

# 1Q FY2014 (April 1, 2013 – June 30, 2013)

## Financial Announcement

Agenda:

- 1Q FY2014 Consolidated Financial Summary  
Yoshiteru Harada, Corporate Director, Executive Officer
- Revision of FY2014 Financial Estimates and Mid-term Management Plan  
Tetsuro Higashi, Chairman, President & CEO

July 30, 2013

# 1Q FY2014 Consolidated Financial Summary

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1Q FY2014: April 1, 2013 - June 30, 2013  
FY2014: April 1, 2013 - March 31, 2014

Yoshiteru Harada  
Corporate Director, Executive Officer

July 30, 2013

# Financial Summary

(Billion Yen)

|                               | FY2013       |              |              |              | FY2014       | YoY change |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|------------|
|                               | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           |            |
| Net sales                     | <b>134.1</b> | <b>132.4</b> | <b>91.9</b>  | <b>138.7</b> | <b>103.4</b> | -22.9%     |
| Gross profit                  | <b>44.1</b>  | <b>41.5</b>  | <b>28.2</b>  | <b>44.8</b>  | <b>29.9</b>  | -32.2%     |
| Gross profit margin           | <b>32.9%</b> | <b>31.4%</b> | <b>30.7%</b> | <b>32.3%</b> | <b>28.9%</b> |            |
| SG&A expenses                 | 34.8         | 38.6         | 35.1         | 37.6         | 39.5         | +13.6%     |
| Operating income              | <b>9.2</b>   | <b>2.9</b>   | <b>-6.8</b>  | <b>7.2</b>   | <b>-9.6</b>  | —          |
| Operating margin              | <b>6.9%</b>  | <b>2.2%</b>  | <b>-7.5%</b> | <b>5.2%</b>  | <b>-9.3%</b> |            |
| Income before income taxes    | <b>11.2</b>  | <b>4.3</b>   | <b>-6.1</b>  | <b>8.4</b>   | <b>-9.8</b>  | —          |
| Net income                    | <b>5.7</b>   | <b>0.3</b>   | <b>-7.0</b>  | <b>7.0</b>   | <b>-2.9</b>  | —          |
| R&D expenses                  | 17.9         | 19.4         | 17.4         | 18.3         | 17.9         | +0.4%      |
| Capital expenditures          | 7.6          | 5.2          | 5.9          | 2.9          | 4.7          | -38.3%     |
| Depreciation and amortization | 5.5          | 6.2          | 6.6          | 8.2          | 6.3          | +12.9%     |

## SPE sales dipped, while orders are recovering

1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated using full amounts, before rounding.

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# Sales by Division

(Billion Yen)

|        | FY2013 |                  |       |                  |       |                  |       |                  | FY2014 |                  |
|--------|--------|------------------|-------|------------------|-------|------------------|-------|------------------|--------|------------------|
|        | 1Q     |                  | 2Q    |                  | 3Q    |                  | 4Q    |                  | 1Q     |                  |
|        | Sales  | Compo-<br>sition | Sales | Compo-<br>sition | Sales | Compo-<br>sition | Sales | Compo-<br>sition | Sales  | Compo-<br>sition |
| SPE    | 108.7  | 81%              | 105.9 | 80%              | 68.0  | 74%              | 109.3 | 79%              | 74.9   | 72%              |
| FPD    | 4.7    | 4%               | 4.4   | 3%               | 4.6   | 5%               | 6.2   | 4%               | 4.9    | 5%               |
| PVE    | 0.0    | 0%               | 0.0   | 0%               | 0.0   | 0%               | 0.0   | 0%               | 2.0    | 2%               |
| EC/CN  | 20.6   | 15%              | 21.8  | 17%              | 19.1  | 21%              | 23.0  | 17%              | 21.4   | 21%              |
| Others | 0.1    | 0%               | 0.1   | 0%               | 0.0   | 0%               | 0.1   | 0%               | 0.1    | 0%               |
| Total  | 134.1  | 100%             | 132.4 | 100%             | 91.9  | 100%             | 138.7 | 100%             | 103.4  | 100%             |

**SPE**  
(Semiconductor Production Equipment)

Sales to large foundry weakened QoQ. Overall sales decreased, but it was in line with the expectation.

