TOKYO ELECTRON

Annual Report 2015

For the Year Ended March 31, 2015

Contents

Profile

Tokyo Electron Limited (TEL™) is a world-leading supplier of semiconductor production equipment (SPE) and flat panel display (FPD) production equipment. We provide a broad lineup of products that offer superior process performance and high productivity and related services to semiconductor and LCD panel manufacturers around the world.

An unwavering commitment to customer satisfaction that dates back to our founding in 1963 has cemented our position as a market leader. Our competitive strength lies in our capability to proactively and precisely identify real customer needs and respond to them with cutting-edge technology and products.

With a global network that spans Japan, the U.S., Europe and Asia, we are opening up new frontiers for digital networks by contributing to enhancing our customers' production lines through untiring dedication to technology innovation.

Disclaimer

Matters discussed in this annual report, including forecasts of future business performance of Tokyo Electron, management strategies, beliefs and other statements are based on Tokyo Electron's assumptions in light of information that is currently available. These forward-looking statements involve known or unknown risks, uncertainties and other factors that could cause actual results to differ materially from those referred to in the forward-looking statements.

Factors that have a direct or indirect impact on Tokyo Electron's future performance include, but are not limited to:

- Economic circumstances in Japan and overseas, consumption trends, and large fluctuations in foreign exchange rates
- Changes in semiconductor/FPD/PV markets
- Changes in the demand for products and services manufactured or offered by Tokyo Electron's customers, such as semiconductor manufacturers, FPD manufacturers, photovoltaic panel manufacturers and electronics makers
- Tokyo Electron's capabilities to continue to develop and provide products and services that respond to rapid technology innovation and changing customer needs in a timely manner

For details, please refer to Business-related and Other Risks on page 15.

Contents

Guide to Buttons

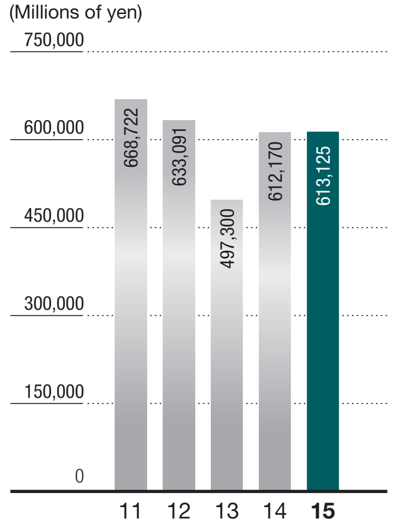
Move Back to Previous Page
Move Forward to Next Page
Return to Last Page Opened
CONTENTS Go to Contents Page
Search PDF Content
Print
Zoom

Consolidated Financial Highlights

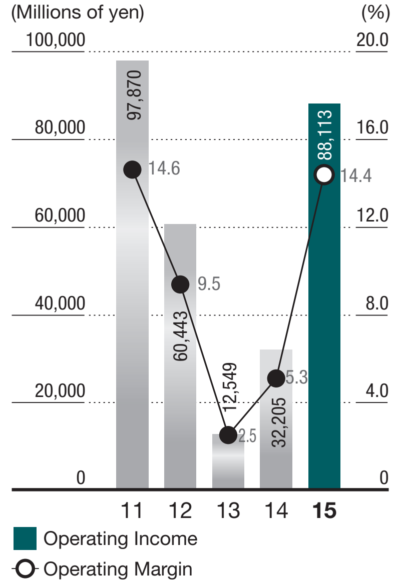
	Millions of yen					Thousands of U.S. dollars
Years ended March 31	2011	2012	2013	2014	**2015**	**2015**
For the year:						
Net sales	¥668,722	¥633,091	¥497,300	¥612,170	**¥613,125**	**$5,102,147**
Operating income	97,870	60,443	12,549	32,205	**88,113**	**733,236**
Income (loss) before income taxes and minority interests	99,579	60,602	17,767	(11,756)	**86,828**	**722,543**
Net income (loss)	71,924	36,726	6,076	(19,409)	**71,888**	**598,219**
Depreciation and amortization	17,707	24,198	26,631	24,888	**20,878**	**173,737**
Capital expenditures	39,140	39,541	21,774	12,799	**13,184**	**109,711**
R&D expenses	70,568	81,506	73,249	78,664	**71,350**	**593,742**
Operating margin	14.6%	9.5%	2.5%	5.3%	**14.4%**	
ROE	13.3%	6.3%	1.0%	(3.3)%	**11.8%**	
	Millions of yen					Thousands of U.S. dollars
At year-end:						
Total assets	¥809,205	¥783,611	¥775,528	¥828,592	**¥876,154**	**$7,290,955**
Total net assets (Total shareholders' equity)	584,802	598,603	605,127	590,614	**641,163**	**5,335,456**
	Yen					U.S. dollars
Per share:						
Net income (loss)—Basic	¥ 401.73	¥ 205.04	¥ 33.91	¥ (108.31)	**¥ 401.08**	**$ 3.34**
Cash dividends	114.00	80.00	51.00	50.00	**143.00**	**1.19**

Notes: 1. U.S. dollar amounts are translated from yen, solely for convenience, at the prevailing exchange rate on March 31, 2015 of ¥120.17=U.S.$1.
2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.

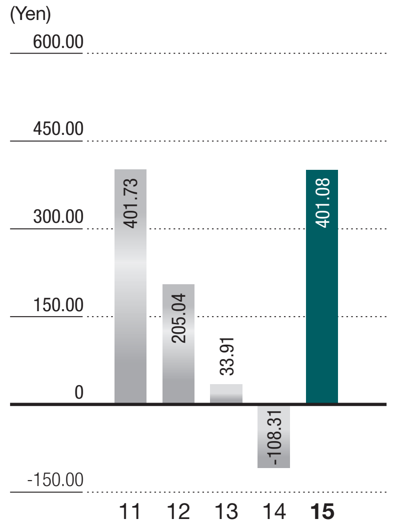
Net Sales



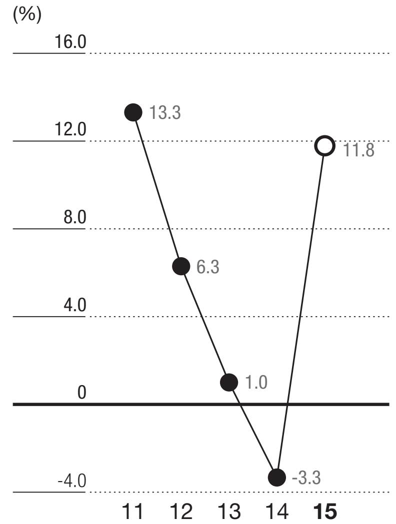
Operating Income and Operating Margin



Net Income (Loss) per Share



ROE



ROE = (Net income or loss / Average total equity) × 100

Business Overview

SUMMARY OF BUSINESS | MAIN PRODUCTS | SALES BY REGION

Semiconductor Production Equipment

Semiconductor devices (IC chips) are used in mobile devices, such as smartphones and tablets, and in electronics ranging from flat panel TVs and other digital home appliances to cutting-edge medical equipment. Tokyo Electron offers semiconductor production equipment for manufacturing such devices, along with superior technical support and service.

Our product lineup includes coater/developers, plasma etch systems, thermal processing systems, single wafer deposition systems and cleaning systems used in wafer processing. We have also added products for handling the magnetic materials necessary to form the memory cells of STT-MRAM*, a candidate for the next generation of memory device. Other products include wafer probers used in the wafer testing process, electrochemical deposition systems and wafer bonders/debonders used in advanced packaging processes.

* STT-MRAM: Spin Transfer Torque-Magnetoresistive Random Access Memory (an emerging memory promising for its low power consumption)

- Coater/Developer
- Plasma Etch System
- Thermal Processing System
- Single Wafer Deposition System
- Cleaning System
- Wafer Prober

Coater/Developer
CLEAN TRACK™ LITHIUS Pro™ Z

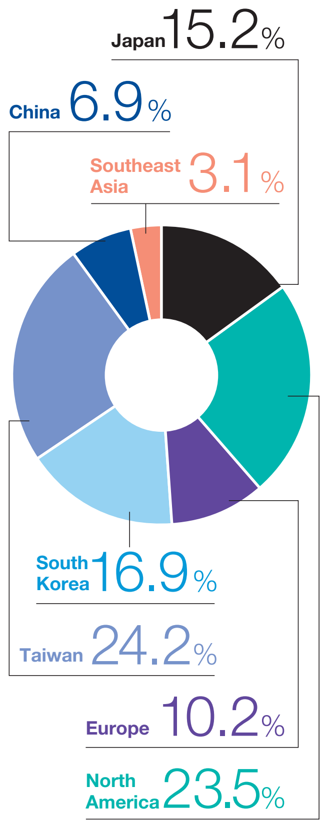
Plasma Etch System
Tactras™

ALD System
NT333™

Single Wafer Deposition System
Triase+™

Single Wafer Cleaning System
CELLESTA™ -i

Wafer Prober
Precio™ XL

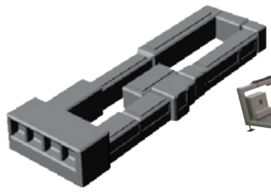


FPD Production Equipment

Flat panel displays (FPDs) are used in a wide variety of applications, such as flat panel TVs, mobile devices including smartphones and tablets, and recently even digital signage for advertising. Tokyo Electron supplies FPD coater/developers and plasma etch/ash systems used to manufacture FPDs, along with solid technical support and service.

Tokyo Electron's product lineup also includes an inkjet printing system for manufacturing OLED panels using large-sized substrates to take advantage of the expanding OLED display market.

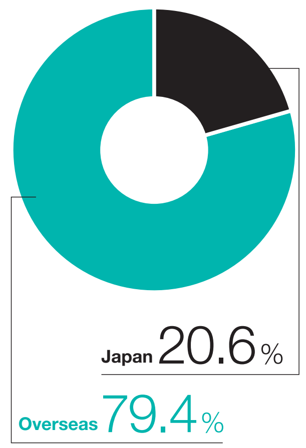
- FPD Coater/Developer
- FPD Plasma Etch/Ash System
- Inkjet Printing System for Manufacturing OLED Panels



FPD Coater/Developer
Exceliner™

FPD Plasma Etch/Ash System
Impressio™

Inkjet Printing System for Manufacturing OLED Panels
Elius™ 2500



To Our Stakeholders Message from the CEO

June 2015

Tetsuro Higashi
President & CEO

Transforming for the Next Half Century

To begin, I'd like to express my thanks for the continued understanding and support of our investors and all Tokyo Electron's stakeholders. Looking back at 2014, capital investment by semiconductor manufacturers was brisk. Global sales of semiconductors reached a record high of US$340 billion, reflecting strong demand for cutting-edge mobile devices and data centers. Capital investment in the wafer fab equipment market, in which Tokyo Electron operates, grew 16% year on year to US$32 billion. Buoyed by increased market shares, Tokyo Electron's consolidated net sales for fiscal 2015, ended March 31, 2015, grew to ¥613.1 billion, outpacing market growth. Operating income rose 174% year on year to ¥88.1 billion. Furthermore, the second half of the fiscal year saw consolidated net sales of ¥318.9 billion and operating income of ¥58.0 billion, achieving a record-high level of operating margin for the six-month period. Seeking to reciprocate the support of our shareholders, we paid annual dividends of ¥143 per share, our highest ever.

Regarding our planned business combination with U.S.-based Applied Materials, we were ultimately not able to secure regulatory approval under applicable competition laws. Despite the best cooperative efforts of both companies since the business combination plan was announced in 2013, we had no choice but to terminate the agreement. I apologize to our shareholders who supported us in this endeavor, particularly at last year's General Meeting of Shareholders, for this disappointing turn of events. While we were not able to execute the business combination, fiscal 2015 nevertheless represented a major inflection point for Tokyo Electron in terms of progress toward future growth as we successfully bolstered profitability and product competitiveness in our mainstay semiconductor production equipment (SPE) business and implemented business reorganization to increase profit margins. Furthermore, we are firmly determined to apply the many lessons we learned in the course of preparing for the business combination to achieve greater growth.

Concentrating Management Resources in Core Businesses to Grow Profit

The Ongoing Evolution of Semiconductors and Rising Expectations for Production Equipment

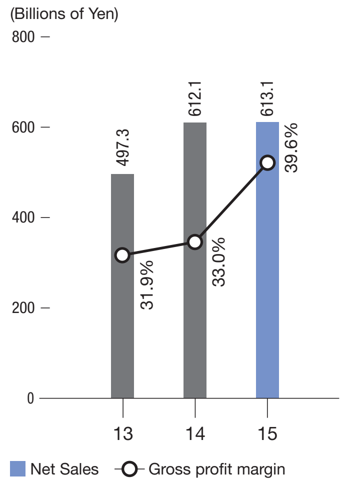
2015 marks the 50th year since the penning of Moore's Law. Over these five decades, semiconductors have undergone incredible transformation through constant miniaturization, increasing in performance and dropping in cost, and thus playing a major part in the emergence of modern societies built on advanced information and communications networks. To illustrate the way that semiconductors have evolved, Intel compared them to automobiles. If cars had evolved the way semiconductors have, cars that topped out at 130 km/h in 1971 would have reached speeds of 482,700 km/h in 2015. Fuel economy of 11 km/l in 1971 would be up to 850,369 km/l in 2015, and the price of a car, US$2,500 in 1971, would be down to just four cents*. I think this shows just how surprising and dramatic progress in semiconductors has been.

Today, society is rapidly approaching a new era. Until now, people have largely had to deliberately use personal computers, mobile devices and networks to enjoy their benefits. Soon, the internet of everything (IoE), in which virtually everything is connected through the internet, will arrive. In this futuristic-seeming era, such technologies as big data analysis that makes sophisticated use of the vast amounts of information being transmitted on networks and AI-equipped interfaces between humans and machines will support our daily lives in ways we are not even aware.

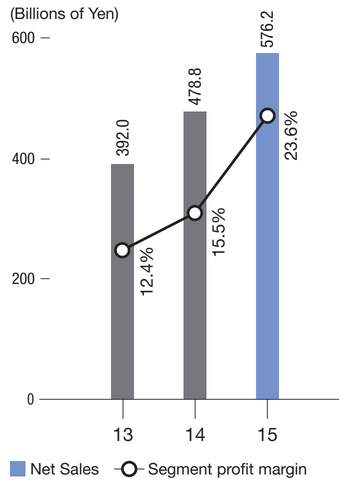
To create such an advanced society, expectations toward technological innovation in semiconductors and their production equipment are only rising. The semiconductor industry now stands at various technological inflection points. Initiatives to create 3D structure devices, adopt new materials and realize STT-MRAM (magnetic memory) and other forms of emerging memory have begun. We regard these technological inflection points as excellent opportunities for business expansion and remain committed to striving toward growth. The semiconductor production industry will continue to expand. I am confident that Tokyo Electron will achieve further growth by aggressively investing in the development of growth fields, creating breakthrough technologies, and thus contributing to the creation of value for society.

» Tokyo Electron is working to transform for the next half century. The Company is formulating a new medium-term management plan, reviewing its capital policies and considering ways to offer more appealing shareholder returns.

» Net Sales and Gross Profit Margin

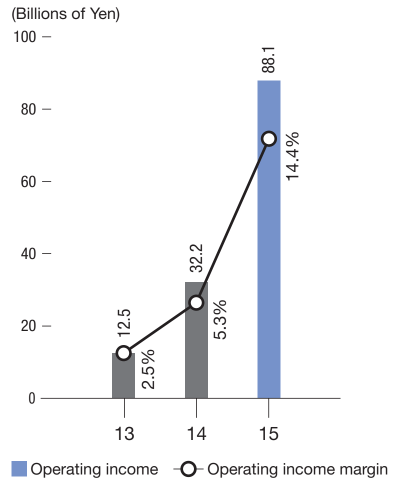


» SPE Segment Net Sales and Segment Profit Margin



Segment profit is based on income before income taxes and minority interests.

» Operating Income and Operating Income Margin



* Source: Intel

Fiscal 2015 Business Highlights

1. Increased Profitability and Competitiveness in the Mainstay SPE Business

In 2014, capital investment in wafer fab equipment grew a considerable 16% year on year, backed by strong demand for mobile devices. To take advantage of opportunities for growth in 2014, Tokyo Electron advanced the timely introduction of new products. These efforts paid off as our market shares in all product categories grew and SPE segment net sales outpaced market growth, climbing 20% year on year to ¥576.2 billion. In the cleaning system and etch system businesses, areas of particular focus for us, we achieved steady market share growth, with the cleaning systems business reaching an all-time high. In addition, we have been working to

Message from the CEO

expand sales in the field solutions business, which handles sales of parts and used equipment, modifications and maintenance services, since setting up a dedicated business unit in 2009 for this area. In fiscal 2015, we achieved annual net sales in this business of over ¥170 billion, well above our target of ¥150 billion. As miniaturization advances and demand for more sophisticated technologies increases, the expectations facing equipment manufacturers regarding sophisticated solutions and support capabilities are also rising.

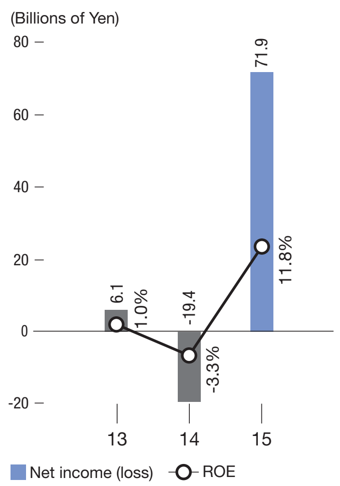
At the same time, we continue to advance initiatives to streamline development and manufacturing, including reducing costs from the design stage onward, shortening production lead times and revising procurement.

As a result of such efforts, in fiscal 2015 we achieved a segment profit margin in the SPE business of 23.6%, a record-high level.

