

All TEL group plants and facilities in affected area (Tohoku area) are now in operations

Tokyo Electron Tohoku (Iwate) Thermal Processing System
Already resumed its operation in late March

Tokyo Electron Miyagi (Miyagi) Etch System
Already resumed its operation on May 9th

Tokyo Electron Technology Development Institute (Miyagi) RLSA Etch System
Already resumed its operation in late March

Tokyo Electron Miyagi (Miyagi)
Office/R&D will open in July
Production will begin in Oct
Disaster Response

**Suppliers**
- Confirmed the status of around 300 suppliers in the six prefectures of Tohoku + Ibaraki prefecture
- Responding by making operational adjustments and by using temporarily alternative production, etc.

**Radiation**
- All equipment and parts shipped overseas are tested
- Following IATA regulations

(IATA: International Air Transport Association)

**Electric Power**
- Summer plans: Reduce 25% from last year’s peak
- Will utilize solar power generation (2000kW), new turbo refrigeration units, emergency generators and shift work.
# FY2012 Financial Estimates

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2011</th>
<th>FY2012 (E)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1st half</td>
<td>2nd half</td>
<td>Full year</td>
<td>YoY change</td>
<td></td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>668.7</td>
<td>335.0</td>
<td>395.0</td>
<td>730.0</td>
<td>+9%</td>
<td></td>
</tr>
<tr>
<td>SPE</td>
<td>511.3</td>
<td>253.0</td>
<td>306.0</td>
<td>559.0</td>
<td>+9%</td>
<td></td>
</tr>
<tr>
<td>FPD/PVE</td>
<td>66.7</td>
<td>38.0</td>
<td>38.0</td>
<td>76.0</td>
<td>+14%</td>
<td></td>
</tr>
<tr>
<td>EC/CN</td>
<td>90.2</td>
<td>44.0</td>
<td>51.0</td>
<td>95.0</td>
<td>+5%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>97.8</td>
<td>35.0</td>
<td>65.0</td>
<td>100.0</td>
<td>+2.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14.6%</td>
<td>10.4%</td>
<td>16.5%</td>
<td>13.7%</td>
<td>-0.9pts</td>
<td></td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>99.5</td>
<td>36.0</td>
<td>66.0</td>
<td>102.0</td>
<td>+2.4</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>71.9</td>
<td>23.0</td>
<td>43.0</td>
<td>66.0</td>
<td>-5.9</td>
<td></td>
</tr>
<tr>
<td><strong>EPS (Yen)</strong></td>
<td>401.7</td>
<td>128.5</td>
<td>240.1</td>
<td>368.6</td>
<td>-33.1</td>
<td></td>
</tr>
</tbody>
</table>

2. YoY changes and profit ratios are calculated using full amounts, before rounding.

Although there are some earthquake effects in the 1st half, overall sales and operating profit increase YoY
R&D Expenses and CAPEX

**R&D Expenses**

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses</td>
<td>66.0</td>
<td>60.9</td>
<td>54.0</td>
<td>70.5</td>
<td>79.0</td>
</tr>
</tbody>
</table>

**CAPEX**

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>22.7</td>
<td>18.1</td>
<td>23.0</td>
<td>20.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>21.4</td>
<td>14.9</td>
<td>17.7</td>
<td>39.1</td>
<td>25.0</td>
</tr>
</tbody>
</table>

**FY12(E) R&D details**

- Existing business: around 60%
- New business field: around 40%
  (RLSA application expansion, 3DI, OLED, Test, PV, etc)

**FY12(E) CAPEX details**

- New Miyagi plant
- New Kunshan (China) plant
- Process Technology Center (Korea)
- TEL Technology Center Tsukuba
- Equipment and measurement tools

¥12 billion out of total investments are for new plants and new business expansion
**FY12 Dividend Forecast**

<table>
<thead>
<tr>
<th>Dividend per share (E)</th>
<th>Interim</th>
<th>Year-end</th>
<th>Year total</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥45</td>
<td>¥85</td>
<td>¥130</td>
<td></td>
</tr>
</tbody>
</table>

**Dividend payout ratio 35.3%, expecting dividend per share increase**

*Changed dividend payout ratio from 20% to 35% from FY11 year end dividend.*
While keeping proactive investments in R&D, improving profitability at the same time
Management Policy
Changes in Markets and Technology: SPE

Market changes

- Customers becoming oligopolies
- As mobile market expands, NAND and foundry demand increasing
- Increasing lifespan of equipment

Technology changes

- Increasing complexity of technology - Double patterning, EUV, 3D memory
- New Solutions— 3DI technology
SPE Business Strategy

1. Unify development and manufacturing in high growth etcher business at new Miyagi plant
2. Enhance our position in the wafer cleaning market
3. Enhance technology differentiation of our SPE products
4. Pursue new technologies (3DI, test systems)
5. Expand field solutions business
6. Enhance upstream collaboration with customers