**FPD**  
(Flat Panel Display Production Equipment)

Mainly sales of production equipment for small and medium-sized panels used in mobile devices

**PVE**  
(Photovoltaic Panel Production Equipment)

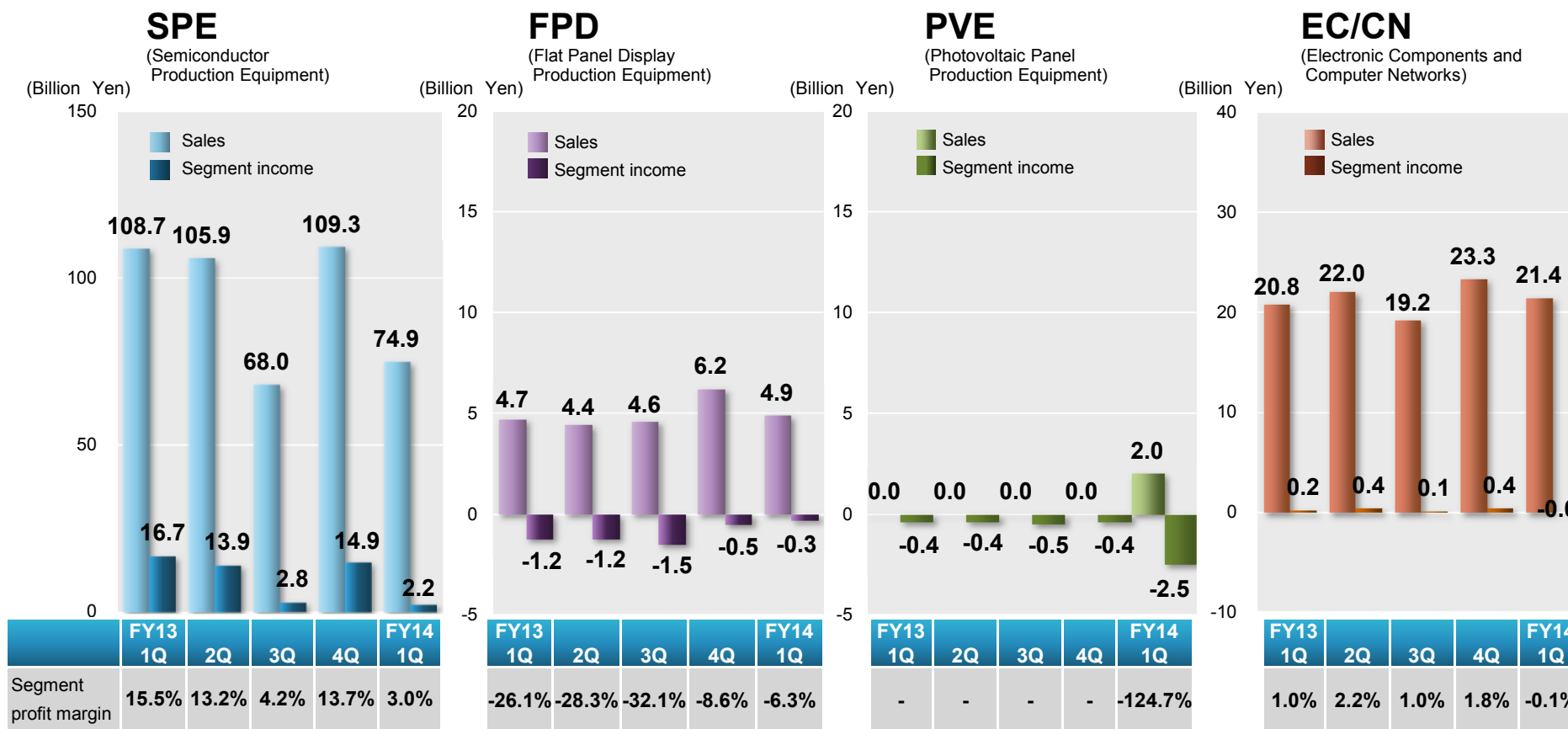
Mainly sales from percentage of completion method on shipped equipment