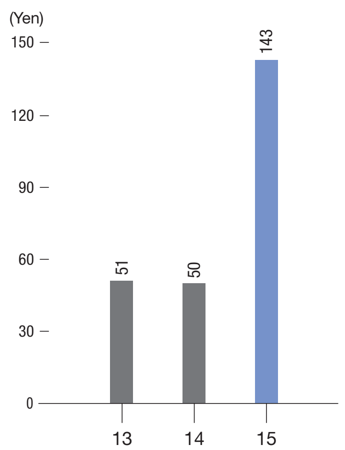
2. Business Reorganization to Concentrate Management Resources

In fiscal 2015, we also implemented significant business reorganization to further improve profitability. First, withdrawal from the unprofitable photovoltaic panel (PV) production equipment business proceeded as planned. Accordingly, in fiscal 2016, ending March 31, 2016, we will only continue support operations for delivered units, and we expect to greatly reduce segment loss compared with fiscal 2015. We also consolidated development sites and other locations. Furthermore, we reduced our stake in Tokyo Electron Device Limited (TED), which handles the

Net Income (Loss) and ROE

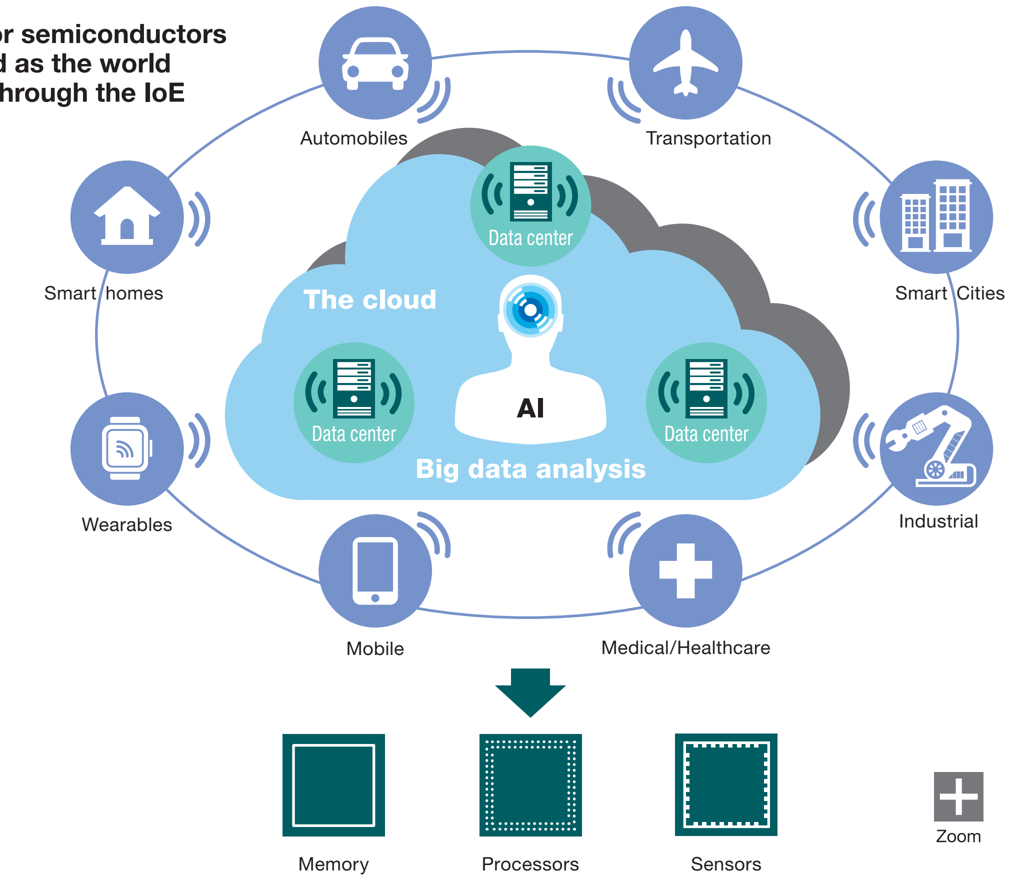


Cash Dividends per Share



The fiscal 2013 annual dividend of ¥51 includes a commemorative 50 year anniversary dividend of ¥20.

Demand for semiconductors will expand as the world connects through the IoE



electronic components and computer networks business, resulting in the reclassification of TED from consolidated subsidiary to equity method affiliate. As a result, the fiscal 2015 gross profit margin improved 6.6 percentage points year on year to 39.6%. ROE came to 11.8%, and net cash provided by operating activities amounted to ¥71.8 billion, both big improvements over the previous fiscal year. Going forward, we aim to continue to strengthen our business foundations, grow profit and return profit to our shareholders.

Lastly, in May 2015, we announced a new executive framework aimed at powerfully pushing growth forward. This change brought younger members into top management. We also newly appointed the chairman of the board and established the position of Chief Operating Officer (COO) under the president and CEO. These changes are intended to create a system that can swiftly execute business and thus move continuously forward in an environment of constant change and fierce competition. We also added executive officers who possess rich experience managing local companies overseas, intending to enhance our competitiveness at a global level.

In April 2015, we announced plans for a share repurchase of up to ¥120 billion. Going forward, we will formulate a medium-term management plan to address new tasks facing us and review our capital policies while considering ways to offer more appealing shareholder returns. We will accelerate innovative initiatives and strive to increase corporate value. Thank you for your continued confidence and support.

As Technology Advances, New Opportunities Arise

Expanding our Competitive Strengths to Maximize Growth Opportunities

I am pleased to have assumed the position of representative director, senior executive vice president and COO in June 2015. I would like to thank our shareholders and other stakeholders for their support and confidence.

The internet of things (IoT), which will connect not only conventional PCs and mobile devices, but also various other objects, is nearly upon us. According to Cisco Systems, a U.S.-based networking equipment manufacturer, the number of devices connected to the internet is expected to grow from 14.5 billion in 2014 to 50 billion in 2020, and annual global IP traffic is thus expected to grow an average of 21% per year from 2013 to 2018. Technological innovation in semiconductors has an important part to play in the arrival of this new era, as do the cutting-edge production equipment technologies that support such innovation.

» Under a new executive framework designed to maximize Tokyo Electron's strengths, we are pursuing world-class product competitiveness and profitability and thus seeking to enhance corporate value.

The semiconductor industry is now right on the brink of the most important inflection points in its history. Until now, semiconductors have developed through ongoing miniaturization. However, as miniaturization progresses, we are encountering various technological barriers that cannot be overcome by existing technologies. To break through these barriers, innovative new technologies are emerging. These include 3D structure devices, such as 3D NAND flash and FinFET, the use of new semiconductor materials, and multiple patterning that realizes finer patterns by using etch and deposition with current lithography technology. By developing products suited for these new technologies, Tokyo Electron raised its market share in every one of its product categories in 2014. We regard technological inflection points as unparalleled opportunities for business expansion.

Going forward, under a new organizational structure, we will focus on our mainstay semiconductor production equipment (SPE) and flat panel display (FPD) production equipment businesses to further enhance product competitiveness. First, we are forcefully implementing our region and account management structures to construct an organizational system that can better respond to customers' needs by quickly offering sophisticated solutions. Furthermore, as technological demands grow more advanced, process control across product categories grows more important. Tokyo Electron will therefore leverage the strength of its large and diverse product lineup to develop higher-added-value products. We are concentrating resources in areas that are expected to grow and streamlining development to accelerate the implementation of our product strategies.

As a market leader in the fields of SPE and FPD production equipment, we seek to contribute to the creation of a bright future for the world and, in doing so, continue to increase Tokyo Electron's corporate value. To make Tokyo Electron a truly global company, we will do our utmost to achieve world-class profitability and product competitiveness. To succeed, I ask for your continued support and confidence as we continue to move forward.

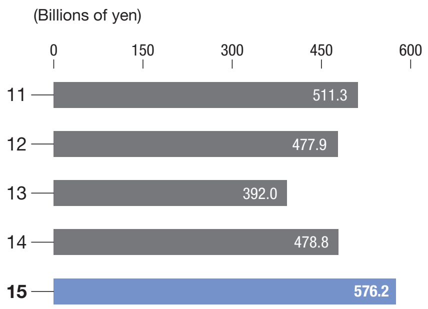
June 2015

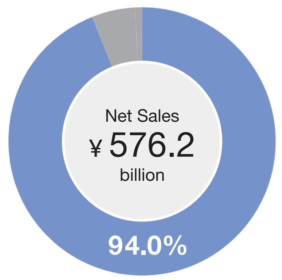
Toshiki Kawai
Senior Executive Vice President & COO

Review of Operations and Business Outlook

SALES BY SEGMENT | SHARE OF NET SALES | BUSINESS ENVIRONMENT | BUSINESS OVERVIEW | BUSINESS OUTLOOK

Semiconductor Production Equipment





In 2014, global shipment volumes of smartphones and other mobile devices were robust, up 23% year on year, and demand for data center servers was strong, due to expanding internet data transmission volumes. Supported by these factors, sales in the global semiconductor market grew 8% year on year to a record high of US$340 billion. Accordingly, investment in additional production capacity for mobile DRAM and NAND flash memory picked up speed. Capital investment in logic semiconductors was also firm, supported by favorable server demand. As a result, global capital investment in wafer fab equipment saw considerable year on year growth, up 16%.

- Segment net sales grew faster than the wafer fab equipment market, up 20.3% year on year to ¥576.2 billion.
- Market share in all product categories improved, and overall share of the wafer fab equipment market rose from 10.5% to 13.6%.
- Market share of cleaning systems reached 25%, its highest level ever.
- Net sales in the field solutions business (sales of parts and used equipment, modification, maintenance services, etc.) rose more than 35% year on year.

Demand for semiconductors is expected to continue to grow. This growth will be driven by the increase of per-mobile and per-server memory, the arrival of the internet of things (IoT) and more sophisticated use of big data as well as the rapid development of the networks that support these technologies.

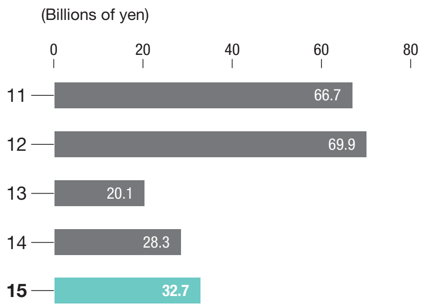
For these developments to progress, semiconductor devices must offer even higher performance at lower cost. The role of semiconductor production equipment is thus growing ever more important. Tokyo Electron regards this technological inflection point as an opportunity for growth and is aggressively bringing to market new high performance, high productivity products. In the area of finer patterning, to expand sales, the Company is introducing coater/developers with new defect-reducing features, single wafer cleaning systems that reduce pattern collapse, as well as etch systems and deposition systems, for which demand is expected to grow alongside expansion in multiple patterning processes. Furthermore, in response to the adoption of 3D structure devices and new semiconductor materials, Tokyo Electron aims to increase its market position in such areas as ALD systems, etch systems and dry cleaning systems, which boast advanced thin-film control and processing technologies.

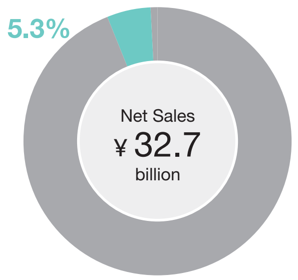
STT-MRAM (spin transfer torque-magnetoresistive random access memory) is a promising candidate for the next-generation of memory device. Tokyo Electron possesses all the products necessary to form STT-MRAM's core memory cells. Using this advantage, the Company aims to establish high-volume manufacturing technology that will help commercialize STT-MRAM for practical use through joint development with business partners, universities and consortia.

In the advanced packaging field, we are working to reduce costs, the greatest obstacle to mass production, through joint research with Singapore's Agency for Science, Technology and Research.

Zoom

FPD Production Equipment





Overall demand for flat panel displays (FPDs) grew nearly 10% (area basis) in 2014, reflecting shifts toward larger and higher definition smartphone screens and TVs. As a result, capital investment in production equipment for large-sized panels in China grew, and the worldwide market for FPD production equipment saw solid year-on-year growth of 20%.

- Segment net sales rose 15.5% to ¥32.7 billion.
- Sales in China accounted for over 50% of total sales.
- Sales of inductively coupled plasma (ICP) etch systems, which have a competitive edge among products for high definition, large-sized panels, were strong.
- Tokyo Electron's inkjet printing systems for manufacturing OLED panels were adopted in customers' development lines.

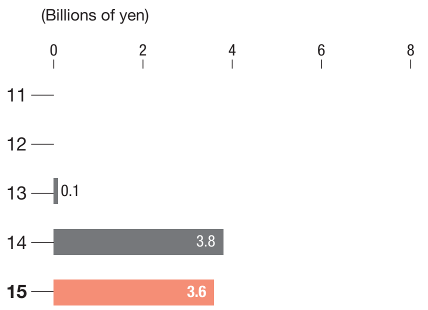
Total FPD area demand is forecast to continue expanding, reflecting strong demand for larger televisions and smartphones, the adoption of higher resolutions, including 4K, and expected market growth for displays used in automobiles and wearables.

Accordingly, in 2015, the FPD production equipment market is expected to grow 20% year on year due to continued capital investment in large-sized panels and increasing investment for small- and medium-sized panels for mobile devices.

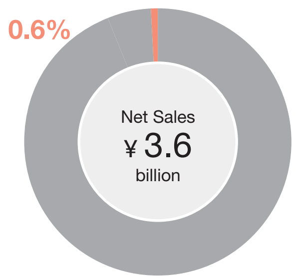
At the same time, in thin-film transistor (TFT) processes, the use of low-temperature polysilicon (LTPS) and such oxide semiconductors as indium gallium zinc oxide (IGZO) in place of conventional amorphous silicon is growing alongside the shift toward higher definition displays. Tokyo Electron will continue working to increase revenues by expanding sales of technologically superior ICP etch systems that can handle these new materials. The Company furthermore aims to expand the production equipment market for OLED displays, which are hailed as the next generation of display technology, by increasing productivity and reducing costs for customers with inkjet printing systems for use in the manufacture of large-sized OLED panels.

Zoom

PV Production Equipment



From fiscal 2011 to fiscal 2012, PV production equipment sales are included in FPD production equipment sales.



The number of photovoltaic panels (PV) installed globally continues to increase each year, reflecting growing environmental awareness and energy supply problems worldwide. Nevertheless, production equipment remains in oversupply.

- Segment net sales fell 4.9% year on year to ¥3.6 billion.
- Business withdrawal proceeded as planned.

Aiming to break into the thin-film silicon PV production equipment market, Tokyo Electron became the exclusive sales representative of Switzerland-based Oerlikon Solar in 2009. In 2012, the Company acquired Oerlikon Solar with the aim of generating growth. However, 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, and expects to further reduce losses in this segment.

Zoom

Corporate Governance

Against a backdrop of ongoing business globalization, Tokyo Electron maintains a management philosophy that places emphasis on improving corporate value for its shareholders and all other stakeholders. To this end, the Company considers it important to strengthen corporate governance. In line with the following three basic principles, the Company works to maintain a highly effective, optimized corporate governance structure while upgrading and strengthening its internal control systems and risk management system.

▶ Tokyo Electron's Basic Principles of Corporate Governance

1. Ensure the transparency and soundness of business operations
2. Facilitate quick decision-making and the efficient execution of business operations
3. Disclose information in a timely and suitable manner

The Corporate Governance Framework

Tokyo Electron uses the Audit & Supervisory Board system based on the Companies Act, and furthermore has established its own Compensation Committee* and Nomination Committee** to increase the transparency and objectivity of management. The members of these committees are directors or Audit & Supervisory Board Members, excluding the representative directors. Also, to more clearly define the roles of the Board of Directors and the executive body and to facilitate quick decision-making, Tokyo Electron has adopted the executive officer system since 2003, and in 2015 established the Corporate Senior Staff (CSS), composed mainly of executive officers, as a deliberative body for the Group's global strategy. Moreover, Tokyo Electron has been disclosing the individual remuneration of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

* Compensation Committee: This committee makes recommendations to the Board of Directors on the director remuneration system as well as representative director remuneration itself.
** Nomination Committee: This committee nominates director- and CEO-candidates, and submits them to the Board of Directors for approval.

▶ The Board of Directors

The Board of Directors consists of 13 directors, two of whom are outside directors. In principle, the Board of Directors meets once a month. During fiscal 2015, the Board of Directors met on 12 occasions. In order to ensure that the Company can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year.

▶ The Audit & Supervisory Board

The Company has five Audit & Supervisory Board Members, three of whom are outside Audit & Supervisory Board Members. The Audit & Supervisory Board Members attend meetings of the Board of Directors and other important business meetings, audit the performance of duties by directors, determine audit policy and the division of auditing duties among Members at Audit & Supervisory Board meetings, and examine the Group's execution of operations. Through these and other measures, Audit & Supervisory Board Members work to provide effective auditing. During fiscal 2015, the Audit & Supervisory Board met seven times.

▶ Outside Directors and Outside Audit & Supervisory Board Members

From the viewpoint of objectively ensuring the effectiveness of the decision-making of the Board of Directors, Tokyo Electron has appointed two outside directors to the Board: Mr. Hiroshi Inoue, who is Chairman of the Board at Tokyo Broadcasting System Holdings, Inc., and Mr. Masahiro Sakane, who is Councilor at Komatsu Ltd. Additionally, to objectively ensure the reasonableness of the audits, Tokyo Electron has appointed three outside Audit & Supervisory Board Members: Mr. Mikio Akaishi, Mr. Takatoshi Yamamoto and Mr. Ryuji Sakai, who is an attorney at law of Nagashima Ohno & Tsunematsu. Mr. Mikio Akaishi conducts audits of the Tokyo Electron Group as a full-time Audit & Supervisory Board Member.

▶ Compensation for Corporate Directors and Audit & Supervisory Board Members

Tokyo Electron has adopted the following executive compensation program with the intention of tying compensation more closely to financial results and shareholder value, raising corporate competitiveness, and enhancing management transparency.

1. The compensation for corporate directors consists of a monthly fixed remuneration and a performance-linked compensation.
2. The performance-linked compensation system for corporate directors is designed to align compensation more clearly with financial results and increases in shareholder value. It takes into account consolidated net income and consolidated return on equity (ROE), two performance indicators of consolidated business results. Necessary adjustments are then made when there are special factors that should be taken into account, such as principal performance indicators for the term under review, including profits and losses, and so on. In principle, performance-linked compensation comprises cash bonuses and stock-based compensation. Performance-linked compensation is limited to five times the fixed yearly remuneration. The ratio of cash bonuses to stock-based compensation has generally been one to one. Stock-based compensation consists of granting share subscription rights with a set strike price of one yen per share and a three-year vesting period before the granted stock options may be exercised.
3. The performance-linked compensation of outside directors does not include stock-based compensation.
4. The compensation for Audit & Supervisory Board Members consists only of a monthly fixed remuneration, to maintain independence from management.
5. Retirement allowance systems for corporate directors and Audit & Supervisory Board Members have been abolished since the end of fiscal 2005, as part of the revisions to Tokyo Electron's executive compensation program.

