Revision of FY2011 Financial Estimates and TEL’s New Dividend Policy

Hiroshi Takenaka, President & CEO

November 2, 2010
Business Environment
Business Environment

► SPE capex
WFE* investment has almost doubled this year, driven by booming semiconductor demand.
A large number of new lines planned for first half of 2011, expect growth of around 10% in calendar 2011.

► FPD capex
Continuing investment in new lines (mainly in China) driven by flat panel TV demand.
Also new and additional capacity investment in lines for small/mid-sized FPD due to growth in tablet PCs and smartphones.

► PV capex
Due to price competitiveness, single crystal silicon and compound type (Cd-Te) strong.
Good medium/long-term growth prospects for thin-film silicon type due to improved conversion efficiency.

WFE* = Wafer Fab. Equipment
Wafer Fab Equipment Market Outlook

New NAND and Logic lines will drive 2011 WFE market

(CY) 85 87 89 91 93 95 97 99 01 03 05 07 09 11E

($B)

CY2010(E) ≒ +120%

CY2011(E) ≒ +10%

(Source: Gartner Dataquest, TEL Marketing)
Quarterly SPE+FPD/PVE Orders

- **SPE** 150.2 (+13%)
- **FPD/PVE** 22.4 (+96%)
- **Total:** 172.7 (+19%)

(Billions of Yen)

% is calculated using full amounts

(Bills of Yen)

Jul-Sep/2010: change from Apr-Jun/2010
Revision of FY2011 Financial Estimates and TEL’s New Dividend Policy
Revision of FY2011 Financial Estimates

(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>2H (E)</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>Revised</td>
</tr>
<tr>
<td>Net sales</td>
<td>418.6</td>
<td>318.4 -6.6</td>
</tr>
<tr>
<td>SPE</td>
<td>262.3</td>
<td>240.2 -9.8</td>
</tr>
<tr>
<td>FPD/PVE</td>
<td>71.3</td>
<td>32.8 +0.8</td>
</tr>
<tr>
<td>EC/CN</td>
<td>84.4</td>
<td>45.0 +2.0</td>
</tr>
<tr>
<td>Others</td>
<td>0.4</td>
<td>0.2 +0.2</td>
</tr>
<tr>
<td>Operating income</td>
<td>-2.1 (-0.5)</td>
<td>42.3 (13.3)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>2.5 (0.6)</td>
<td>45.1 (14.2)</td>
</tr>
<tr>
<td>Income before income</td>
<td>-7.7 (-1.9)</td>
<td>45.0 (14.1)</td>
</tr>
<tr>
<td>income tax</td>
<td>33.4 (10.5)</td>
<td>32.6 (9.1)</td>
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</table>

'Increase/decrease from the previous estimates announced on July 30

FY2011 forecast raised, due to higher than expected SPE profitability
R&D budget increased by ¥4 billion to ¥71 billion

2. Numbers shown in ( ) : profit ratios
3. YoY changes and profit ratios are calculated using full amounts, before rounding.
Improving Profitability

Net sales and Operating Margin
(Billions of yen)

Improved operating margin, despite increased R&D investment
Highlights by Business

► SPE
  – Focusing on winning orders for new POR for etch and cleaning systems
  – Accelerating use of our new etch systems Tactras™RLSA™Etch in customers’ volume production

► FPD
  – Decided to establish new production site in Kunshan, Jiangsu Province, China

► PV cell production equipment
  – Oerlikon Solar announced new “ThinFab” production line, breakthrough low cost of ownership (€0.5/wp)

► New businesses
  – Commenced sales of Probus-SiC™epitaxial film growth equipment
  – Strengthened line up of 3DI (three dimensional integration) equipment
New Production Site in China for FPD

Initially carry out regular maintenance for Chinese FPD customers, progressing on to modification/production of existing FPD production equipment, sharing with Japan sites

- **Location:** Kunshan City (near Shanghai)
- **Area:** 352,000m²
- **Total investment:** 5 Billion Yen
- **Schedule:**
  - Mar. 2011: Groundbreaking
  - Sep. 2011: Complete construction

**Tokyo Electron AT (Yamanashi)**
- Development/Manufacture of FPD Etchers

**Tokyo Electron Kyushu (Kumamoto)**
- Development/Manufacture of FPD Coaters/Developers
New Dividend Policy

Based on medium-term business and financial outlook, TEL is raising its dividend payout ratio

New dividend policy

- Sustained dividend payments linked to business and profit performance
- Dividend payout ratio of around 35% of consolidated net income (previous payout ratio was around 20%)

No change in our policy of active investment in R&D, facilities, and human resources: the foundations of future growth

Grow corporate value through growing profits, more proactive shareholder returns
Upward Revision of Dividend Forecast

From this fiscal year-end dividend, raise dividend payout ratio from around 20% to around 35%

<table>
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<tr>
<th>Dividend per share</th>
<th>Interim</th>
<th>Year-end</th>
<th>Total</th>
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<tbody>
<tr>
<td>Announced November 2</td>
<td>¥38</td>
<td>¥64</td>
<td>¥102</td>
</tr>
<tr>
<td>Announced July 30</td>
<td>¥34</td>
<td>¥37</td>
<td>¥71</td>
</tr>
<tr>
<td>(Last FY dividends)</td>
<td>¥4</td>
<td>¥8</td>
<td>¥12</td>
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</tbody>
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(FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 (Revised) (Yen))
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