**EC/CN**  
(Electronic Components and Computer Networks)

Overseas sales grew on expanded commercial rights

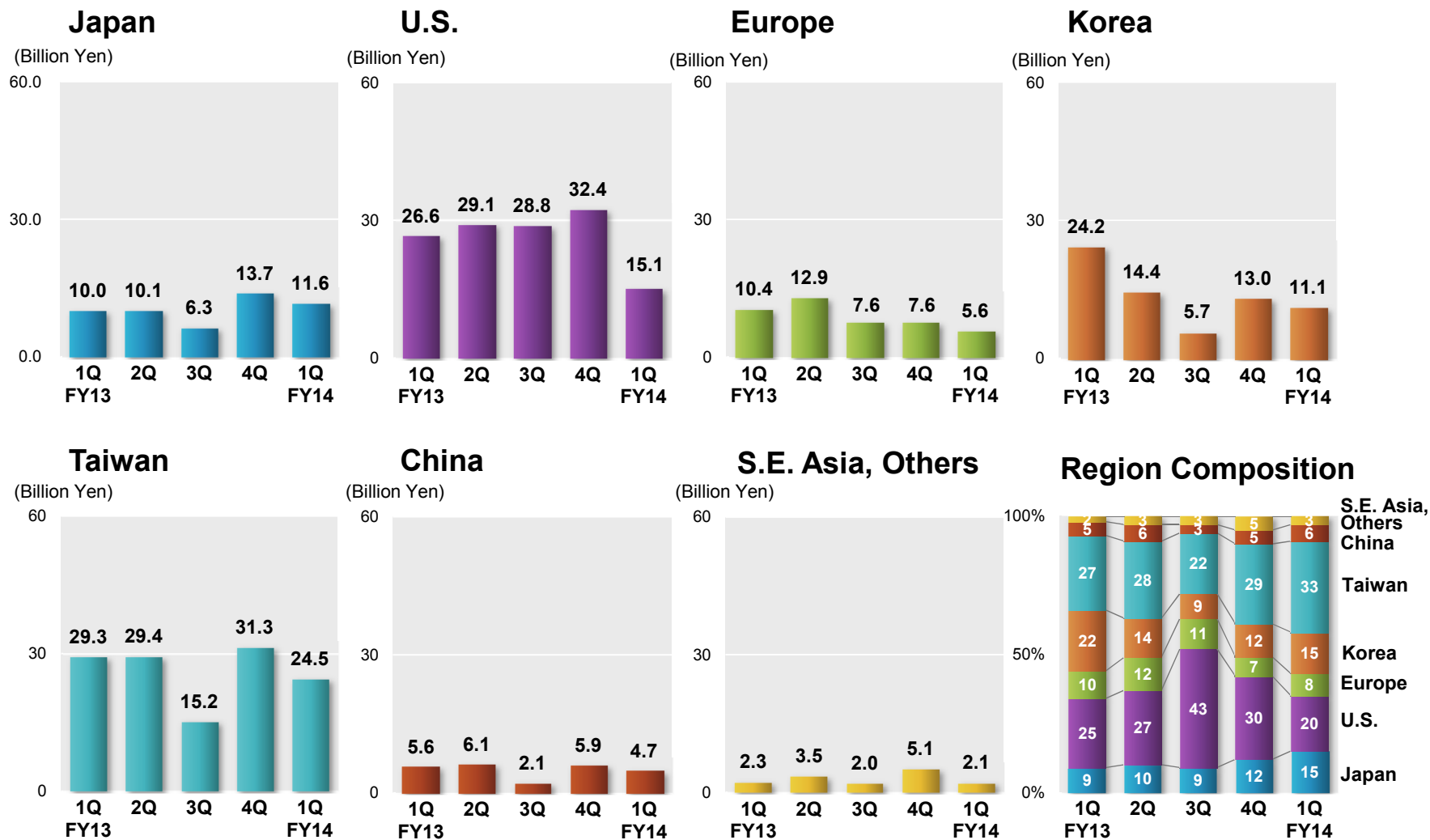
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# Segment Information