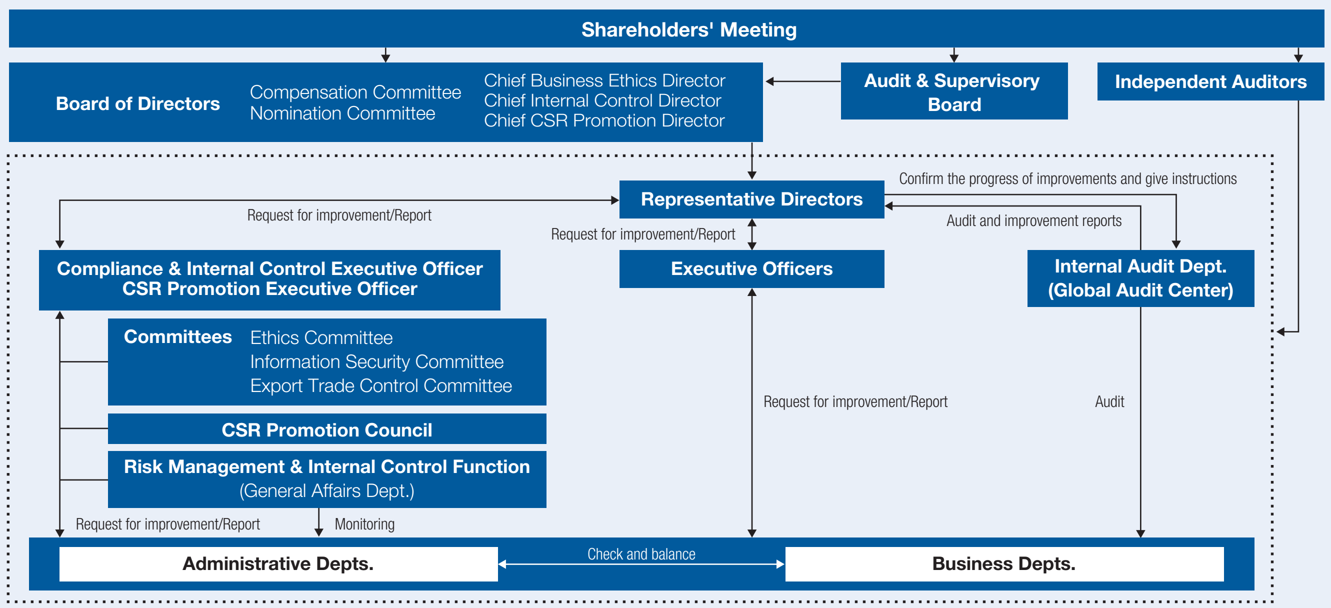
Internal Control System and Risk Management

Tokyo Electron is implementing measures related to Internal Controls Over Financial Reporting based on the Financial Instruments and Exchange Act. In response to the May 2015 changes to the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company has updated the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group and is working to strengthen internal control systems as a corporate group and to improve the audit system of the Audit & Supervisory Board in terms of concreteness and robustness.

▶ Risk Management System

To more effectively strengthen the internal control and risk management systems of the entire Group, Tokyo Electron has established a dedicated risk management and internal control function within the General Affairs Department under the executive officer in charge of compliance and internal control. This function analyzes the risks which could affect the Group and, as necessary, promotes measures to manage and reduce risk, such as requiring self-assessments from relevant departments related to identified key risk factors. It also reports on risk management activities to the Audit & Supervisory Board Members and the Board of Directors.

Diagram of the Corporate Governance Framework, Internal Control System and Risk Management System



Zoom

Corporate Governance

▶ Auditing by the Internal Audit Department

The Global Audit Center oversees the internal auditing activities of the entire Tokyo Electron Group. The Center is responsible for auditing the business activities of the Group's domestic and overseas bases as well as their compliance and systems, and for evaluating the effectiveness of internal control systems. As necessary, the Global Audit Center also provides guidance to operating divisions.

▶ Coordination between Audit & Supervisory Board Members and Internal Audit Department

The Audit & Supervisory Board Members coordinate with the Global Audit Center, a department responsible for internal auditing activities, primarily by attending its report meetings.

▶ Coordination between Audit & Supervisory Board Members and Independent Auditors

The Audit & Supervisory Board Members receive audit plans for the fiscal year from the independent auditors, as well as explanations regarding auditing methods and particular areas of focus, among other matters. The independent auditors audit the year-end financial statements and review the quarterly financial statements, and report the results of their audits to the Audit & Supervisory Board Members.

The Company provides KPMG AZSA LLC, its independent auditors, with all necessary information and data to ensure that it can conduct its audits during the fiscal year promptly and correctly.

Business Ethics and Compliance

Stakeholder trust is the cornerstone of business activities. In order to maintain trust, it is necessary to continuously act in rigorous conformity to business ethics and compliance. In line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group, all Group executives and employees are required to maintain high standards of ethics and to act with a clear awareness of compliance.

▶ Business Ethics

In 1998, Tokyo Electron formulated the Code of Ethics of the Tokyo Electron Group to establish uniform standards to govern all of its global business activities. In the same year, the Company appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the Group. The Ethics Committee comprises the Chief Business Ethics Director, the Ethics Committee Chairman and the presidents of major Group companies in and outside Japan. The committee meets semiannually to report on ethics-related matters at Group companies and discuss such matters as measures to promote ethics and compliance.

▶ Compliance System

Tokyo Electron has appointed an executive officer in charge of compliance and internal control as part of ongoing efforts to raise awareness of compliance across the Group and to further improve its implementation. In addition, Tokyo Electron has drawn up the Compliance Regulations setting out basic compliance-related requirements in line with the Code of Ethics. The Compliance Regulations are intended to ensure that all individuals who take part in business activities for the Group clearly understand pertinent laws, regulations, international standards and internal company rules, and continuously apply them in all of their activities.

▶ Compliance Education

The Tokyo Electron Group uses its e-learning system to provide mandatory web-based training covering the basics of compliance, export-related compliance and other topics for all executives and employees. The Group also implements specialized web-based training on insider trading and other subjects that is tailored to particular job positions and functions.

▶ Internal Reporting System

The Group operates an internal reporting system that employees can use to report concerns related to any activity which may violate laws, regulations or principles of business ethics. The entire Group has established an ethics hotline and a compliance hotline, and this reporting system is also in place at each overseas base. In all cases, this system ensures that strict confidentiality is maintained to protect whistleblowers and ensure that they are not subject to any disadvantage or repercussions.

Does Tokyo Electron have these major components of corporate governance?

Compensation Committee	Yes	Composed of directors, excluding representative directors, or Audit & Supervisory Board Members
Nomination Committee	Yes	Composed of directors, excluding representative directors, or Audit & Supervisory Board Members
Outside directors	Yes	Two of the 13 directors are outside directors
Outside Audit & Supervisory Board Members	Yes	Three of the five Audit & Supervisory Board Members are outside Audit & Supervisory Board Members
Executive officer system	Yes	
Disclosure of individual remunerations of representative directors	Yes	Disclosed since 1999
Performance-linked compensation system	Yes	
Stock options system	Yes	Does not apply to outside directors and Audit & Supervisory Board Members
Retirement allowance system for executives	No	
Anti-takeover measures	No	

CSR (Corporate Social Responsibility)

The Tokyo Electron Group regards as its greatest social responsibility achieving sound and sustained corporate growth in order to contribute to the development of society through the provision of superior products, technologies and services. To further promote CSR initiatives, the Group has established a CSR Policy as well as dedicated CSR promotion structure.

▶ CSR Policy

In 2013, Tokyo Electron adopted a CSR Policy based on the Company's Corporate Philosophy and Management Policies, codifying its basic stance and values with regard to CSR activities and concretely stating its corporate social responsibility and policies. By understanding its duties as a good corporate citizen and earnestly responding to the demands of society, the Tokyo Electron Group seeks to contribute to society and create hope for the future.

▶ CSR Promotion Council, Chief CSR Promotion Director, CSR Promotion Executive Officer

In 2014, the Group established the CSR Promotion Council to formulate and review CSR promotion plans and indicators, and newly appointed a Chief CSR Promotion Director to oversee the meeting. Under the leadership of the CSR Promotion Executive Officer, the Group is working to further enhance CSR activities.

Constituent of the FTSE4Good Global Index

FTSE4Good

Tokyo Electron has been a constituent of the FTSE4Good Global Index since September 2003. The FTSE4Good Global Index is a social responsibility investment (SRI) index provided by the FTSE Group, a world-leading index firm wholly owned by the London Stock Exchange.

Dialog with Investors

▶ IR Activities

Striving to maintain dialog with investors, Tokyo Electron appoints an executive officer in charge of IR and maintains a dedicated Investor Relations Department under the direct control of the president & CEO.

Tokyo Electron holds earnings release conferences for securities analysts and institutional investors with such speakers as the CEO and the executive officer in charge of accounting. The Group also participates in IR conferences in and outside Japan, at which the executive officer in charge of IR speaks, and holds individual meetings.

The spokespersons for the IR Department hold individual meetings with investors and periodically relay the opinions of investors at these events to the CEO and the executive officer in charge of IR so that feedback can be of use in management.

▶ Shareholders' Meeting

Tokyo Electron mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting as one of its measures to vitalize these meetings and to promote smooth and efficient voting. It also sets the date of the Company's meeting to avoid days on which many such meetings are concentrated. In addition, shareholders are free to cast their votes via the Internet. Moreover, Tokyo Electron participates in the web-based voting platform for institutional investors operated by ICJ, Inc.

To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries notices, resolutions, and voting results of shareholders' meetings.

Directors, Audit & Supervisory Board Members and Executive Officers (As of June 19, 2015)

Directors

Tetsuo Tsuneishi
Chairman of the Board

Tetsuro Higashi
Representative Director
President & CEO

Toshiki Kawai
Representative Director
Senior Executive Vice President & COO

Hirofumi Kitayama
Representative Director
Senior Executive Vice President
Business Ethics, CSR Promotion

Hikaru Ito
Corporate Director

Kenji Washino
Corporate Director

Tetsuro Hori
Corporate Director
Internal Control

Gishi Chung
Corporate Director

Masami Akimoto
Corporate Director

Sadao Sasaki
Corporate Director

Tatsuya Nagakubo
Corporate Director

Hiroshi Inoue*
Outside Corporate Director/ Chairman & Representative Director, Tokyo Broadcasting System Holdings, Inc.

Masahiro Sakane*
Outside Corporate Director/ Councilor, Komatsu Ltd.

* Outside Director

Audit & Supervisory Board Members

Yoshiteru Harada
Audit & Supervisory Board Member

Shojiro Mori
Audit & Supervisory Board Member

Mikio Akaishi*
Audit & Supervisory Board Member

Takatoshi Yamamoto*
Audit & Supervisory Board Member

Ryuji Sakai*
Audit & Supervisory Board Member/Attorney at law, Nagashima Ohno & Tsunematsu

* Outside Audit & Supervisory Board Member

Executive Officers

Tetsuro Higashi
President & CEO

Toshiki Kawai
Senior Executive Vice President & COO, General Manager, Business Promotion Division, General Manager, Business Unit Division

Hirofumi Kitayama
Senior Executive Vice President, General Manager, Development & Manufacturing Division, General Manager, Production Division, Quality

Hikaru Ito
Executive Vice President & General Manager, Global Field Division

Kenji Washino
Senior Vice President & Deputy General Manager, Global Field Division

Tetsuro Hori
Senior Vice President & General Manager, Finance & Legal Division, Corporate Strategy, IR,Compliance & Internal Control

Gishi Chung
Senior Vice President & General Manager, SPE Development Division

Masami Akimoto
Senior Vice President & Deputy General Manager, Development & Manufacturing Division
President, Tokyo Electron Kyushu Ltd.

Sadao Sasaki
Senior Vice President & Deputy General Manager, Development & Manufacturing Division, Deputy General Manager, SPE Development Division
President, Tokyo Electron Tohoku, Ltd.

Shigetoshi Hosaka
Senior Vice President & General Manager, Corporate Development Division

Hideyuki Tsutsumi
Senior Vice President & General Manager, Deputy General Manager, Business Unit Division (ES/TPS)

Barry Mayer
Senior Vice President & General Manager, Global Strategy
President, Tokyo Electron U.S. Holdings, Inc.

David Brough
Senior Vice President & General Manager, Global Strategy, General Manager, Europe Region
President, Tokyo Electron Europe Ltd.

Tatsuya Nagakubo
Vice President & General Manager, Human Resources & General Affairs Division, CSR Promotion, Corporate Branding Promotion

Masahiko Hamajima
Vice President & General Manager, Corporate Strategy

Takeo Sasaki
Vice President & General Manager, Legal/Export & Logistics Control

Kazushi Tahara
Vice President & General Manager, System Development Division, Deputy General Manager, Production Division

Keisuke Koizumi
Vice President & General Manager, IT Division

Seisu Ikeda (Yoh)
Vice President & General Manager, CTBU

Yoshinobu Mitano
Vice President & General Manager, ESBU

Shingo Tada
Vice President & General Manager, TPSBU

Takeshi Okubo
Vice President & General Manager, SDBU

Toshihiko Nishigaki
Vice President & General Manager, SPSBU

Yuichi Abe
Vice President & General Manager, ATSBU

Kiyoshi Sunohara
Vice President & General Manager, FSBU

Tsuguhiko Matsuura
Vice President & General Manager, FPDBU

Yoshiaki Horii
Vice President & General Manager, Planning of Region Strategy

Shinichi Sasahara
Vice President & General Manager, PVE

Yoshifumi Tahara
Vice President & General Manager
President, Tokyo Electron Yamanashi Ltd.

Hiromichi Ito
Vice President & General Manager
President, Tokyo Electron Miyagi Ltd.

Financial Review

Sales and Income

Operating Environment

The overall world economy in fiscal 2015 saw gradual recovery, chiefly in the United States, despite slowing growth in some emerging Asian countries.

In the electronics industry, in which Tokyo Electron operates, sales of new, high-performance smartphones were strong, and the smartphone markets of China and other emerging countries also expanded. Markets for electronics and semiconductors were also firm, reflecting increasing demand for data center servers due to rapid growth in data transmission volumes accompanying the further growth of cloud computing. As a result, capital investment by semiconductor manufacturers, Tokyo Electron's main customers, saw considerable growth of 16% compared with the previous year.

Sales

During fiscal 2015, aiming to further increase future profitability, Tokyo Electron implemented business reorganization in order to concentrate management resources on its mainstay semiconductor production equipment (SPE) and flat panel display (FPD) production equipment businesses. As part of this reorganization, the Company sold a portion of its shares of Tokyo Electron Device Limited (TED), which operates the electronic components and computer networks business, resulting in the reclassification of TED from a consolidated subsidiary to an equity method affiliate. TED's exclusion from the scope of consolidation as of fiscal 2015 resulted in a year on year decrease in consolidated net sales of approximately ¥100.7 billion (TED's net sales in fiscal 2014). However, buoyed by the favorable market conditions described above, sales in Tokyo Electron's mainstay SPE and FPD production equipment businesses grew ¥101.8 billion from fiscal 2014. As a result, net sales in fiscal 2015 rose 0.2% year on year to ¥613.1 billion.

Domestic sales fell 41.2% year on year to ¥95.0 billion, while overseas sales grew 15.0% to ¥518.1 billion. Overseas sales as a share of total consolidated sales came to 84.5% in fiscal 2015, up 10.9 percentage points from 73.6% in fiscal 2014. This change was mainly due to the aforementioned exclusion of TED, which had a domestic sales ratio of approximately 80%, from the scope of consolidation.

Orders received during fiscal 2015 came to ¥661.0 billion, down 5.1% compared with the previous fiscal year. This was due to the exclusion of TED from the scope of consolidation, which overshadowed an increase in orders received of more than 14% in the mainstay SPE business. The order backlog at the end of March 2015 was ¥295.8 billion, up 11.6% year on year. For orders received and order backlog in the SPE and FPD production equipment segments, see Performance by Segment on page 13.

Gross Profit, SG&A Expenses and Operating Income

Cost of sales during fiscal 2015 decreased 9.7% year on year to ¥370.4 billion, while the cost of sales ratio dropped 6.6 percentage points to 60.4%. As a result, gross profit was up 20.2% year on year to ¥242.8 billion, and the gross profit margin rose considerably, from 33.0% in fiscal 2014 to a record high of 39.6% in fiscal 2015. The primary reasons for this improvement were increased competitiveness and profitability in the mainstay SPE business and the effect of business reorganization that resulted in the exclusion of TED from the scope of consolidation.

SG&A expenses fell 8.9% year on year to ¥154.7 billion. This decrease consisted of a ¥13.1 billion decrease resulting from the exclusion of TED from the scope of consolidation as well as a ¥7.3 billion reduction in R&D expenses reflecting a withdrawal from the photovoltaic panel (PV) production equipment business. Although the exclusion of TED, which had a low ratio of SG&A expenses to net sales, from the scope of consolidation pushed the consolidated SG&A expenses ratio up, the ratio of SG&A expenses to net sales in the mainstay SPE and FPD production equipment segments fell considerably due to sales increases. As a result, the ratio of SG&A expenses to consolidated net sales dropped from 27.7% in the previous fiscal year to 25.2% in the fiscal year under review.

Consequently, operating income increased 173.6% year on year to ¥88.1 billion, and the operating margin rose considerably, from 5.3% to 14.4%.

Research and Development

R&D expenses were down 9.3% year on year to ¥71.3 billion. The main cause of this decrease was the withdrawal from the PV production equipment business. The ratio of R&D expenses to net sales dropped from 12.9% in fiscal 2014 to 11.6% in fiscal 2015. This was because R&D expenses diminished while net sales remained roughly level with those of the previous fiscal year. As Tokyo Electron views R&D as a source of growth, the Company invested not only in strengthening existing business areas, but also in new areas that are expected to support future growth.

R&D investment in semiconductor production equipment was focused on cutting-edge technologies in order to improve semiconductor speed, capacity, power consumption and cost effectiveness. Efforts to develop key technologies in the areas of etching, deposition and cleaning, which realize multiple patterning for further miniaturization, 3D structure devices and new materials, contributed to an increase in Tokyo Electron's market share in calendar year 2014. Other achievements included progress in the development of production equipment for STT-MRAM*, a promising candidate for the next-generation of memory device. Certain products in these areas were also adopted in customers' development lines.

In the advanced packaging field, Tokyo Election has commenced joint research with the Institute of Microelectronics of Singapore's Agency for Science, Technology and Research. This research aims to establish a new standard technology in the packaging industry and reduce costs, the greatest remaining obstacle to achieving full-fledged high volume manufacturing.

In FPD production equipment, R&D investment concentrated on accelerating development of inkjet printing systems for manufacturing OLED panels. These efforts led to adoptions of such systems in a customer's development lines.

