TRANSCRIPT

Tokyo Electron and Applied Materials Merger Presentation for Investors
(Date: September 24, 2013)

Main speakers:
- Tetsuro Higashi, Chairman of the Board, President & CEO, Tokyo Electron
- Gary Dickerson, President & CEO, Applied Materials

*Please note that this transcript is the Japanese-to-English translation except for the part of Gary Dickerson

Presentations

<Ken Sasagawa, Director, Investor Relations, Tokyo Electron>
Mr. Higashi will give an opening address and explain today's presentation details.

<Tetsuro Higashi>
I will explain the business merger. As you can see from the title, our aim as a new global innovator is to produce more and more technological innovation as a global company in the true sense of the word. Today's presentation will cover the following.

Tokyo Electron and Applied Materials will merge as equals.
Both companies have very extensive product line up, in particular both sides have equipment in the precision material engineering and patterning sectors. With both sides also having a leading market share, we believe we can create an extremely strong company through complementary technological synergy.

In addition, the merger is a stock-for-stock merger and at current market cap is worth 29 billion dollars or 2.8 trillion yen. We anticipate a rise in EPS from the first year of the merger through integration synergies and share buy-backs.

As I mentioned earlier, both sides have complimentary cutting edge technology and products, and we both want to serve customers in the semiconductor and display sectors. We both want to make a strong commitment to increasing profitability and the merger should also allow us to offer additional return to shareholders.

Today's agenda is to explain the outline for the new consolidated company and its future, as well as our next move for business expansion amidst a turning point in the industry. It is also Tokyo Electron's 50th birthday. Applied Materials is also more than 40 years old and it is over 60 years since the birth of semiconductors in 1947, and we want to join forces and stimulate the industry. Finally, I would like to explain the merger structure, the increase in shareholder value, and the target financial model.

I'd like to introduce Gary Dickerson. I'm sure everyone here knows about Gary, but Tokyo Electron used to be the agent in Japan for KLA. Gary entered KLA in 1986 and worked as an engineer. I visited KLA around the same time and met Gary and remember thinking that a great guy had joined the company. I would never have imagined that 30 years later we would be in this position though. He is a really great guy. Gary was previously a Lithography section manager of AT&T for 6 years before spending 18 years at KLA-Tencor during which the company grew from an 80 million dollar company to a 2 billion dollar company. He was CEO of Varian for 7 years and contributed greatly to the company. He joined Applied Materials one and a half years ago and recently became CEO. Gary, if you'd like to say a few words.

<Gary Dickerson>

Thank you very much. I'm very excited about the combination between Applied Materials and Tokyo Electron. This is a very unique opportunity to take two companies that are leaders in semiconductor and display and create a new better global company that can solve customer problems faster, better and at lower cost. I'm very excited to be with this team. I'll be moving to Tokyo once the merger is closed and very much looking forward to working together as a new team. Thank you.

<Tetsuro Higashi>

I'd now like to move on.

This is the history of Tokyo Electron and Applied Materials since being founded, and also the number of employees. Tokyo Electron owns 16,000 patents and Applied Materials owns 10,500, quite a few. The merger will mean that these can be used jointly. Regarding the number of installed systems in the field, Tokyo Electron has 54,000 units and Applied Materials has 33,000, a total of 87,000 units. We believe these will be a substantial source of income and will greatly contribute to the profitability of the consolidated company.

The new company structure will be a dual headquarter system and will be based in Tokyo and Santa Clara, California. The holding company will be registered in Netherlands. It will be listed in Japan and the U.S. on the Tokyo Stock Exchange and NASDAQ. Regarding the management, I will be the Chairman of the new holding company. The Vice Chairman will be Tokyo Electron's Tetsuo Tsuneishi and Applied Materials' Mike Sprinter. The CEO will be Gary Dickerson and the CFO will be Applied Materials' Bob Halliday. That will be the new company's management.

There will be 11 members on the Board of Directors. 5 will be from Tokyo Electron side and 5 from Applied Materials side. 3 of each of these will be external directors. That makes 10 and with 1 independent director agreed by both sides that will be 11. Under the Board of Directors will be an Executive Board consisting of 6 members from each side, for a total of 12 officers who will serve under CEO Gary Dickerson. The Executive Board will give suggestions and advice to Gary.
Next, I'm going to ask Gary to explain the technological side.

<Gary Dickerson>

Again, thank you all for coming here tonight. We're all very excited about this combination. One of the big drivers in semiconductor and display is the war for mobility leadership. New functions, longer battery life, new form factors are many of the key factors that are driving wining in mobility.