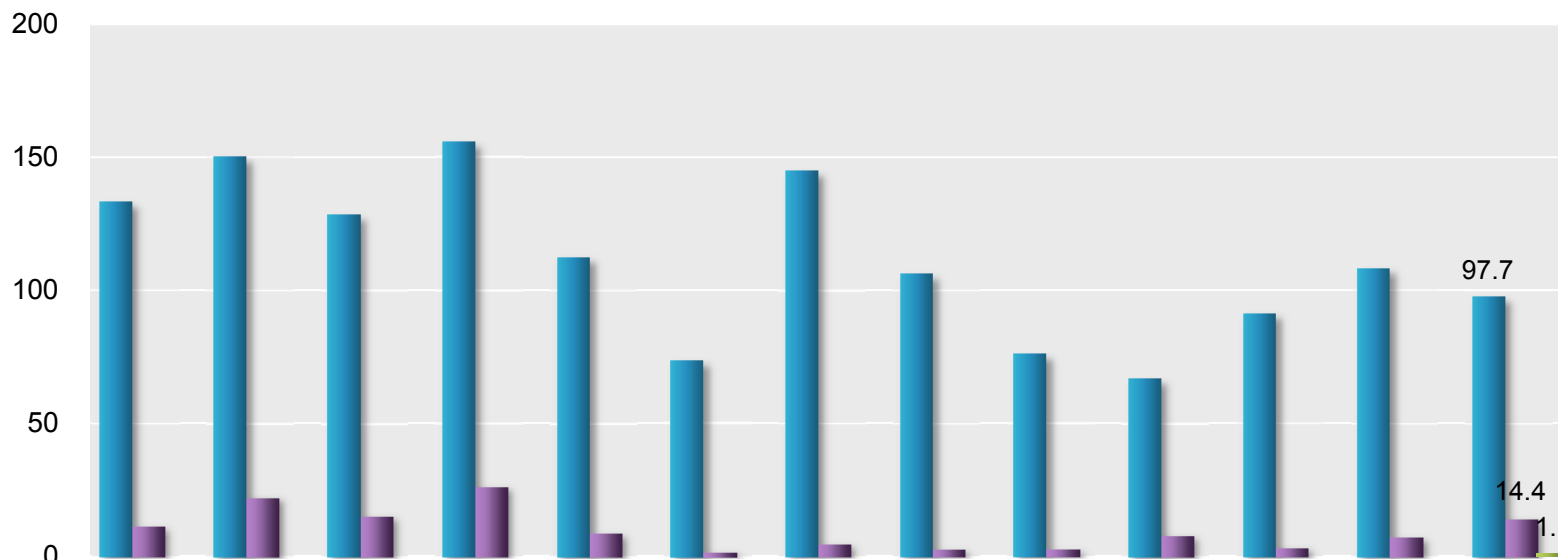
1. Formerly the FPD/PVE segment, FPD and PVE are disclosed separately from FY14/Q1. FY2013 figures have been recalculated and stated accordingly.
2. Segment income is adjusted against income before income taxes in the consolidated statement of income.
3. There are expenses that are not allocated to above reportable segments (mainly corporate R&D expenses).