* STT-MRAM: Spin Transfer Torque-Magnetoresistive Random Access Memory (an emerging memory promising for its low power consumption)

Other Income (Expenses) and Net Income (Loss)

During fiscal 2015, main sources of other income were ¥1.8 billion in gain on sale of property, plant and equipment including the sale of land and buildings related to Tokyo Electron's withdrawal from the PV production equipment business, ¥1.6 billion in foreign exchange gain and ¥1.3 billion in interest and dividend income. The Company recorded many other expenses for business reorganization and to improve asset efficiency. These expenses mainly included ¥2.5 billion in loss on impairment of buildings and production facilities resulting chiefly from revisions to business plans for a factory in China in the FPD production equipment business, ¥1.6 billion in loss on sales of affiliates' shares accompanying the exclusion of TED from the scope of consolidation, ¥1.1 billion in loss on liquidation of subsidiaries related to the PV production equipment business, and ¥1.0 billion in expenses for restructuring of business bases due to the closure of the Technology Center Sendai and Technology Center Tsukuba. As a result, net other income (expenses) came to ¥1.3 billion of net expense in fiscal 2015, compared with ¥44.0 billion of net expense in fiscal 2014.

As a result, income before income taxes and minority interests came to ¥86.8 billion, compared with a ¥11.8 billion loss in the previous year. Net income totaled ¥71.9 billion in fiscal 2015, compared with net loss of ¥19.4 billion in fiscal 2014. Net income per share was ¥401.08 in fiscal 2015, compared with net loss per share of ¥108.31 in fiscal 2014.

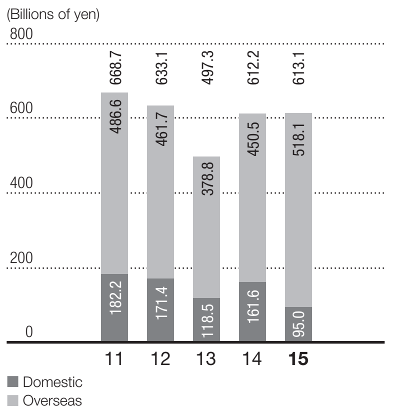
Comprehensive Income (Loss)

In fiscal 2015, Tokyo Electron recognized comprehensive income of ¥80.3 billion, compared with loss of ¥10.9 billion in fiscal 2014. This was mainly due to income before minority interests of ¥71.9 billion, foreign currency translation adjustments of ¥6.6 billion, reflecting the depreciation of the yen, and the ¥3.9 billion gain on changes in fair value of investment securities.

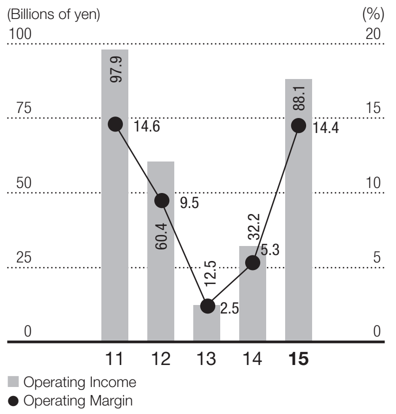
Millions of yen

Sales and Income	2011	2012	2013	2014	2015
Net sales	¥668,722	¥633,091	¥497,300	¥612,170	**¥613,125**
Gross profit	234,758	211,445	158,755	201,892	**242,774**
Gross profit margin	35.1%	33.4%	31.9%	33.0%	**39.6%**
Selling, general and administrative expenses	136,888	151,002	146,206	169,687	**154,661**
Operating income	97,870	60,443	12,549	32,205	**88,113**
Operating margin	14.6%	9.5%	2.5%	5.3%	**14.4%**
Income (loss) before income taxes and minority interests	99,579	60,602	17,767	(11,756)	**86,828**
Net income (loss)	71,924	36,726	6,076	(19,409)	**71,888**

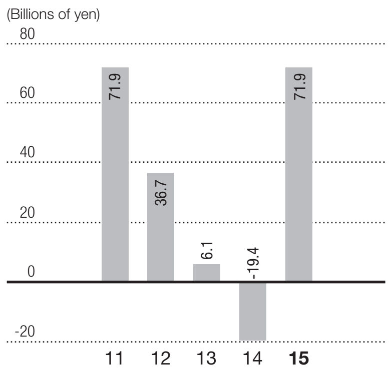
■ **Domestic and Overseas Sales**



■ **Operating Income and Operating Margin**



■ **Net Income (Loss)**



Financial Review

Dividend Policy and Dividends

It is the policy of Tokyo Electron to pay dividends on the basis of business performance and earnings results. The dividend payout ratio has been set at approximately 35% of consolidated net income. Reflecting the Company's strong business results, Tokyo Electron paid annual dividends for fiscal 2015 of ¥143 per share (a payout ratio of 35.7%), its highest ever. Going forward, Tokyo Electron will continue to repay the support of its shareholders through profit growth. Note that, because the Company was anticipating a business combination with Applied Materials, Inc., it specially paid dividends every quarter in fiscal 2015, (per-share dividends for the first, second and third quarters and the year-end were ¥10, ¥30, ¥35 and ¥68, respectively).

Performance by Segment

■ Semiconductor Production Equipment

In 2014, global sales of semiconductors grew about 8% year on year to a record high of US$340 billion, reflecting strong sales of smartphones and other mobile devices as well as rising demand for data center servers. Accordingly, capital investment in wafer fab equipment for both memory and logic was brisk, growing a considerable 16% year on year.

The Company's market share grew for every product in this segment, including etch systems and cleaning systems, which Tokyo Electron is focusing on as key areas in which to raise market share. Tokyo Electron's share of the wafer fab equipment market climbed 3.1 percentage points in 2014 to 13.6%. Market share of cleaning systems reached 25%, its highest level ever, thanks to sales expansion of strategic products to meet miniaturization needs. In addition, net sales in the field solutions business, which handles sales of parts and used equipment, modifications and maintenance services, rose approximately 35% year on year due to the advance of miniaturization and resulting rising demand for production equipment manufacturers that have strong technical capabilities.

Segment net sales to external customers increased 20.3% from fiscal 2014 to ¥576.2 billion in fiscal 2015, outpacing the 16% growth rate of the wafer fab equipment market in 2014. Segment net sales including intersegment sales or transfers were also up 20.3% to ¥576.2 billion. Segment profit rose 83.1% compared with fiscal 2014 to ¥136.0 billion, and the segment profit margin rose significantly, from 15.5% in fiscal 2014 to a record high level of 23.6%.

Orders received in this segment increased 14.6% to ¥626.8 billion. The order backlog as of March 31, 2015 was up 24.1% year on year to ¥260.5 billion.

For a business overview of this segment, please see page 8.

■ FPD (Flat Panel Display) Production Equipment

In 2014, overall LCD panel area demand grew nearly 10% year on year, mainly due to expansion in demand for TVs. As a result, capital investment in large-sized LCD panels in China grew, and the FPD production equipment market grew 20% year on year. In this context, sales of Tokyo Electron's inductively coupled plasma (ICP) etch systems, which have a competitive edge among products for high definition, large-sized panels, were favorable.

Segment net sales to external customers increased 15.5% year on year to ¥32.7 billion. Segment net sales including intersegment sales or transfers also increased 15.5% to ¥32.7 billion. Nevertheless, segment loss widened from ¥37 million in fiscal 2014 to ¥1.3 billion in fiscal 2015, due to additional costs recorded for certain products.

Orders received in this segment decreased 14.6% year on year to ¥35.3 billion. The order backlog as of March 31, 2015 was up 8.9% to ¥31.6 billion.

For a business overview of this segment, please see page 8.

■ PV (Photovoltaic Panel) Production Equipment

Tokyo Electron announced in January 2014 that it would withdraw from the PV production equipment business and has since been advancing withdrawal procedures. In fiscal 2015, in anticipation of the completion of major work on delivered equipment, the Company decided to begin dissolving and liquidating TEL Solar AG, the consolidated subsidiary that mainly handled this business, and wrote off the subsidiary's debt. As a result, Tokyo Electron recorded a ¥1.0 billion loss on liquidation of subsidiaries in this segment.

Segment net sales to external customers decreased from ¥3.8 million in fiscal 2014 to ¥3.6 billion in fiscal 2015. Segment net sales including intersegment sales or transfers also decreased from ¥3.8 billion to ¥3.6 billion. Segment loss narrowed to ¥8.8 billion in fiscal 2015 from a loss of ¥46.4 billion in fiscal 2014.

Orders received in this segment decreased ¥1.7 billion year on year due in large part to changes in sales terms with customers accompanying business withdrawal procedures. The order backlog as of March 31, 2015 was down 58.9% to ¥3.7 billion.

For a business overview of this segment, please see page 8.

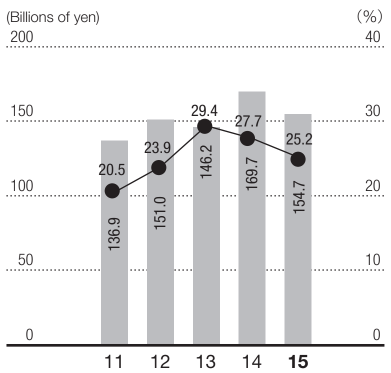
■ Other

Other sales mainly include group-wide logistics services, facility maintenance and insurance. Net sales to external customers amounted to ¥0.6 billion, up 15.8% year on year.

Millions of yen

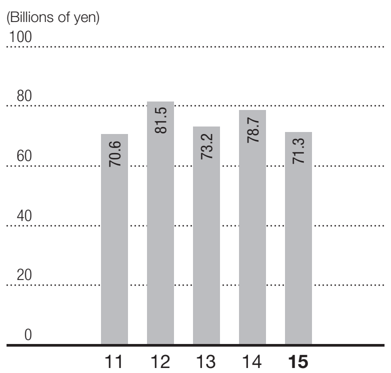
Segment Information 2015:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Reportable Segment: PV production equipment	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	¥576,242	¥32,710	¥3,618	¥ 555	¥613,125	¥ —	¥613,125
Intersegment sales or transfers	—	—	—	11,443	11,443	(11,443)	—
Total	576,242	32,710	3,618	11,998	624,568	(11,443)	613,125
Segment profit (loss)	135,992	(1,312)	(8,789)	1,169	127,060	(40,232)	86,828
Segment assets	305,583	23,751	1,731	1,891	332,956	543,198	876,154
Depreciation and amortization	10,018	427	6	42	10,493	10,385	20,878
Amortization of goodwill	1,150	—	—	—	1,150	—	1,150
Loss on impairment	388	509	—	—	897	1,609	2,506
Capital expenditures, including intangible and other assets	8,530	197	—	23	8,750	5,530	14,280

■ Selling, General and Administrative Expenses and Ratio to Net Sales

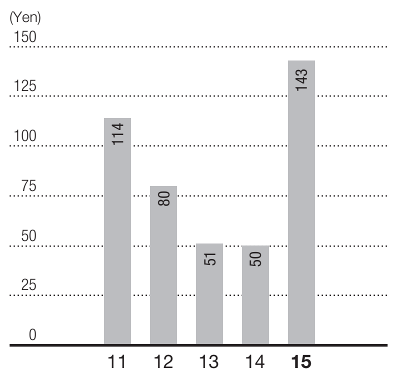


■ Selling, General and Administrative Expenses
● Ratio to Net Sales

■ R&D Expenses

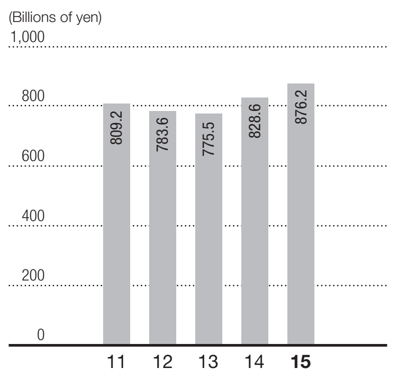


■ Cash Dividends per Share

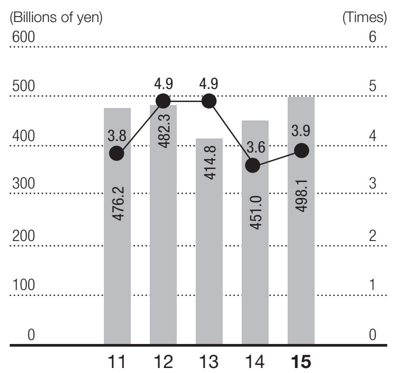


The fiscal 2013 annual dividend of ¥51 includes a commemorative 50 year anniversary dividend of ¥20.

■ Total Assets

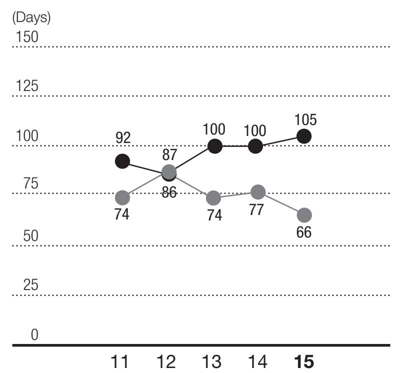


■ Working Capital and Current Ratio



■ Working Capital
● Current Ratio

■ Receivable Turnover and Inventory Turnover



● Receivable Turnover
● Inventory Turnover

Financial Review

Financial Position and Cash Flows

Assets, Liabilities and Net Assets

■ **Assets**

Current assets increased by ¥49.4 billion from the end of the previous fiscal year to ¥670.9 billion, reflecting increases of ¥49.5 billion in total liquidity on hand (cash, cash equivalents and short-term investments with original maturities of less than one year), ¥7.3 billion in inventories and ¥6.9 billion in prepaid expenses and other current assets, as well as a decrease of ¥18.2 billion in trade notes and accounts receivable. The turnover period for trade notes and accounts receivable improved from 77 days in fiscal 2014 to 66 days in fiscal 2015, and the inventory turnover period worsened slightly from 100 days in fiscal 2014 to 105 days in fiscal 2015.

Net property, plant and equipment decreased ¥5.4 billion year on year to ¥106.9 billion due to ¥18.1 billion in depreciation and amortization and ¥2.1 billion in impairment of fixed assets including production facilities at a factory in China in the FPD production equipment business. These factors more than offset ¥13.2 billion in new fixed asset acquisitions.

Investments and other assets increased ¥3.6 billion year on year to ¥98.4 billion, mainly due to a ¥3.9 billion increase in investment securities.

As a result, total assets as of March 31, 2015 stood at ¥876.2 billion, up ¥47.6 billion year on year.

■ **Liabilities and Net Assets**

Current liabilities increased ¥2.3 billion from the end of fiscal 2014 to ¥172.8 billion at the end of fiscal 2015. This reflected increases of ¥8.5 billion in customer advances, ¥3.5 billion in accrued employees' bonuses and ¥2.8 billion in trade notes and accounts payable, as well as decreases of ¥7.8 billion in income taxes payable and ¥5.1 billion in accrued expenses and other current liabilities.

Non-current liabilities decreased ¥5.3 billion year on year to ¥62.2 billion, due mainly to decreases in net liability for retirement benefits of ¥2.6 billion and deferred tax liabilities of ¥1.0 billion.

As of March 31, 2015, Tokyo Electron had no interest-bearing debt (long- and short-term debt), compared with ¥13.5 billion at the end of the previous fiscal year, due to the exclusion of Tokyo Electron Device, which held the debt, from the scope of consolidation.

Total liabilities (current liabilities and non-current liabilities) stood at ¥235.0 billion, down ¥3.0 billion from the end of the previous fiscal year.

Net assets came to ¥641.2 billion at the end of fiscal 2015, up ¥50.5 billion from the end of fiscal 2014. This was mainly due to a ¥52.6 billion increase in retained earnings, reflecting the recording of ¥71.9 billion in net income and ¥17.9 billion paid in cash dividends (the total of the fiscal 2014 year-end dividend and the fiscal 2015 first, second and third quarter dividends), as well as a ¥6.7 billion increase in foreign currency translation adjustments due to the depreciation of the yen and a ¥10.6 billion decrease in minority interests due partly to the exclusion of Tokyo Electron Device from the scope of consolidation.

As a result, the equity ratio rose 3.2 percentage points from the end of March 2014 to 73.0% at the end of March 2015. ROE climbed to 11.8% from -3.3% in fiscal 2014.

Capital Expenditures* and Depreciation and Amortization**

Capital expenditures were ¥13.2 billion in fiscal 2015, a 3.0% year-on-year increase. The primary factor causing the increase was the acquisition of process evaluation equipment for R&D, primarily for areas with high growth potential in the SPE business.

Depreciation and amortization decreased 16.1% to ¥20.9 billion due to efforts to restrain capital investment since the previous fiscal year.

* Capital expenditures represent only the gross increase in property, plant and equipment.

** Depreciation and amortization does not include amortization of goodwill or losses on impairment.

Cash Flows

Net cash provided by operating activities came to ¥71.8 billion, up ¥27.4 billion from fiscal 2014. Major contributors were ¥86.8 billion in income before income taxes and minority interests, ¥20.9 billion in depreciation and amortization, a ¥12.9 billion increase in customer advances and a ¥9.4 billion increase in trade notes and accounts payable. Major negative factors included a ¥26.8 billion increase in inventories, ¥24.2 billion in income taxes paid and a ¥11.4 billion increase in prepaid consumption tax.

Net cash provided by investing activities was ¥155.7 billion, compared with ¥19.6 billion used in the previous fiscal year. This increase included proceeds of ¥163.3 billion from a net decrease in short-term investments and ¥11.9 billion used in the payment for purchase of property, plant and equipment.

Cash used in financing activities came to ¥18.2 billion, compared with ¥0.2 billion in fiscal 2014. Major outflows included ¥17.9 billion in dividends paid.

The balance of cash and cash equivalents at the end of March 2015 stood at ¥317.6 billion, an increase of ¥212.8 billion from the end of fiscal 2014. Total liquidity on hand, which consists of cash, cash equivalents and short-term investments with original maturities of less than one year, increased ¥49.5 billion year on year to ¥317.7 billion at the end of March 2015.