New Miyagi Plant
TEL Technology Center, Taiwan
Process Technology Center (Korea)
Etcher

- Share slightly declined from CY2009 (due to increase in proportion of memory capex)
- Oxide etcher: Expanded share in HARC for DRAMs and BEOL
- Silicon etcher: Won new POR orders from several customers (including RLSA etcher)
- POR net increase: Over 20 processes
Cleaning System

- Share slightly increased from CY2009
- Single wafer cleaning: succeeded in placing evaluation tools in several customers
- Scrubbers share 40%, dry cleaning share 60%

Market: Gartner Dataquest
TEL share: TEL estimate

**Cleaning system market**

- 2008: 18%
- 2009: 12%
- 2010: 14%
- 2011E: 16%

**TEL share**

- 2008: 18%
- 2009: 12%
- 2010: 14%
- 2011E: 16%
Global R&D Bases

Expanding R&D functions focusing on leading edge technology

TDC: Technology Development Center
LPDC: Leading Edge Process Development Center
TDI: Tokyo Electron Technology Development Institute
TEKS: Tokyo Electron Korea Solution
TTCA: TEL Technology Center, America
TTCT: TEL Technology Center, Taiwan
Main Businesses: Key Actions in FY2012

Coater /Developer

- Maintain/grow share for immersion lithography
- Develop technology with EUV lithography products in an inline environment

Thermal processing system

- Grow share and enhance position especially in Korean market
- Strengthen business base through full-scale entry into ALD and other new markets

Single wafer deposition system

- Develop new products to address broad needs in metal film deposition
- Establish process using Ru and lead its broad adoption

RLSA

- Accelerate widespread sales for low-damage Poly etch processes
- Build a ¥50 billion business including application of CVD
Main Businesses: Key Actions in FY2012

3DI
- Promote evaluation and adoption of etching/deposition/bonding tools by multiple customers
- Expand sales of reverse exposure Fusion Bonder for CIS*

Test system
- Further enhance profitability
- Develop new systems to meet decline in test costs

Field solutions
- Respond flexibly to new investment and expansion mainly in the commodity device market
- Targeting ¥150 billion sales through used equipment, modification and service contract business

CIS: C-MOS Image Sensor
Changes in Markets and Technology: FPD

Market changes

- Capex for large TV displays becoming centered on China
- Active investment in small- and mid-sized displays for touch panels
- Emergence of Korean equipment makers, intensifying cost competition

Technology changes

- Trend for enlarging mother glass size has peaked, small, mid-sized ratio increasing
- High definition, high speed
- Post liquid crystal — OLED
Establishing FPD Plant in China

Objectives

- Strengthen our customer response capabilities
- Enhance cost competitiveness

Business details

- Preventative maintenance for electrode of FPD production equipment for Chinese market
- To become a base for modification and manufacturing of certain existing equipment

Location: Kunshan, Jiangsu Province
Construction start: January 2011
Planned completion: January 2012
Total investment: ¥5.0 billion
Initiatives in the Growing OLED Market

**Evaporation Method**
TEL own technology

- Precision deposition control
- Effective use of highly organic materials
- Space saving design

**Inkjet Method**
Collaboration with Seiko Epson

- Separate RGB layers with one coating
- Accumulated knowledge of large glass substrate production
- High quality print technology
OLED Roadmap

Evaporation

2011
Development
Evaluation
Production

2012

2013

Inkjet

2011
Development
Evaluation
Production

2012

2013
Production
PV Market Forecast (2010-2020)

GWp (Giga watt peak) is the unit for the maximum level of output: the normal output level of one nuclear reactor is about 1GW

Source: TEL forecasts based on EPIA (European Photovoltaic Industry Association) announcement
PV Business Strategy

- **Product development**
  - Shipped to Japan & EU
  - SHARP

- **Inroad into Asian market**
  - Achieving €0.5/wp
  - öerlikon solar

- **Process development**
  - TEL own technology
  - TOKYO ELECTRON
Establish TEL Technology Center Tsukuba

Objectives

- Accelerate R&D in base and core technologies
- Develop technology to raise efficiency of thin film Si PVE

Expected benefits

- Collaborate with research institutes and universities etc. in Japan’s largest research location
- Promote networking with other industries
- Recruit top class engineers

Location: Tsukuba, Ibaraki
Construction start: August 2011
Planned completion: March 2012
Total investment: ¥7.0 billion
Staffing: approx. 100
FY2012 Overview

- **SPE**
  Strengthen existing business
  Specifically, improve upon our position in etch and cleaning systems
  Promote 3DI and test system business development

- **FPD, OLED, PV**
  Enhance competitiveness by new China plant
  Upfront investment to secure medium-term growth

- **Start-up in each new facility**
  Miyagi, Tsukuba, Korea

Strengthen our core technologies and developments of adjacent areas, and lead the markets in technology and products
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 cell 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