This is driving technology change that is very dramatic. Transistor changes that are larger than anything we've seen in the last 30 years; changes in the NAND flash technology from a planer structure to 3D; also big changes in display from amorphous silicon to LTPS, metal oxide, organic LED; many, many big changes.

The key enabling technology is new materials. That is what is driving performance gains in the semiconductor business, that's what's driving performance gains in the display industry and this is where our combined company has a very unique position, in precision materials engineering and patterning enabling all the great consumer products that we see in mobility.

As I said, materials are enabling the performance gains in the war for mobility leadership. If you look at 3D NAND flash technology you have 3X, 1X, 1Y, planer technology nodes going to 3D. And what you see is that the Litho CAPEX is going down. This is from one of the top floor memory customers in the semiconductor industry, and you see deposition and etch increasing. This is what our new company does better than anyone in the world.

Also, a very large logic company is showing material complexity increasing. The number of new materials changing as the transistor is undergoing bigger changes than any time in the past 30 years. And this is another area where we have clear enabling products and technologies in our new combined company.

So precision materials engineering is really what we do better than anyone in the world. And this is really what is enabling all of these great consumer products in semiconductor display. Precision films that we have that are very unique; precision materials removal; interface engineering; material modification and scaling engineering.

We do this better than anyone in the world; we have many leadership product segments in these different technologies. This is what is critical for enabling for our customers, introducing new technologies today, and this will only grow as we move forward in the future, grow our total available market and also grow our market share.

We have the broadest portfolio of products, if you look at all of the different areas around the transistor, interconnect, 3D NAND, low cost scaling for patterning, we have very strong technology and products that are enabling our customers to go to new technologies that are critical for their success in the whole mobility era.

One of the areas that we're most excited about is in etch. Etch is a very big market. We have very complimentary technologies here. Tokyo Electron is very strong in dielectric etch, Applied Materials growing in conductor etch. In our last earnings call we said that our market share in etch is growing. This year we had some big wins, especially in the transition from planer to 3D NAND, also gaining share in foundry, so this is a great opportunity for us, our combined company, in etch. And there are also new segments like selective material removal. As customers are going to new technologies, vertical scaling is going higher, the feature sizes are smaller. You have problems like pattern collapse, yield problems that customers are facing that are growing very fast in terms of the impact on our customers. This is an area where we have great traction with customers. So the combined technologies, the combined field support, the combined operations of the two companies in etch, which is a multibillion dollar market is a great opportunity for growth.

So, the new company really is unique in enabling the materials and innovation for the mobility era and low cost scaling. The capabilities that we have in precision materials engineering or patterning will enable our customers, in our combined company, to solve their high value technology challenges faster, better and at lower cost. And, we are committed that this combination will create more value for our shareholders, more value for our customers and greater opportunities for our employees.
Now I'll turn it back over to Terry.

<Tetsuro Higashi>
Regarding the merger structure, I mentioned earlier that Tokyo Electron and AMAT will merge to create a new company to be registered in Netherlands. Tokyo Electron and AMAT will have their headquarters in Japan and the U.S. and function as 100% subsidiaries of the new company.

As for the stock-for-stock exchange ratio, this will be 1 AMAT share for 1 new company share. 1 Tokyo Electron share will be 3.25 shares of the new company. This will result in AMAT shareholders owning 68% and Tokyo Electron shareholders 32% of the shares in the new company.

Looking ahead, both companies must obtain approvals at general shareholder meetings. Given that we must also obtain regulatory approvals in the relevant countries under fair trade laws, we anticipate the deal being concluded in the second half of 2014.

As I explained earlier about growing business opportunities, both sides are committed to improving profitability. We believe that cost reductions will lead to a synergy effect of 500 million dollars before tax in 3 years after the merger. We will also implement a share buyback of 3 billion dollars within 12 months of the merger. These measures among others will result in increased cash returns to investors.

As for the integration process, we will utilize the wealth of integration process knowledge held by both companies that was gained through our experience. We will set out the company structure of both Santa Clara and Tokyo entities and CEO Gary Dickerson will come to Tokyo and acclimatize himself with Tokyo Electron and its employees. Gary will also direct the etch area which will produce synergies or continue to grow, with the aim of

increasing growth.
In addition, as I said earlier, our mission is to provide solutions to customers as quickly, effectively and at a low cost as possible.

As well as the 500 million dollar synergy effect in 3 years, we envisage a 250 million dollar synergy effect in the first year.