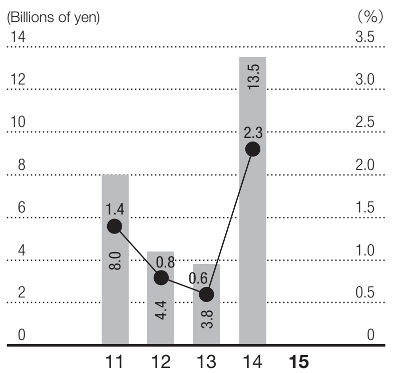
Millions of yen

Financial Position	2011	2012	2013	2014	2015
Total current assets	¥644,231	¥607,051	¥521,501	¥621,492	**¥670,883**
Net property, plant and equipment	112,552	126,885	135,698	112,344	**106,896**
Total investments and other assets	52,422	49,675	118,329	94,756	**98,375**
Total assets	809,205	783,611	775,528	828,592	**876,154**
Total current liabilities	168,038	124,794	106,670	170,510	**172,812**
Total liabilities	224,403	185,008	170,401	237,978	**234,991**
Total net assets (Total shareholders' equity)	584,802	598,603	605,127	590,614	**641,163**

Millions of yen

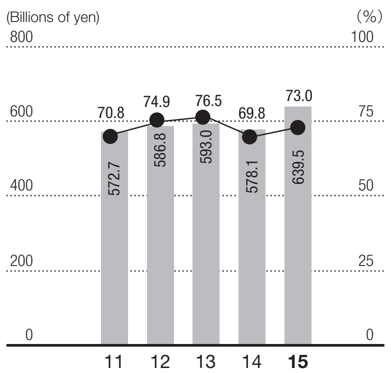
Cash Flows	2011	2012	2013	2014	2015
Cash flows from operating activities	¥ 83,239	¥ 29,712	¥ 84,267	¥ 44,449	**¥ 71,806**
Cash flows from investing activities	(35,882)	(8,352)	(141,769)	(19,599)	**155,738**
Cash flows from financing activities	(5,237)	(27,335)	(10,625)	(187)	**(18,214)**
Cash and cash equivalents at end of year	165,051	158,776	85,314	104,797	**317,632**

■ **Interest-Bearing Debt, D/E Ratio**



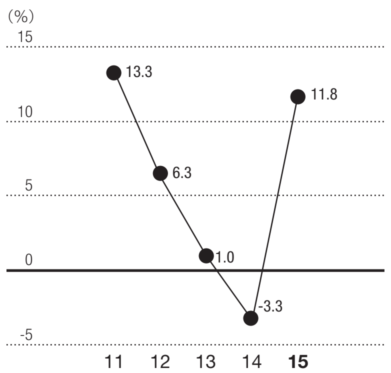
■ Interest-Bearing Debt
● Debt-to-Equity Ratio

■ **Equity and Equity Ratio**



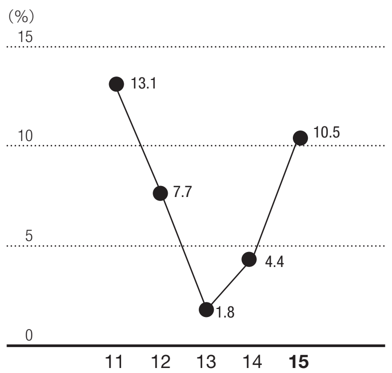
■ Equity
● Equity Ratio

■ **ROE**



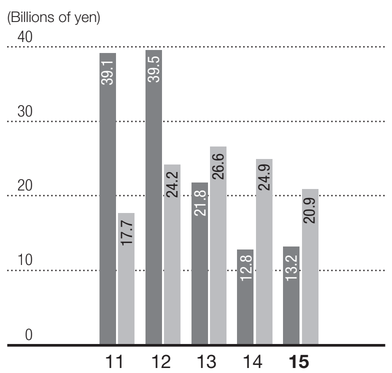
ROE = (Net income or loss / Average total equity) × 100

■ **ROA**



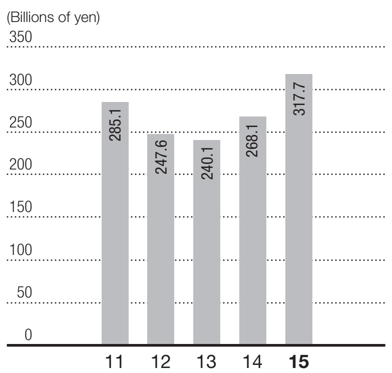
ROA = (Operating income or loss + Interest and dividend income) / Average total assets x 100

■ **Capital Expenditures and Depreciation and Amortization**



■ Capital Expenditures
■ Depreciation and Amortization

■ **Total Liquidity on Hand**



Total liquidity on hand = Cash and cash equivalents + Short-term investments

Financial Review

Business-related and Other Risks

The following risks may have a material impact on Tokyo Electron's business performance, stock price, or financial position.

(1) Impact from Changes in the Semiconductor Market

Tokyo Electron has achieved a high profit margin by concentrating resources in high-tech fields, including semiconductor production equipment, where technological innovation is rapid but Tokyo Electron can effectively use its strengths. Although technological change is responsible for the semiconductor market's rapid growth, Tokyo Electron has actively undertaken structural reforms to be able to generate profits under any circumstances, including when the market contracts temporarily due to imbalance of supply and demand. However, order cancellations, excess capacity and personnel and increased inventories resulting from an unexpectedly large market contraction, losses from bad debts resulting from the worsening of a customer's financial position, and supply shortages resulting from the worsening of a supplier's management situation, could adversely affect Tokyo Electron's business performance considerably.

(2) Impact from Concentration of Transactions on Particular Customers

Tokyo Electron has been successful at increasing transactions with the leading semiconductor manufacturers worldwide, including those in Japan, through the provision of products featuring outstanding, cutting-edge technology and of services offering a high level of customer satisfaction. However, Tokyo Electron's sales may from time to time be temporarily concentrated on particular customers due to the timing of large capital investments of major semiconductor manufacturers. The resulting escalation in sales competition could adversely affect Tokyo Electron's business performance.

(3) Impact from Research and Development

Through ongoing and proactive R&D investment and activities in cutting-edge technologies—miniaturization, vacuum, plasma, thermal processing, coating/developing, cleaning, wafer-transfer and clean technologies—Tokyo Electron has created advanced technologies. At the same time, by quickly bringing to market new products incorporating these technologies, Tokyo Electron has successfully captured a high market share in each of the product fields it has entered and generated a high profit margin. However, delays in the launch of new products and other factors could adversely affect Tokyo Electron's business performance.

(4) Safety-related Impact

Tokyo Electron's basic philosophy is to always bear in mind safety and health in the execution of business activities, including development, manufacturing, sales, services and management. In accordance with this philosophy, Tokyo Electron works actively and continuously to improve the safety of its products and to eliminate any harmful impact on health. However, harm to customers, order cancellations or other circumstances resulting from safety or other problems related to Tokyo Electron's products could adversely affect Tokyo Electron's business performance.

(5) Impact from Quality Issues

Tokyo Electron actively develops outstanding, cutting-edge technologies for incorporation in new products that are brought quickly to market. At the same time, Tokyo Electron works to establish a quality assurance system, efforts that include obtaining ISO 9001 certification, as well as to establish a world-class service system. These actions have resulted in a large number of customers adopting Tokyo Electron's products. However, because Tokyo Electron's products are based on cutting-edge technologies, and due to other factors, many of the technologies developed are in unfamiliar fields. The occurrence of unforeseen defects or other issues could adversely affect Tokyo Electron's business performance.

(6) Impact of Intellectual Property Rights

In order to distinguish its products and make them more competitive, Tokyo Electron has promoted its R&D strategy for the early development of cutting-edge technologies together with its business and intellectual property strategies. This approach has enabled Tokyo Electron to obtain sole possession of many proprietary technologies that have been instrumental to the Company's ability to capture a high market share and generate high profit margins in each of its product fields. Tokyo Electron's products incorporate and optimize many of these proprietary cutting-edge technologies. There may be cases in which, by avoiding the use of third-party technologies and intellectual property rights, Tokyo Electron's business performance could be adversely affected.

(7) Impact of Fluctuating Foreign Exchange Rates

Success in the development of overseas operations has increased the share of sales generated overseas. As a rule, Tokyo Electron conducts export transactions on a yen basis to avert exposure to foreign currency risks. However, some exports are denominated in foreign currencies. In these cases, Tokyo Electron hedges foreign currency risk by using a forward foreign exchange contract when an order is received or by other means. However, foreign exchange rate risks can arise from fluctuations in prices due to sudden foreign exchange movements, which could have an indirect adverse effect on Tokyo Electron's business performance.

(8) Influence of Corporate Acquisitions

As part of its business strategy, Tokyo Electron conducts corporate acquisitions in order to expand into new business areas, secure new technologies and business platforms, and strengthen the competitiveness of existing businesses. The Company conducts due diligence and carefully deliberates each specific acquisition. However, in the event that the results following an acquisition do not meet expectations, Tokyo Electron's business performance could be adversely affected.

(9) Impact from Major Lawsuits or Legal Actions

Tokyo Electron is not currently involved in any lawsuits or other legal actions that are likely to significantly influence its business results. However, in the event that the Company's business or other activities become the subject of a major lawsuit or other legal action, depending on the outcome of such action, Tokyo Electron's business results could be adversely affected.

(10) Other Risks

Tokyo Electron is actively engaged in reforming its corporate structure so that it can generate profits even when markets contract. These reforms have entailed creating new high-growth and high-return businesses and pursuing higher earnings from existing businesses. At the same time, Tokyo Electron has promoted activities to preserve the environment and worked to restructure its compliance, risk management and information security management systems. However, as long as it conducts business activities, as with peer companies or companies in different industries, Tokyo Electron is subject to the effect of many other factors. These include the world and regional economic environments, natural disasters, war, terrorism, infectious diseases and other unavoidable occurrences, financial or stock markets, government or other regulations, supply chains, market conditions for products and real estate, the ability to recruit personnel in Japan and overseas, competition over standardization, and loss of key personnel. Any of these factors could adversely affect Tokyo Electron's business performance.

Consolidated Eleven-Year Summary

Tokyo Electron Limited and Subsidiaries
As of and for the years ended March 31

	Thousands of U.S. dollars	Millions of yen										
	2015	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net sales [1]	$5,102,147	¥613,125	¥612,170	¥ 497,300	¥ 633,091	¥ 668,722	¥ 418,637	¥ 508,082	¥ 906,092	¥ 851,975	¥ 673,686	¥ 635,710
Semiconductor production equipment	4,795,223	576,242	478,842	392,027	477,873	511,332	262,392	325,383	726,440	642,625	486,883	457,191
FPD production equipment	272,198	32,710	28,317	20,077	69,889	66,721	71,361	88,107	68,016	100,766	81,176	75,038
PV production equipment	30,107	3,618	3,806	83	—	—	—	—	—	—	—	—
Computer networks	—	—	—	—	—	—	—	—	—	19,169	17,497	15,966
Electronic components and computer networks	—	—	100,726	84,665	84,868	90,216	84,473	94,207	111,181	88,294	86,881	86,249
Other	4,619	555	479	448	461	453	411	385	455	1,121	1,249	1,266
Operating income (loss)	733,236	88,113	32,205	12,549	60,443	97,870	(2,181)	14,711	168,498	143,979	75,703	63,983
Income (loss) before income taxes and minority interests	722,543	86,828	(11,756)	17,767	60,602	99,579	(7,768)	9,637	169,220	144,414	75,328	55,775
Net income (loss)	598,219	71,888	(19,409)	6,076	36,726	71,924	(9,033)	7,543	106,271	91,263	48,006	61,601
Comprehensive income (loss) [2]	668,178	80,295	(10,889)	15,826	36,954	69,598	(4,751)	—	—	—	—	—
Domestic sales	790,930	95,046	161,631	118,504	171,364	182,165	162,609	208,871	323,946	313,816	262,532	232,678
Overseas sales	4,311,217	518,079	450,539	378,796	461,727	486,557	256,028	299,211	582,146	538,159	411,154	403,032
Depreciation and amortization [3]	173,737	20,878	24,888	26,631	24,198	17,707	20,002	23,068	21,413	18,820	19,170	21,463
Capital expenditures [4]	109,711	13,184	12,799	21,774	39,541	39,140	14,919	18,108	22,703	27,129	13,335	9,876
R&D expenses	593,742	71,350	78,664	73,249	81,506	70,568	54,074	60,988	66,073	56,962	49,182	43,889
Total assets	7,290,955	876,154	828,592	775,528	783,611	809,205	696,352	668,998	792,818	770,514	663,243	644,320
Total net assets (Total shareholders' equity) [5]	5,335,456	641,163	590,614	605,127	598,603	584,802	523,370	529,265	545,245	469,811	376,900	332,165
Number of employees		10,844	12,304	12,201	10,684	10,343	10,068	10,391	10,429	9,528	8,901	8,864
	U.S. dollars	Yen										
Net income (loss) per share of common stock:												
Basic	$ 3.34	¥ 401.08	¥ (108.31)	¥ 33.91	¥ 205.04	¥ 401.73	¥ (50.47)	¥ 42.15	¥ 594.01	¥ 511.27	¥ 267.61	¥ 343.63
Diluted [6]	3.33	400.15	—	33.85	204.72	401.10	—	42.07	592.71	509.84	267.32	343.54
Net assets per share of common stock	29.68	3,567.23	3,225.92	3,309.58	3,275.14	3,198.66	2,859.37	2,896.55	2,989.70	2,573.72	2,112.30	1,863.28
Cash dividends per share of common stock	1.19	143.00	50.00	51.00	80.00	114.00	12.00	24.00	125.00	103.00	55.00	45.00
Number of shares outstanding (thousands)		180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611
Number of shareholders		20,829	30,563	41,287	42,414	44,896	39,285	42,509	43,324	41,289	46,272	60,857
		%										
ROE		11.8	(3.3)	1.0	6.3	13.3	(1.8)	1.4	21.4	21.8	13.5	20.3
Operating margin		14.4	5.3	2.5	9.5	14.6	(0.5)	2.9	18.6	16.9	11.2	10.1
Equity ratio		73.0	69.8	76.5	74.9	70.8	73.5	77.5	67.5	59.7	56.8	51.6
Asset turnover (times)		0.72	0.76	0.64	0.79	0.89	0.61	0.70	1.16	1.19	1.03	1.05
	U.S. dollars	Thousands of yen										
Net sales per employee	$ 470,500	¥ 56,540	¥ 49,754	¥ 40,759	¥ 59,256	¥ 64,655	¥ 41,581	¥ 48,896	¥ 86,882	¥ 89,418	¥ 75,687	¥ 71,718

1 From fiscal 2008, Computer networks is included in Electronic components and computer networks. Photovoltaic panel (PV) production equipment was included in the FPD production equipment until fiscal 2012. Electronic components and computer networks were excluded because Tokyo Electron Device Limited, a former consolidated subsidiary, become an equity method affiliate from fiscal 2015.
2 From fiscal 2011, the Company applied "Accounting Standards for Presentation of Comprehensive Income (Statement No. 25) released by the Accounting Standards Board of Japan (ASBJ). Accordingly, comprehensive income (loss) have been disclosed from fiscal 2010.
3 Depreciation and amortization does not include amortization and loss on impairment of goodwill.
4 Capital expenditures only represent the gross increase in property, plant and equipment.
5 From fiscal 2007, "Total net assets" has been disclosed in accordance with "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8) released by the Accounting Standards Board of Japan (ASBJ). "Total net assets" through fiscal 2006 represents "Total shareholders' equity" under the former accounting standards.
6 From fiscal 2011, the Company calculated net income per share of common stock (diluted) in accordance with "Accounting Standard for Earnings Per Share" (Statement No. 2 issued as of June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (Guidance No. 4 issued as of June 30, 2010) released by the Accounting Standards Board of Japan (ASBJ). Dilution is not assumed for the years ended March 31, 2014 and 2010.
7 Effective from fiscal 2005, Tokyo Electron changed its method of revenue recognition to receipt of customer confirmation of product set-up and testing of products for Semiconductor and FPD production equipment. The effect of this change decreased net sales, operating income and income before income taxes by ¥80,956 million, ¥20,541 million and ¥20,563 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.
8 Effective from fiscal 2005, Tokyo Electron changed its method to account for after-sale repair expenses by recording accrued warranty expenses for Semiconductor and FPD production equipment. The effect of this change decreased operating income and income before income taxes by ¥635 million and ¥13,106 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.

Consolidated Balance Sheets

Tokyo Electron Limited and Subsidiaries
As of March 31, 2015 and 2014

ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Current assets:			
Cash and cash equivalents	¥317,632	¥104,797	$2,643,189
Short-term investments	283	163,350	2,355
Trade notes and accounts receivable	110,845	129,032	922,402
Allowance for doubtful accounts	(379)	(1,503)	(3,154)
Inventories	175,588	168,277	1,461,163
Deferred income taxes	27,672	25,174	230,274
Prepaid expenses and other current assets	39,242	32,365	326,544
Total current assets	670,883	621,492	5,582,783
Property, plant and equipment:			
Land	25,022	25,112	208,222
Buildings	152,979	151,634	1,273,022
Machinery and equipment	132,411	128,422	1,101,864
Construction in progress	2,424	3,623	20,171
Total property, plant and equipment	312,836	308,791	2,603,279
Less: Accumulated depreciation	205,940	196,447	1,713,739
Net property, plant and equipment	106,896	112,344	889,540
Investments and other assets:			
Goodwill	9,067	9,400	75,451
Investment securities	23,935	20,027	199,176
Net asset for retirement benefits	8,817	8,904	73,371
Deferred income taxes	18,348	23,224	152,684
Intangible assets	18,500	20,156	153,949
Other assets	21,592	14,911	179,679
Allowance for doubtful accounts	(1,884)	(1,866)	(15,678)
Total investments and other assets	98,375	94,756	818,632
Total assets	¥876,154	¥828,592	$7,290,955

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Current liabilities:			
Trade notes and accounts payable	¥ 56,479	¥ 53,668	$ 469,993
Short term borrowings	—	11,531	—
Income taxes payable	6,197	14,015	51,569
Accrued employees' bonuses	12,111	8,584	100,782
Customer advances	48,443	39,901	403,121
Accrued warranty expenses	10,442	10,072	86,894
Accrued expenses and other current liabilities	39,140	32,739	325,705
Total current liabilities	172,812	170,510	1,438,064
Non-current liabilities:			
Deferred tax liabilities	8,314	9,279	69,185
Net liability for retirement benefits	51,480	54,031	428,393
Other liabilities	2,385	4,158	19,847
Total non-current liabilities	62,179	67,468	517,425
Total liabilities	234,991	237,978	1,955,489
Net assets:			
Shareholders' equity			
Common stock Authorized: 300,000,000 shares Issued:180,610,911 shares as of March 31, 2015 and 2014	54,961	54,961	457,360
Capital surplus	78,023	78,023	649,272
Retained earnings	488,816	436,174	4,067,704
Treasury stock, at cost 1,344,892 and 1,408,950 shares as of March 31, 2015 and 2014, respectively	(9,064)	(9,479)	(75,426)
Accumulated other comprehensive income			
Net unrealized gains on investment securities	9,463	5,593	78,747
Net deferred gains on hedging instruments	122	60	1,015
Foreign currency translation adjustments	12,481	5,777	103,861
Accumulated remeasurements of defined benefit plans	4,682	6,982	38,961
Share subscription rights	1,421	1,644	11,825
Minority interests	258	10,879	2,147
Total net assets	641,163	590,614	5,335,466
Total liabilities and net assets	¥876,154	¥828,592	$7,290,955

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net sales	¥613,125	¥612,170	$5,102,147
Cost of sales	370,351	410,278	3,081,892
Gross profit	242,774	201,892	2,020,255
Selling, general and administrative expenses	154,661	169,687	1,287,019
Operating income	88,113	32,205	733,236
Other income (expenses):			
Interest and dividend income	1,281	3,162	10,660
Revenue from grants	629	1,154	5,234
Gain on sale of property, plant and equipment	1,840	433	15,312
Foreign exchange gain (loss), net	1,575	(1,229)	13,106
Loss on impairment of property, plant and equipment, goodwill and other assets	(2,506)	(46,969)	(20,854)
Loss on sales of affiliates' shares	(1,609)	—	(13,389)
Loss on liquidation of subsidiaries	(1,070)	—	(8,904)
Restructuring expenses on facilities	(1,046)	—	(8,704)
Additional payment of custom tax	(1,003)	—	(8,347)
Other, net	624	(512)	5,193
Income (loss) before income taxes and minority interests	86,828	(11,756)	722,543
Income taxes:			
Current	14,726	15,995	122,543
Deferred	173	(8,538)	1,440
Income (loss) before minority interests	71,929	(19,213)	598,560
Minority interests	41	196	341
Net income (loss)	¥ 71,888	¥ (19,409)	$ 598,219

	Yen		U.S. dollars
Per share of common stock:			
Net income (loss) — basic	¥ 401.08	¥ (108.31)	$ 3.34
Net income — diluted	400.15	—	3.33
Net assets	3,567.23	3,225.92	29.68
Cash dividends	143.00	50.00	1.19

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss)

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Income (loss) before minority interests	¥71,929	¥(19,213)	$598,560
Other comprehensive income:			
Net unrealized gains on investment securities	3,868	1,365	32,188
Net deferred gains on hedging instruments	69	92	574
Foreign currency translation adjustments	6,643	6,867	55,280
Remeasurements of defined benefit plans	(2,270)	—	(18,890)
Share of other comprehensive income of associates accounted for using equity method	56	—	466
Total other comprehensive income	8,366	8,324	69,618
Comprehensive income (loss)	80,295	(10,889)	668,178
Total comprehensive income (loss) attributable to:			
Owners of the Company	80,224	(11,151)	667,587
Minority interests	71	262	591

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen										
	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2013	¥54,961	¥78,023	¥467,921	¥(9,589)	¥4,214	¥ (15)	¥ (2,484)	¥ —	¥1,375	¥10,721	¥605,127
Adjustments due to the changes in fiscal year-end of consolidated subsidiaries	—	—	(3,190)	—	—	—	—	—	—	—	(3,190)
Cash dividends	—	—	(9,139)	—	—	—	—	—	—	—	(9,139)
Net loss	—	—	(19,409)	—	—	—	—	—	—	—	(19,409)
Repurchase of treasury stock	—	—	—	(30)	—	—	—	—	—	—	(30)
Disposal of treasury stock	—	—	(9)	140	—	—	—	—	—	—	131
Other, net	—	—	—	—	1,379	75	8,261	6,982	269	158	17,124
Balance as of March 31, 2014	¥54,961	¥78,023	¥436,174	¥(9,479)	¥5,593	¥ 60	¥ 5,777	¥6,982	¥1,644	¥10,879	¥590,614
Cumulative effect of changes in accounting policies	**—**	**—**	**(1,102)**	**—**	**—**	**—**	**—**	**—**	**—**	**(211)**	**(1,313)**
Restated balance	**54,961**	**78,023**	**435,072**	**(9,479)**	**5,593**	**60**	**5,777**	**6,982**	**1,644**	**10,668**	**589,301**
Cash dividends	**—**	**—**	**(17,923)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,923)**
Net income	**—**	**—**	**71,888**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**71,888**
Repurchase of treasury stocks	**—**	**—**	**—**	**(183)**	**—**	**—**	**—**	**—**	**—**	**—**	**(183)**
Disposal of treasury stocks	**—**	**—**	**(221)**	**598**	**—**	**—**	**—**	**—**	**—**	**—**	**377**
Other, net	**—**	**—**	**—**	**—**	**3,870**	**62**	**6,704**	**(2,300)**	**(223)**	**(10,410)**	**(2,297)**
Balance as of March 31, 2015	**¥54,961**	**¥78,023**	**¥488,816**	**¥(9,064)**	**¥9,463**	**¥122**	**¥12,481**	**¥4,682**	**¥1,421**	**¥ 258**	**¥641,163**

	Thousands of U.S. dollars										
	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2014	$457,360	$649,272	$3,629,641	$(78,880)	$46,542	$ 499	$ 48,074	$58,101	$13,681	$90,530	$4,914,820
Cumulative effect of changes in accounting policies	**—**	**—**	**(9,170)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,756)**	**(10,926)**
Restated balance	**457,360**	**649,272**	**3,620,471**	**(78,880)**	**46,542**	**499**	**48,074**	**58,101**	**13,681**	**88,774**	**4,903,894**
Cash dividends	**—**	**—**	**(149,147)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(149,147)**
Net income	**—**	**—**	**598,219**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**598,219**
Repurchase of treasury stocks	**—**	**—**	**—**	**(1,523)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,523)**
Disposal of treasury stocks	**—**	**—**	**(1,839)**	**4,977**	**—**	**—**	**—**	**—**	**—**	**—**	**3,138**
Other, net	**—**	**—**	**—**	**—**	**32,205**	**516**	**55,787**	**(19,140)**	**(1,856)**	**(86,627)**	**(19,115)**
Balance as of March 31, 2015	**$457,360**	**$649,272**	**$4,067,704**	**$(75,426)**	**$78,747**	**$1,015**	**$103,861**	**$38,961**	**$11,825**	**$ 2,147**	**$5,335,466**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 86,828**	¥ (11,756)	**$ 722,543**
Depreciation and amortization	**20,878**	24,888	**173,737**
Loss on impairment of property, plant and equipment, goodwill and other assets	**2,506**	46,969	**20,854**
Amortization of goodwill	**1,150**	4,262	**9,570**
Increase in net liability for retirement benefit	**2,784**	2,887	**23,167**
Increase in net asset for retirement benefit	**(1,601)**	(654)	**(13,323)**
Decrease in allowance for doubtful accounts	**(1,081)**	(228)	**(8,996)**
Increase in accrued employees' bonuses	**3,667**	1,396	**30,515**
Increase in accrued warranty expenses	**259**	1,256	**2,155**
Interest and dividend income	**(1,281)**	(3,162)	**(10,660)**
Gain on sales of property, plant and equipment	**(1,820)**	(303)	**(15,145)**
Loss on sales of affiliates' shares	**1,609**	—	**13,389**
Increase in trade notes and accounts receivable	**(1,318)**	(25,358)	**(10,968)**
Increase in inventories	**(26,850)**	(32,088)	**(223,433)**
Decrease in prepaid consumption tax	**(11,384)**	(2,913)	**(94,732)**
Increase in accrued consumption tax	**2,707**	1,123	**22,526**
Increase in trade notes and accounts payable	**9,432**	15,606	**78,489**
Increase in customer advances	**12,912**	19,083	**107,448**
Other, net	**(4,972)**	2,044	**(41,374)**
Subtotal	**94,425**	43,052	**785,762**
Receipts from interest and dividends	**1,621**	3,223	**13,489**
Interest paid	**—**	(84)	**—**
Income taxes paid	**(24,240)**	(1,742)	**(201,714)**
Net cash provided by operating activities	**71,806**	44,449	**597,537**
Cash flows from investing activities:			
Payment for purchases of short-term investments	**(24,997)**	(192,614)	**(208,014)**
Proceeds from maturities of short-term investments	**188,302**	184,071	**1,566,964**
Payment for purchase of property, plant and equipment	**(11,899)**	(9,451)	**(99,018)**
Proceeds from sale of property, plant and equipment	**2,549**	897	**21,212**
Payment for acquisition of intangible assets	**(422)**	(1,640)	**(3,512)**
Proceeds from sales of investment securities	**1,093**	111	**9,095**
Proceeds from sales of affiliates' shares	**1,726**	—	**14,363**
Other, net	**(614)**	(973)	**(5,109)**
Net cash provided by (used in) investing activities	**155,738**	(19,599)	**1,295,981**
Cash flows from financing activities:			
Increase in short-term borrowings, net	**—**	7,551	**—**
Proceeds from long-term borrowings	**—**	2,000	**—**
Increase in treasury stock, net	**(183)**	(30)	**(1,523)**
Dividends paid	**(17,923)**	(9,139)	**(149,147)**
Other, net	**(108)**	(569)	**(899)**
Net cash used in financing activities	**(18,214)**	(187)	**(151,569)**
Effect of exchange rate changes on cash and cash equivalents	**3,505**	(3,973)	**29,167**
Net increase in cash and cash equivalents	**212,835**	20,690	**1,771,116**
Cash and cash equivalents at beginning of year	**104,797**	85,314	**872,073**
Decrease in cash and cash equivalents due to the change in fiscal year-end of consolidated subsidiaries	**—**	(1,207)	**—**
Cash and cash equivalents at end of year	**¥317,632**	¥104,797	**$2,643,189**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2015 and 2014

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited (hereinafter "the Company") and its subsidiaries (hereinafter collectively referred to as "Tokyo Electron") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The Company uses financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards or U.S. generally accepted accounting principles for the preparation of the consolidated financial statements, together with adjustment for certain items which are required to be adjusted in the consolidation process.

The accompanying consolidated financial statements have been restructured and translated into English from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥120.17 to $1.00, the approximate rate as of March 31, 2015. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 46 and 53 subsidiaries as of March 31, 2015 and 2014, respectively.

All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated through consolidation procedures.

The Company transferred a portion of shares of Tokyo Electron Device Limited on April 1, April 15, 2014 and May 9, 2014. As a result, effective on April 1, 2014, the classification of Tokyo Electron Device Limited changed from a consolidated subsidiary to an equity method affiliate. In accordance with this change, seven affiliates apply equity method. The fiscal year-end of all entities is March 31, except for 7 consolidated foreign subsidiaries. Financial statements provisionally closed for the period ending March 31 are used for these subsidiaries.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates, except for those hedged by forward exchange contracts, which are translated at the contracted rates. Resulting exchange gains and losses are included in earnings for the year.

Revenue and expense items are translated at the rates that approximate those prevailing at the time of the transactions.

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of accumulated other comprehensive income in the consolidated balance sheets.

(c) Cash equivalents

Tokyo Electron considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

(d) Short-term investments

Short-term investments consist of short term deposits and low-risk financial instruments with original maturities of more than three months.

(e) Investment securities

Tokyo Electron examines the intent of holding each security and classifies those securities as trading securities, held-to-maturity debt securities or other securities. Tokyo Electron has no trading securities. Held-to-maturity debt securities are stated mainly at amortized cost. Other securities with market prices are valued at fair market value prevailing at the balance sheet date. The differences between the book and market prices of other securities, net of applicable income taxes, are presented in net assets as a component of accumulated other comprehensive income. Other securities without market value are valued at cost using the weighted-average method.

The cost of sold securities is calculated using the weighted-average method.

(f) Inventories

Inventories other than raw materials are stated at the lower of cost, determined by principally the specific identification method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Raw materials are stated at the lower of cost, determined principally by the moving-average method, or replacement cost.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment of the Company and its domestic subsidiaries is computed using the declining balance method, except for buildings acquired subsequent to March 31, 1998 which are depreciated using the straight-line method, based on the estimated useful lives of assets. Foreign subsidiaries mainly apply the straight-line method over the estimated useful lives of assets.

Estimated useful lives of property, plant and equipment are as follows:

Buildings	2 to 60 years
Machinery and equipment	2 to 17 years

(h) Intangible assets

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(i) Goodwill

Goodwill is evaluated on an individual basis and amortized by the straight-line method over a period not exceeding 20 years.

(j) Impairment of fixed assets

Tokyo Electron evaluates the carrying value of fixed assets held for use in the business.

If the carrying value of a fixed asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount, being the higher of the net selling price or the value in use of the assets. Net selling price is determined using the fair value less disposal costs and value in use is based on the total amount of discounted cash flows estimated to be generated from the continuing use of the individual assets or the asset group and the disposal of the assets.

(k) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(l) Employee Benefits

The Company and its domestic subsidiaries provide defined benefit plans for their employees. Expected benefits are attributed to accounting periods by a benefit formula basis. Prior service costs are charged to earnings on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to earnings on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

The provision for accrued pension and severance costs for directors and audit & supervisory board members of the Company and its domestic subsidiaries is calculated in accordance with internal regulations.

The Company and certain domestic subsidiaries decided to discontinue the payment of severance pay for directors and audit & supervisory board members after April 1, 2005, and at the general shareholders' meeting in June 2005, it was resolved that the severance pay for directors and audit & supervisory board members until March 31, 2005 would be paid at the termination of their service and the decision regarding the payment amount for each director and audit & supervisory board member was delegated to the board of directors and audit & supervisory board members. The accruals for severance costs for directors and audit & supervisory board members are included in Net liability for retirement benefits in the consolidated balance sheets as of March 31, 2015 and 2014, respectively.

(m) Accrued warranty expenses

Tokyo Electron's products are generally subject to warranty, and Tokyo Electron accrues such estimated costs when product revenue is recognized. To prepare for future repairs during warranty periods, estimated after-sale repair expenses over warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

(n) Derivatives and hedge accounting

The Company and certain subsidiaries make use of derivatives in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The amount of derivatives is limited to the extent of foreign currency assets, liabilities and actual orders, and Tokyo Electron does not trade in derivatives for speculative purposes.

Derivatives are carried at fair value in the consolidated balance sheet with changes in unrealized gain or loss charged or credited to earnings, except for those which meet the criteria for hedge accounting. Unrealized gains or losses on hedging derivative instruments, net of income taxes, are reported in net assets as a component of accumulated other comprehensive income. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(o) Income taxes

Tokyo Electron records deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, which are measured using the enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse.

(p) Revenue recognition

Revenue from Semiconductor and FPD (Flat Panel Display) production equipment is principally recognized at the time of the customer confirmation of set-up and testing of products. Revenue from such equipment not requiring substantial installation is recognized at the time of shipment. Revenue from PV (Photovoltaic panel) production equipment is mainly recognized based on the percentage-of-completion method. Service revenue from maintenance is recognized ratably over the term of the maintenance contract.

(q) Per share information

Net income per share and net assets per share are computed based on the weighted-average number of shares of common stock outstanding during each year.

Dividends per share has been presented on an accruals basis and include, in each fiscal year ended March 31, dividends approved or to be approved after March 31 but applicable to the year then ended.

(r) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥71,350 million ($593,742 thousand) and ¥78,664 million for the years ended March 31, 2015 and 2014, respectively.

Notes to Consolidated Financial Statements

(s) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2015.

3. Change in Accounting Policies and Adoption of New Accounting Standards

Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012 (hereinafter, "Guidance No.25")), and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from straight-line attribution to a benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

The effect of the adoption of the accounting standards on the Company's consolidated financial statements for the year ending March 31, 2015 is immaterial.

4. Supplemental Information on the Consolidated Statements of Cash Flows

Information of assets and liabilities of a deconsolidated subsidiary and the relationship between the sales price of shares and the net proceeds, from the sales transaction for the year ended March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Current assets	¥51,578	$429,208
Non current assets	6,333	52,699
Current liabilities	(25,311)	(210,627)
Non current liabilities	(9,222)	(76,741)
Minority interests	(10,420)	(86,710)
Equity investment interest after sale of shares	(7,983)	(66,431)
Accumulated other comprehensive income	(113)	(940)
Loss on sale of affiliates' shares	(1,609)	(13,389)
Loss on change in equity	(242)	(2,014)
Sales price of shares	3,011	25,055
Cash and cash equivalents	(1,285)	(10,692)
Net proceeds from sales of affiliates' shares	¥ 1,726	$ 14,363

5. Securities

Other securities as of March 31, 2015 and 2014 are as follows:

	Millions of yen	
2015:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥8,282	¥22,230
Securities without market prices		
Unlisted stock	1,621	1,645
Other	60	60
Total	¥9,963	¥23,935

	Millions of yen	
2014:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥ 9,835	¥18,247
Securities without market prices		
Unlisted stock	520	648
Other	1,132	1,132
Total	¥11,487	¥20,027

	Thousands of U.S. dollars	
2015:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	$68,919	$184,988
Securities without market prices		
Unlisted stock	13,490	13,689
Other	2,429	2,430
Total	$84,838	$201,107

Held-to-maturity securities classified as current assets are ¥238,300 million ($1,983,024 thousand) and ¥211,801 million as of March 31, 2015 and 2014, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2015 and 2014 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Held-to-maturity (current)	¥238,300	¥211,801	$1,983,024
Deposits and low-risk financial instruments with original maturities of three months or less	(238,068)	(48,500)	(1,981,093)
Deposits with original maturities of more than three months	51	49	424
Short-term investments	¥ 283	¥163,350	$ 2,355

Net loss on devaluation of investment securities was ¥0 million ($3 thousand) and ¥308 million for the years ended March 31, 2015 and 2014, respectively.

Net gain on sale of investment securities was ¥55 million ($458 thousand) and ¥74 million for the years ended March 31, 2015 and 2014, respectively.

6. Inventories

Inventories as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished products	¥112,301	¥114,289	$ 934,518
Work in process, raw materials and supplies	63,287	53,988	526,645
Total	¥175,588	¥168,277	$1,461,163

The amounts of change in inventory provision included in cost of sales in the consolidated statements of operations for the years ended March 31, 2015 and 2014 were a decrease of ¥582 million ($4,843 thousand) and an increase of ¥2,296 million, respectively.

7. Loss on Impairment of Property, Plant and Equipment, Goodwill and Other Assets

For the years ended March 31, 2015 and 2014, the following loss on impairment has been recognized:

Year ended March 31, 2015

(1) Noncurrent assets of Tokyo Electron (Kunshan) Limited

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Tokyo Electron (Kunshan) Limited	Plant	Buildings and structures, machinery and equipment, and other assets	¥2,119	$17,633

Due to a significant downturn in profitability caused by the marked deterioration in operating conditions, Tokyo Electron (Kunshan) Limited, a subsidiary manufacturing FPD production equipment, recognized the difference between book value and recoverable amount of property, plant and equipment as loss on impairment. The recoverable amount was measured as the net selling price calculated based on reasonable estimates, such as real estate appraisals performed by third party valuation experts.