Our 2017 target financial model anticipates WFE of 37 billion dollars, and our aim is for sales of 18.2 billion dollars for the semiconductor and display production equipment combined, operating income of 4.6 billion dollars, operating margin of 25% and EPS of 2.40 dollars or more.
That concludes everything from me.

Q&A

<Ken Sasagawa>
Thank you. We only have a short time left but I'd like to start the Q&A session. Please limit yourself to one question each. The person at the front. Please state your name and company.

<Q: Tetsuya Wadaki, Nomura Securities>
Thank you for your explanation today. Tokyo Electron has said that there are very few examples of successful M&A in the semiconductor equipment industry, but has decided on a large merger itself. Could you tell me what aspects the company will focus on in order to make the integration a success? 3 to 5 points will be fine.
<A: Tetsuro Higashi>
First, I think the most important aspect is that top management and executives fully understand each other. In this sense, our friendship with Gary Dickerson spans 30 years and we understand each other well.
From a business perspective, I believe it's important to respect each other's business style and cultural differences.
<A: Gary Dickerson>
Regarding the mergers in the semiconductor equipment business, KLA- Tencor, I was a part of that one. I think many people would say that was a very successful merger between those two companies. I think also it really is how you create value together. And certainly I think our combined company is really in a sweet spot relative to the challenges that are facing our

customers. As I talked about earlier, if you look at the technology changes that are happening, FinFET technology is an area where we have tremendous strength, the change in the NAND flash technology is very dramatic going from planer to 3D. These material changes are extremely difficult for many customers, and this is what we do better than anyone in the world. So our ability to work together, we talked about etches as one area, a four billion dollar market opportunity, where some complimentary, very good technology. There are major changes that are happening in this market and together we can accelerate our market share growth as we solve these problems together.

Another area I would say is an opportunity is in the service business. Think about 87,000 tools that we have combined as an opportunity for us to create value for customers, but also to grow our overall business. So I think if you look at the broad technology we have, the unique position we have around the materials changes that are critical in semiconductor and also display that creates a great foundation for growth together.

<Ken Sasagawa>

Thank you. Next, the person at the back?

<Q: Yoshihiro Azuma, Jefferies Japan>

Thank you very much for the presentation. My name is Azuma, from Jeffries. One question. Do you expect the pricing power of the new entity to be significantly different from the current situation? If so, which products are you talking about, etcher or something else?

<A: Gary Dickerson>

As I said, the real opportunity for us is to have enabling technology that is helping our customers. One of the things that I talked about was the major changes in mobility around things like battery life on your mobile device or all of the features that are enabling the winner products there, or better display technologies.

Really that's our focus. How do we create more value for our customers as they face these very tough challenges. Basically, every Christmas season there's a battle for the consumers and either you're ready with the new technology when those battles happen or you're not. That's our focus and that's where we see a really tremendous opportunity.

<A: Tetsuro Hiagshi>

It is not a merger to increase market share with the same products, but suppliers with complementary products getting together and the aim is not to strengthen pricing power.

<A: Gary Dickerson>

One other thing I would say is I do think that we have this concept of materials engineering. And that's really enabling the performance gains in semiconductor and in display. Part of innovation in my experience, I've done maybe 100 products, connecting dots, is linking value in different types of technologies in unique ways, can create new market opportunities. Our combined company will have the broadest and deepest materials engineering technology in the world, and that can give us some really great opportunities to solve problems for customers in new ways.

<Ken Sasagawa>

This will be the final question. The person 3 rows from the front in middle.

<Q: Masahiro Nakanomyo, Barclays Capital Japan>

This is a very conventional question, but the decision to merge is obviously a very big decision. I'd like to ask both sides when exactly you first started considering the merger and started talks? Also, I imagine you have already sounded out major customers, and if this is the case, can you tell us what you can about their reaction?

<A: Gary Dickerson>

Relative to when did we start talking, we've been talking for 30 years. We have a very long relationship and a friendship, also with Tsuneishi-san, and many of the people. As Higashi-san said, I worked with Tokyo Electron for nine years, when they were repping our products from KLA so we've been talking for a very long time. I think we both understand the value in this combination. I also agree with you. It does take courage, to plot a different path to move down a different direction. I think that we really understand the value we can create together in a new global company. The long relationship that we have certainly helps us have confidence that we can be successful working together.

<Tetsuro Higashi>

Our time is up. Thank you for gathering so late at night. We appreciate your support.