(2) Others

Loss on impairment of ¥388 million ($3,229 thousand) was recognized for other asset groups of Tokyo Electron.

Year ended March 31, 2014

For the year ended March 31, 2014, the following loss on impairment has been recognized.

(1) Goodwill and Noncurrent assets of TEL Solar Holding AG

			Loss on impairment
Location	Use	Type of Asset	Millions of yen
Trübbach, St. Gallen, Switzerland	Plant	Buildings and structures, machinery and equipment, and other assets	¥32,789

Due to the significant deterioration of the business environment, sales of TEL Solar Holding AG and its subsidiaries in the PV production equipment business have been below the initial business plans. Under the current condition, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable amount of property, plant and equipment as loss on impairment. The recoverable amount was measured as value in use, but as Tokyo Electron has determined that the business is not expected to generate any future net cash inflows, the recoverable amount was assessed at zero.

Further, a loss on impairment was recognized for machinery, equipment and other assets held by TEL Solar Holding AG and its consolidated subsidiaries, measured as the difference between the book value and the recoverable amount. The recoverable amount was measured as the net selling price, but as reutilization or sale of these assets would be difficult, the net selling price was assessed at zero.

(2) Goodwill of TEL NEXX, Inc.

			Loss on impairment
Location	Use	Type of Asset	Millions of yen
Billerica, Massachusetts, U. S. A.	Plant	Goodwill, and other assets	¥5,009

Under the current condition that sales of TEL NEXX, Inc. in the SPE business have been below the initial business plans, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable amount as loss on impairment. The recoverable amount was measured as value in use, and was calculated by discounting future cash flows at a discount rate of 14.0%.

Notes to Consolidated Financial Statements

(3) Noncurrent assets of business locations to be restructured

Location	Use	Type of Asset	Loss on impairment Millions of yen
Tsukuba, Ibaraki (Technology Center Tsukuba)	R&D center	Buildings and structures, machinery and equipment and other assets	¥4,649
Sendai, Miyagi (Technology Center Sendai)	R&D center	Buildings and structures, land and other assets	¥3,355
Others	—	Buildings and structures and other assets	¥ 293

Tokyo Electron has determined to restructure several domestic facilities, and as assets within the above asset groups are not expected to be reutilized in the foreseeable future, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable amount as loss on impairment. The recoverable amount for the above asset groups were measured as the net selling price. For land, buildings and structures, the net selling price was calculated based on reasonable estimates such as real estate appraisals performed by third party valuation experts, while for machinery, equipment and other assets, the recoverable amount was assessed at zero, as reutilization or sale of these assets would be difficult.

(4) Others

Loss on impairment of ¥874 million was recognized for other asset groups of Tokyo Electron.

8. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2015 and 2014.

9. Short-term Borrowings

There is no short-term borrowings classified as current liabilities as of March 31, 2015. Short-term borrowings classified as current liabilities as of March 31, 2014 is ¥11,531 million and their average annual rate is 0.39% as of March 31, 2014.

As of March 31, 2015, Tokyo Electron has unused lines of credit amounting to ¥114,990 million ($956,894 thousand).

As of March 31, 2014, Tokyo Electron has unused lines of credit amounting to ¥143,578 million.

10. Employee Benefits

The Company and its domestic subsidiaries provide for their employees a cash balance plan and a noncontributory retirement and severance benefit plan as defined benefit plans. Further, certain consolidated overseas subsidiaries provide defined benefit plans for their employees.

Defined benefit plans

(1) Movement of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014 and 2013	¥113,221	¥115,296	$942,174
Cumulative effect of changes in accounting policies	2,034	—	16,926
Restated balance	115,255	115,296	959,100
Service cost	5,697	6,874	47,408
Interest cost	1,608	1,785	13,381
Actuarial loss (gain)	4,793	(9,945)	39,885
Benefits paid	(5,138)	(3,215)	(42,756)
Effect of change in scope of consolidation	(11,095)	—	(92,328)
Foreign currency exchange rate changes	969	2,031	8,064
Other	183	395	1,522
Balance at March 31, 2015 and 2014	¥112,272	¥113,221	$934,276

(2) Movements of plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014 and 2013	¥69,540	¥60,476	$578,680
Expected return on plan assets	1,332	1,256	11,084
Actuarial gain	3,997	3,633	33,261
Contributions paid by the employer	3,406	3,306	28,343
Benefits paid	(3,053)	(1,726)	(25,406)
Effect of change in scope of consolidation	(5,542)	—	(46,118)
Foreign currency exchange rate changes	952	2,034	7,922
Other	273	561	2,273
Balance at March 31, 2015 and 2014	¥70,905	¥69,540	$590,039

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥62,213	¥60,206	$517,709
Plan assets	(70,905)	(69,540)	(590,040)
Funded status	(8,692)	(9,334)	(72,331)
Unfunded retirement benefit obligations	50,059	53,015	416,568
Asset ceiling adjustments (note 1)	920	864	7,656
Net liability for retirement benefits at March 31, 2015 and 2014	¥42,287	¥44,545	$351,893
Liability for retirement benefits (note 2)	51,104	53,449	425,264
Asset for retirement benefits	(8,817)	(8,904)	(73,371)
Net liability for retirement benefits at March 31, 2015 and 2014	¥42,287	¥44,545	$351,893

Notes: 1. The asset ceiling adjustment represents plan assets exceeding the asset ceiling for overseas subsidiaries that apply International Accounting Standard 19 Employee Benefits.
2. The provision for accrued pension and severance costs for directors and audit & supervisory board members of ¥376 million ($3,129 thousand) and ¥582 million as of March 31, 2015 and 2014 is not included.

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥5,697	¥6,874	$47,408
Interest cost	1,608	1,785	13,381
Expected return on plan assets	(1,332)	(1,256)	(11,084)
Net actuarial gain amortization	(2,570)	(339)	(21,386)
Other	528	108	4,393
Total retirement benefit costs for the fiscal years ended March 31, 2015 and 2014	¥3,931	¥7,172	$32,712

(5) Remeasurements of defined benefit plants

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Actuarial losses	¥(3,572)	$(29,725)

(6) Accumulated remeasurements of defined benefit plants

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net actuarial gains that are yet to be recognized (before tax)	¥7,180	¥11,309	$59,749

(7) Plan assets

1. Plan assets comprise

	2015	2014
Bonds	46%	50%
Equity securities	22	24
Life insurance company general account	20	18
Cash and cash equivalents	2	2
Other	10	6
Total	100%	100%

2. Long-term expected rate of return

Current and target asset allocations, and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at and for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	1.15%	1.51%
Long-term expected rate of return	2.00%	2.00%

11. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets			
Net operating loss carryforwards	¥19,842	¥17,383	$165,116
Net liability for retirement benefits	17,913	21,461	149,064
Elimination of unrealized profit in inventories	11,582	9,489	96,380
Devaluation of inventories	4,149	4,724	34,526
Accrued employees' bonuses	3,211	2,532	26,720
Loss on impairment of property, plant and equipment, goodwill and other assets	3,026	3,486	25,181
Accrued warranty expenses	2,734	2,709	22,751
Other	10,003	12,413	83,241
Total gross deferred tax assets	72,460	74,197	602,979
Less valuation allowance	(13,506)	(10,806)	(112,390)
Total deferred tax assets	58,954	63,391	490,589
Deferred tax liabilities			
Undistributed earnings of subsidiaries	(5,620)	(6,877)	(46,767)
Intangible assets identified through business combination	(5,255)	(6,686)	(43,730)
Net unrealized gains on investment securities	(4,510)	(3,096)	(37,530)
Net asset for retirement benefits	(1,758)	(1,620)	(14,629)
Other	(4,105)	(5,993)	(34,160)
Total deferred tax liabilities	(21,248)	(24,272)	(176,816)
Net deferred tax assets	¥37,706	¥39,119	$313,773

Notes to Consolidated Financial Statements

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2015 and 2014 as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets	¥27,672	¥25,174	$230,274
Investments and other assets	18,348	23,224	152,684
Other current liabilities	(0)	—	(0)
Non-current liabilities	(8,314)	(9,279)	(69,185)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which temporary differences become deductible. For assessment of the realizability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, future estimated taxable income, tax planning strategies and level of net operating loss carryforwards, if any, in accordance with accounting principles generally accepted in Japan.

Based on the level of historical taxable income and future estimated taxable income over the periods which the temporary differences are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2015 and 2014.

The Company and its wholly-owned domestic subsidiaries apply a consolidated tax filing system for corporate tax purposes.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.64% for the fiscal year ended March 31, 2015 to 33.10% and 32.34%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥2,134 million ($17,758 thousand), and deferred income tax expense increased by ¥2,881 million ($23,974 thousand) for the fiscal year ended March 31, 2015.

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Statutory tax rate in Japan	35.64%	38.01%
Adjustments:		
Change in valuation allowance	(17.51)	17.93
Tax credits	(4.35)	38.76
Effect of enacted changes in Japanese tax rates on net deferred tax assets	3.39	(8.68)
Difference in statutory tax rates of subsidiaries	(1.34)	(17.72)
Impairment and amortization of goodwill	0.45	(130.97)
Others, net	0.88	(0.76)
Effective tax rate	17.16%	(63.43)%

12. Net Assets

Net assets comprises four subsections, which are shareholders' equity, accumulated other comprehensive income, share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. All additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The Company is subject to restriction of dividends by the Japanese Corporate Act, which restricts the amount of dividends to retained earnings on a consolidated basis.

The Company's articles allow for the distribution of earnings to shareholders on dates other than the mid-term and year-end, by a resolution of the board of directors in accordance with Japanese laws and regulations.

At the board of directors' meeting held on May 13, 2015, the distribution of cash dividends amounting to ¥12,190 million ($101,440 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015 since they are recognized in the period in which they are resolved at the board of directors' meeting.

13. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains on investment securities			
Unrealized gains arising during the year	¥5,281	¥2,199	$43,946
Reclassification adjustments	0	(78)	0
Sub-total, before tax	5,281	2,121	43,946
Tax expense	(1,413)	(756)	(11,758)
Sub-total, net of tax	3,868	1,365	32,188
Net deferred gains (losses) on hedging instruments			
Deferred gains (losses) arising during the year	95	(269)	791
Reclassification adjustments	3	412	25
Sub-total, before tax	98	143	816
Tax expense	(29)	(51)	(242)
Sub-total, net of tax	69	92	574
Foreign currency translation adjustments			
Adjustments during the year	6,664	6,867	55,454
Reclassification adjustments	(21)	—	(174)
Sub-total, before tax	6,643	6,867	55,280
Tax expense	—	—	—
Sub-total, net of tax	6,643	6,867	55,280
Remeasurements of defined benefit plans			
Adjustments during the year	(907)	—	(7,548)
Reclassification adjustments	(2,665)	—	(22,177)
Sub-total, before tax	(3,572)	—	(29,725)
Tax expense	1,302	—	10,835
Sub-total, before tax	(2,270)	—	(18,890)
Share of other comprehensive income of associates accounted for using equity method			
Adjustments during the year	56	—	466
Total other comprehensive income	¥8,366	¥8,324	$69,618

14. Share Subscription Rights

Stock option plan

The Company's shareholders have approved annual stock option plans for directors and selected employees since the year ended March 31, 1999. The options under the plans vest immediately with restriction on exercise up to three years after the date of grant, and have an exercise period of seventeen years from the date of grant.

Notes to Consolidated Financial Statements

A summary of stock options outstanding and exercisable as of March 31, 2015 and 2014 is as follows:

Tokyo Electron Limited	2015			2014	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		Yen
Outstanding at the beginning of year	479,300	¥1	$0.01	556,900	¥ 661
Granted	—	—	—	—	—
Exercised	88,900	1	0.01	20,800	1
Expired (forfeited)	12,200	1	0.01	56,800	6,468
Outstanding at the end of year	378,200	1	0.01	479,300	1
Exercisable at the end of year	252,100	1	0.01	114,400	1

Tokyo Electron Device Limited	2014	
	Number of shares	Weighted-average exercise price
		Yen
Outstanding at the beginning of year	65,000	¥3,087
Granted	—	—
Exercised	—	—
Expired (forfeited)	—	—
Outstanding at the end of year	65,000	3,087
Exercisable at the end of year	65,000	3,087

Stock options related to Tokyo Electron Device Limited as of March 31, 2015 is excluded because that Tokyo Electron Device Limited became an equity method affiliate from a consolidated subsidiary.

15. Leases

Future minimum lease payments on non-cancelable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥3,249	¥3,410	$27,037
Due over one year	3,660	5,922	30,457
Total	¥6,909	¥9,332	$57,494

16. Fair Value of Financial Instruments

Policy for Financial Instruments

Tokyo Electron limits its fund management to short-term bank deposits and low-risk financial instruments, and obtains funds by utilizing bank-loans or liquidating trade-receivables.

Trade receivables, which consist of notes and accounts receivable, are exposed to credit risk in the event of non-performance by the counterparties. Execution and management of credit risk, maturity and receivable balance are conducted pursuant to the internal management rules for credit control. Credit risk of major customers is assessed on a regular basis.

Short-term investments consist of time deposits and low risk financial instruments and Tokyo Electron trade with highly-rated financial institutions to mitigate credit risks.

Investment securities consist of mainly equity interests in listed companies exposed to equity market risks. Conditions, including market prices, for these investment securities are monitored on a regular basis.

Trade payables, which consist of notes and accounts payable, mainly mature within one year. Trade payables are exposed to liquidity risks which are managed through activities such as implementing cash management plans.

See notes 9 and 17 for detailed discussion on short-term borrowings and derivative financial instruments, respectively.

Fair Value of Financial Instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2015 and 2014 are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 5).

	Millions of yen	
2015:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥317,632	¥317,632
Short-term investments	283	283
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥379 million)	110,466	110,466
Investment securities	22,230	22,230
Liabilities		
Trade notes and accounts payable	56,479	56,479
Derivatives (see note 17)		
Hedge accounting not applied	(2,125)	(2,125)
Hedge accounting applied	202	202

	Millions of yen	
2014:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥104,797	¥104,797
Short-term investments	163,350	163,350
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,503 million)	127,529	127,529
Investment securities	18,247	18,247
Liabilities		
Trade notes and accounts payable	53,668	53,668
Short-term borrowings	11,531	11,531
Derivatives (see note 17)		
Hedge accounting not applied	(164)	(164)
Hedge accounting applied	81	81

	Thousands of U.S. dollars	
2015:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	$2,643,189	$2,643,189
Short-term investments	2,355	2,355
Trade notes and accounts receivable, net of allowance for doubtful accounts ($3,154 thousand)	919,248	919,248
Investment securities	184,988	184,988
Liabilities		
Trade notes and accounts payable	469,993	469,993
Derivatives (see note 17)		
Hedge accounting not applied	(17,683)	(17,683)
Hedge accounting applied	1,681	1,681

Receivables and payables derived from derivative transactions are stated on a net basis. The figures in parentheses represent net payables.

Notes: 1. Fair value calculation of financial instruments
Cash and cash equivalents, short-term investments, trade notes and accounts receivable, trade notes and accounts payable, and short-term borrowings
The carrying amounts approximate fair value because of the short maturity of these instruments.
Investment securities
The fair values of marketable securities are based on quoted market prices.
See note 5 for further information by classification of investment securities.
Derivatives
See note 17 for detailed discussion on derivative financial instruments.

2. Maturities of financial assets and securities are as follows:

	Millions of yen	
2015:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥317,632	¥—
Short-term investments	283	—
Trade notes and accounts receivable	110,845	—

	Millions of yen	
2014:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥104,797	¥—
Short-term investments	163,350	—
Trade notes and accounts receivable	129,032	—

	Thousands of U.S. dollars	
2015:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	$2,643,189	$—
Short-term investments	2,355	—
Trade notes and accounts receivable	922,402	—

17. Derivative Financial Instruments

Tokyo Electron is subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Company and certain subsidiaries enter into forward foreign exchange contracts in order to hedge such risks, but do not enter into such transactions for speculative purposes. The Company and its domestic subsidiary implement a ratio analysis of the total cumulative cash flow fluctuations to assess effectiveness of hedging for all derivative transactions, except for transactions where the critical terms of the hedging instrument and hedged item match and the Company could conclude that changes in fair value or cash flows are expected to completely offset. Execution and management of all derivative transactions in charge of finance department are conducted pursuant to the internal management rule.

The estimated fair values of the derivative financial instruments as of March 31, 2015 and 2014 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
2015:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥55,664	¥(1,448)	¥(1,448)
Sell Swiss francs	6,346	34	34
Sell Korean won	1,068	(757)	(757)
Sell Singapore dollars	61	(0)	(0)
Sell Chinese yuan	13	(3)	(3)
Buy U.S. dollars	843	1	1
Buy Taiwan dollars	394	(1)	(1)
Buy Chinese yuan	338	50	50
Buy EURO	135	(1)	(1)
Buy Singapore dollars	33	0	0
Total	¥64,895	¥(2,125)	¥(2,125)

	Millions of yen		
2014:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥55,346	¥ 216	¥ 216
Sell EURO	3,725	(19)	(19)
Sell Korean won	1,068	(508)	(508)
Sell Chinese yuan	102	(7)	(7)
Sell Singapore dollars	57	(0)	(0)
Buy U.S. dollars	6,216	42	42
Buy Swiss francs	2,213	2	2
Buy Chinese yuan	922	60	60
Buy EURO	385	50	50
Total	¥70,034	¥(164)	¥(164)

Notes to Consolidated Financial Statements

2015:	Thousands of U.S. dollars Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	$463,210	$(12,050)	$(12,050)
Sell Swiss francs	52,809	283	283
Sell Korean won	8,887	(6,299)	(6,299)
Sell Singapore dollars	508	0	0
Sell Chinese yuan	108	(25)	(25)
Buy U.S. dollars	7,015	8	8
Buy Taiwan dollars	3,279	(8)	(8)
Buy Chinese yuan	2,813	416	416
Buy EURO	1,123	(8)	(8)
Buy Singapore dollars	275	0	0
Total	$540,027	$(17,683)	$(17,683)

Note: The fair values are based on the quoted forward foreign exchange rates.

2. Derivative financial instruments designated as hedging instruments
(1) Deferred hedge

2014:	Millions of yen Contract amount	Fair value
Future transactions denominated in a foreign currency		
Sell U.S. dollars	¥ 9,365	¥ (47)
Sell Korean won	115	(54)
Buy U.S. dollars	8,207	0
Buy Swiss francs	2,382	145
Buy EURO	488	37
Buy GBP	15	0
Total	¥20,572	¥ 81

(2) Alternative method

The contract amounts of forward foreign exchange contracts, entered into to hedge future transactions and receivables and payables denominated in foreign currencies that have been translated by the corresponding contracted rates, are as follows:

2015:	Millions of yen Contract amount	Millions of yen Fair value	Thousands of U.S. dollars Contract amount	Thousands of U.S. dollars Fair value
Future transactions denominated in a foreign currency				
Sell U.S. dollars	¥ 638	¥ (37)	$ 5,309	$ (308)
Sell Korean won	74	(51)	616	(424)
Buy Chinese yuan	1,808	326	15,045	2,713
Buy EURO	406	(45)	3,379	(375)
Buy U.S. dollars	50	9	416	75
Monetary assets and liabilities in foreign currency (Note)				
Sell U.S. dollars	1,091	—	9,079	—
Buy U.S. dollars	268	—	2,230	—
Total	¥4,335	¥202	$36,074	$1,681

2014:	Millions of yen Contract amount	Fair value
Monetary assets and liabilities in foreign currency (Note)		
Sell U.S. dollars	¥283	¥—
Buy U.S. Dollars	162	—
Buy EURO	1	—
Total	¥446	¥—

Note: The fair value of these derivative financial instruments, which is based on the quoted foreign exchange rates, is included in the carrying value of hedged assets and liabilities.

18. Other Income (Expenses)

See note 7 for further discussion regarding loss on impairment for property, plant and equipment, goodwill and other assets of ¥2,506 million ($20,854 thousand) and 46,969 million recognized for the years ended March 31, 2015 and 2014.

19. Business Combinations

Business Divestitures

Share transfer of a subsidiary

1. Outline of the share transfer
(1) Name of the company and business description
Name of the company: Tokyo Electron Device Limited
Business description: Sale of electronic components and computer networks

(2) Reason of the share transfer
In the midst of a rapidly changing business environment, Tokyo Electron has spent a considerable effort investigating future growth strategies for both Tokyo Electron and Tokyo Electron Device Limited as both companies look to develop the businesses going forward. As a result, the Company sold a portion of its shares in Tokyo Electron Device Limited in order to improve the value of both enterprises. This will enable Tokyo Electron and Tokyo Electron Device Limited to plan for a greater concentration of management resources in our core equipment business, and for Tokyo Electron Device Limited to actively drive its development business and overseas expansion in addition to existing sales of electronic components and computer network related products while becoming even more independent and building its own growth strategies for the future.

(3) Share transfer date
April 1, 2014, April 15, 2014 and May 9, 2014

(4) Share transfer information

Legal form	Share transfer
Number of shares transferred	2,342,600 shares
Sales amounts of the shares	¥3,011 million ($25,055 thousand)
Ownership ratio after the share transfer	35.45%

2. Summary of accounting treatment
(1) Carrying value of assets and liabilities and primary information related to the transferred business

	Millions of yen 2015	Thousands of U.S. dollars 2015
Current assets	¥51,578	$429,208
Noncurrent assets	6,333	52,699
Total assets	¥57,911	$481,907
Current liabilities	¥25,311	$210,627
Noncurrent liabilities	9,222	76,741
Total liabilities	¥34,533	$287,368

(2) Accounting treatment
Responding to treasury stock repurchase announced by Tokyo Electron Device Limited, Tokyo Electron recognized loss on change in equity in the amount of ¥242 million ($2,014 thousand) for the difference between the decrease in equity interest of Tokyo Electron Devise Limited and cash receipt, while Tokyo Electron recognized loss on sale of affiliates' shares in the amount of ¥1,609 million ($13,389 thousand) for the share transfer.

3. Business segment of the company transferred
Electronic components & computer networks

4. Approximate income recorded in the consolidated statement of operations for the fiscal year ended March 31, 2015
Income before income taxes and minority interests
¥250 million ($2,080 thousand)

20. Segment Information

General information about reportable segments

A reportable segment is a component or an aggregated component of Tokyo Electron. For each of the components, discrete financial information is available and the operating result is regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

The operation of Tokyo Electron consists of segments by products and services based on business units (BUs), and Tokyo Electron identifies as a reportable segment, "semiconductor production equipment (SPE)", "flat panel display (FPD) production equipment", "photovoltaic panel (PV) production equipment" and "electronic components and computer networks".

Products of the SPE segment consist of coater/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells and distributes such products.

Products of the FPD production equipment segment consist of coater/developers and plasma etch/ash systems used in the manufacture of flat panel displays. The FPD production equipment segment principally develops, manufactures, sells and distributes such products.

Products of the PV production equipment segment consist of photovoltaic panel production equipment used in the manufacture of thin-film silicon photovoltaic panels. The segment had principally developed, manufactured, sold and distributed such products, but in March 2014, Tokyo electron has halted development, production and sales activities for new equipment and limited its operations to provide support for equipment previously delivered.

Changes in reportable segment

The electronic components and computer networks segment operated by Tokyo Electron Device Limited was excluded from reportable segment for the year ended March 31, 2015 because Tokyo Electron Device Limited became an equity method affiliate from a consolidated subsidiary. The equity in net income of affiliates are included in "Eliminations and Corporate". The prior year segment information for the year ended March 31, 2014 was prepared based on the new reportable segmentation and is presented in the "Information about reportable segment net sales, segment profit (loss), segment assets and other items" section.

Basis of measurement of reportable segment net sales, segment profit (loss), segment assets and other items

The accounting policies applied in each reportable segment are generally consistent with those applied for the preparation of the consolidated financial statements. Intersegment sales or transfers are determined based on current market prices. Assets in common use have not been allocated to each reportable segment, while costs associated with those assets have been allocated to reportable segments on a systematic basis.

Notes to Consolidated Financial Statements

Information about reportable segment net sales, segment profit (loss), segment assets and other items

Reportable segment information as of and for the years ended March 31, 2015 and 2014 are as follows:

Millions of yen

2015:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Reportable Segment: PV production equipment	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	¥576,242	¥32,710	¥3,618	¥ 555	¥613,125	¥ —	¥613,125
Intersegment sales or transfers	—	—	—	11,443	11,443	(11,443)	—
Total	576,242	32,710	3,618	11,998	624,568	(11,443)	613,125
Segment profit (loss)	135,992	(1,312)	(8,789)	1,169	127,060	(40,232)	86,828
Segment assets	305,583	23,751	1,731	1,891	332,956	543,198	876,154
Depreciation and amortization	10,018	427	6	42	10,493	10,385	20,878
Amortization of goodwill	1,150	—	—	—	1,150	—	1,150
Loss on impairment	388	509	—	—	897	1,609	2,506
Capital expenditures, including intangible assets	8,530	197	—	23	8,750	5,530	14,280

Millions of yen

2014:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Reportable Segment: PV production equipment	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	¥478,842	¥28,317	¥ 3,806	¥ 479	¥511,444	¥100,726	¥612,170
Intersegment sales or transfers	34	—	—	11,760	11,794	(11,794)	—
Total	478,876	28,317	3,806	12,239	523,238	88,932	612,170
Segment profit (loss)	74,284	(37)	(46,426)	1,267	29,088	(40,844)	(11,756)
Segment assets	273,142	21,252	2,145	1,871	298,410	530,182	828,592
Depreciation and amortization	10,114	235	10	49	10,408	14,480	24,888
Amortization of goodwill	1,473	—	2,686	—	4,159	103	4,262
Loss on impairment	5,009	—	32,789	—	37,798	9,171	46,969
Capital expenditures, including intangible assets	8,109	103	857	41	9,110	5,934	15,044

Thousands of U.S. dollars

2015:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Reportable Segment: PV production equipment	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	$4,795,223	$272,198	$30,107	$ 4,619	$5,102,147	$ —	$5,102,147
Intersegment sales or transfers	—	—	—	95,224	95,224	(95,224)	—
Total	4,795,223	272,198	30,107	99,843	5,197,371	(95,224)	5,102,147
Segment profit (loss)	1,131,663	(10,918)	(73,138)	9,728	1,057,335	(334,792)	722,543
Segment assets	2,542,922	197,645	14,405	15,736	2,770,708	4,520,247	7,290,955
Depreciation and amortization	83,365	3,553	50	350	87,318	86,419	173,737
Amortization of goodwill	9,570	—	—	—	9,570	—	9,570
Loss on impairment	3,229	4,235	—	—	7,464	13,390	20,854
Capital expenditures, including intangible assets	70,983	1,639	—	191	72,813	46,018	118,831

Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, facility maintenance and insurance.

2. (1) For the year-ended March 31, 2014, as described in "Changes in reportable segment", sales to external customers ¥100,726 million, intersegment sales or transfers ¥1,075 million, segment profit ¥722 million, segment assets ¥57,465 million, depreciation and amortization ¥476, amortization of goodwill ¥103 million, and capital expenditures, including intangible assets and other assets ¥825 million reported as "the electronic components and computer networks" were included in "Eliminations and Corporate".

(2) "Eliminations and Corporate" segment loss totaling ¥40,232 million ($334,792 thousand) and ¥40,844 million for the years ended March 31, 2015 and 2014, respectively, includes corporate expenses not allocated to any reportable segments. The corporate expenses consist of research and development costs of ¥17,109 million ($142,373 thousand) and ¥19,735 for the years ended March 31, 2015 and 2014, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments. In addition, for the year ended March 31, 2015, expenses related to business combination of ¥8,530 million ($70,983 thousand) is included. Further, impairment loss of ¥1,609 million ($13,390 thousand) and ¥9,171 million are also included for the years ended March 31, 2015 and 2014, respectively. See (4) for additional information related to impairment loss.

(3) "Eliminations and Corporate" segment assets totaling ¥543,198 million ($4,520,247 thousand) and ¥530,182 million as of March 31, 2015 and 2014, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.

(4) "Eliminations and Corporate" loss on impairment of ¥1,609 million ($13,390 thousand) for the year ended March 31, 2015 is attributable to corporate assets not to be allocated to any of the reportable segments. "Eliminations and Corporate" loss on impairment of ¥9,171 million for the year ended March 31, 2014 is attributable to corporate buildings and structures and other assets that became idle as a result of facility restructuring. See note 7 for further discussion.

(5) "Eliminations and Corporate" capital expenditures totaling ¥5,530 ($46,018 thousand) and ¥5,934 million for the years ended March 31, 2015 and 2014, respectively, consist mainly of capital expenditures for buildings, machinery and equipment not allocated to any of the reportable segments.

Other Information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2015 and 2014 are as follows:

Millions of yen

2015:	Taiwan	U.S.A.	Korea	Japan	Europe	Other	Total
Net sales	¥141,620	¥135,425	¥101,962	¥95,046	¥62,466	¥76,606	¥613,125

Note: Sales are classified in countries or regions based on location of customers.

Millions of yen

2014:	Japan	Taiwan	U.S.A.	China	Korea	Europe	Other	Total
Net sales	¥161,631	¥133,736	¥104,617	¥81,929	¥76,401	¥33,861	¥19,995	¥612,170

Note: Sales are classified in countries or regions based on location of customers.

Thousands of U.S. dollars

2015:	Taiwan	U.S.A.	Korea	Japan	Europe	Other	Total
Net sales	$1,178,497	$1,126,945	$848,481	$790,930	$519,814	$637,480	$5,102,147

(2) Net property, plant and equipment by location as of March 31, 2015 and 2014 are as follows:

Millions of yen

2015:	Japan	U.S.A.	Other	Total
Property, plant and equipment	¥78,492	¥15,496	¥12,908	¥106,896

Millions of yen

2014:	Japan	U.S.A.	Other	Total
Property, plant and equipment	¥82,364	¥15,119	¥14,861	¥112,344

Thousands of U.S. dollars

2015:	Japan	U.S.A.	Other	Total
Property, plant and equipment	$653,175	$128,951	$107,414	$889,540

Notes to Consolidated Financial Statements

(3) Major customer information

Net sales to external customers that represent 10 percent or more of net sales are as follows:

Name of customer	Related reportable segment	Millions of yen 2015	Thousands of U.S. dollars 2015
Intel Corporation	Semiconductor production equipment	¥123,154	$1,024,831
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	97,943	815,037

Name of customer	Related reportable segment	Millions of yen 2014
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	¥91,243
Intel Corporation	Semiconductor production equipment	84,272
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	80,476

Note: The amounts include sales to the customer and its subsidiaries.

Information about reportable segment goodwill

Reportable segment information about amortization of goodwill for the years ended March 31, 2015 and 2014, and unamortized balances as of March 31, 2015 and 2014 are as follows:

	Millions of yen			
2015:	Semiconductor production equipment	FPD production equipment	PV production equipment	Total
Amortization of goodwill	¥1,150	¥ —	¥ —	¥1,150
Goodwill	9,067	—	—	9,067

	Millions of yen				
2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Other (Note)	Total
Amortization of goodwill	¥1,473	¥ —	¥2,686	¥103	¥4,262
Goodwill	9,092	—	—	308	9,400

Note: Other segment is Electronic components & computer networks until fiscal 2014.

	Thousands of U.S. dollars			
2015:	Semiconductor production equipment	FPD production equipment	PV production equipment	Total
Amortization of goodwill	$ 9,570	$ —	$ —	$ 9,570
Goodwill	75,451	—	—	75,451

21. Subsequent events

The termination of the business combination agreement with Applied Materials, Inc. and the share exchange with TEL Japan GK

In relation to the business combination with Applied Materials, Inc., Tokyo Electron entered into a Business Combination Agreement on September 24, 2013 and a Share Exchange Agreement with TEL Japan GK on May 14, 2014. However, Tokyo Electron, at its board of directors' meeting held on April 27, 2015, resolved to terminate the Business Combination Agreement and to cancel the Share Exchange Agreement with TEL Japan GK. This does not have a material impact on Tokyo Electron's financial condition or its results of operations.

Share repurchase

At the Board of Directors meeting held on April 27, 2015, Tokyo Electron resolved to acquire its own shares under Article 156, as applied pursuant to paragraph 3, Article 165, of the Japanese Corporation Act as follows.

1. Reason for acquisition of own shares
   To enable the implementation of flexible capital policies to meet the changes in the business environment.

2. Details of acquisition
(1) Type of shares to be acquired: Common stock
(2) Total number of shares to be acquired: Up to 15.4 million shares
(3) Total cost of acquisition: Up to 120 billion yen
(4) Period of acquisition: From May 14, 2015 to May 13, 2016
(5) Method of acquisition: Acquisition through the market transaction on Tokyo Stock Exchange

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of Tokyo Electron Limited:

We have audited the accompanying consolidated financial statements of Tokyo Electron Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of operations, statements of comprehensive income (loss), statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tokyo Electron Limited and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 21 "Subsequent events" to the consolidated financial statements, Tokyo Electron Limited resolved to acquire its own shares at the Board of Directors meeting held on April 27, 2015.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 19, 2015
Tokyo, Japan

Consolidated Subsidiaries (As of March 31, 2015)

▶▶ JAPAN

- Tokyo Electron Yamanashi Limited
- Tokyo Electron Kyushu Limited
- Tokyo Electron Tohoku Limited
- Tokyo Electron Miyagi Limited
- Tokyo Electron TS Limited
- Tokyo Electron FE Limited
- Tokyo Electron BP Limited
- Tokyo Electron Agency Limited

▶▶ U.S.A.

- Tokyo Electron U.S. Holdings, Inc.
- Tokyo Electron America, Inc.
- TEL Technology Center, America, LLC
- TEL Venture Capital, Inc.
- TEL Epion Inc.
- TEL NEXX, Inc.
- TEL FSI, Inc.

▶▶ EUROPE

- Tokyo Electron Europe Limited
- Tokyo Electron Israel Limited
- TEL Magnetic Solutions Limited
- TEL Solar AG

▶▶ ASIA

- Tokyo Electron Korea Limited
- Tokyo Electron Taiwan Limited
- Tokyo Electron (Shanghai) Limited
- Tokyo Electron (Kunshan) Limited
- Tokyo Electron Singapore Pte. Limited

46 consolidated subsidiaries in total, including the above 24 companies

Investor Information (As of March 31, 2015)

Corporate Name and Head Office:
Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan

Established:
November 11, 1963

Annual General Meeting of Shareholders:
June

Common Stock:

Stock trading unit	100 shares
Authorized	300,000,000 shares
Issued and outstanding	180,610,911 shares
Number of shareholders	20,829

Common Stock Listed on:
The Tokyo Stock Exchange 1st Section
(Stock code: 8035)

Independent Auditors:
KPMG AZSA LLC

Administrator of Shareholders' Register:
Sumitomo Mitsui Trust Bank, Limited
4-1 Marunouchi 1-chome, Chiyoda-ku,
Tokyo Japan

Direct mail and inquiries to:
Sumitomo Mitsui Trust Bank, Limited
8-4 Izumi 2-chome, Suginami-ku,
Tokyo 168-0063, Japan
Tel (toll free): 0120-782-031 (available only in Japan)

For Further Information, Contact:
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Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan
Tel: +81-3-5561-7000

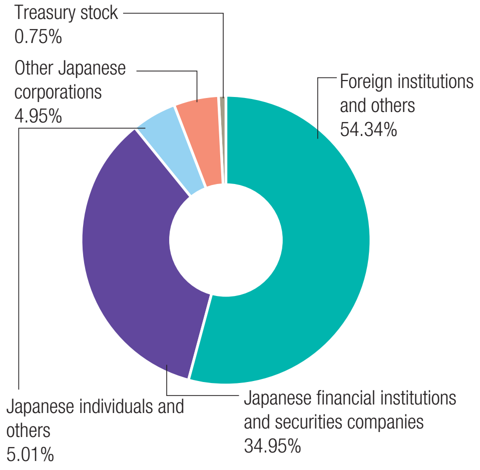
URL:
http://www.tel.com/

Principal Shareholders:

	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	18,995	10.59
The Bank of New York Mellon as Depositary Bank for DR Holders	12,669	7.06
Deutsche Bank Trust Company Americas	10,613	5.92
Japan Trustee Services Bank, Ltd. (trust account)	10,095	5.63
Tokyo Broadcasting System Holdings, Inc.	7,727	4.31
Chase Manhattan Bank GTS Clients Account Escrow	5,889	3.28
BNP Paribas Securities (Japan) Limited	3,645	2.03
The Bank of New York Mellon SA/NV 10	3,544	1.97
Citibank, N.A.-NY, as Depositary Bank for Depositary Share Holders	2,606	1.45
Mizuho Securities Co., Ltd	2,228	1.24

Notes: 1. Shares of less than one thousand have been rounded down in the "Number of shares held."
2. Voting share ratio is calculated excluding treasury stock (1,344,892 shares).

Distribution of Ownership Among Shareholders:



Stock Price and Trading Volume