# SPE Sales by Region



# Orders, Order Backlog

(Billion Yen)

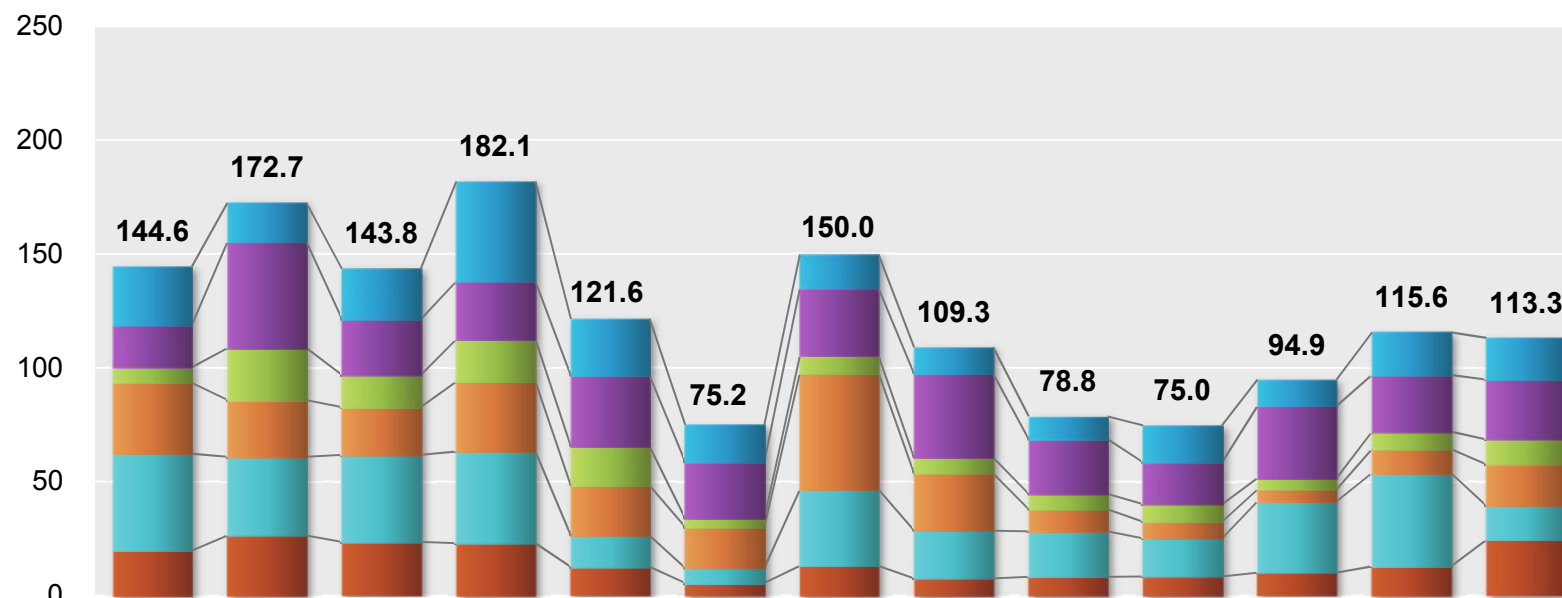


|                   | FY11 1Q | 2Q    | 3Q    | 4Q    | FY12 1Q | 2Q    | 3Q    | 4Q    | FY13 1Q | 2Q    | 3Q    | 4Q    | FY14 1Q |
|-------------------|---------|-------|-------|-------|---------|-------|-------|-------|---------|-------|-------|-------|---------|
| SPE orders        | 133.2   | 150.2 | 128.6 | 155.8 | 112.6   | 73.5  | 144.9 | 106.4 | 76.0    | 66.9  | 91.3  | 108.2 | 97.7    |
| FPD orders        | 11.4    | 22.4  | 15.2  | 26.3  | 8.9     | 1.7   | 5.0   | 2.8   | 2.7     | 8.0   | 3.6   | 7.3   | 14.4    |
| PVE orders        |         |       |       |       |         |       |       |       | 0.0     | 0.0   | 0.0   | 0.0   | 1.1     |
| SPE order backlog | 202.3   | 215.5 | 228.8 | 228.9 | 220.7   | 166.7 | 220.1 | 188.6 | 157.7   | 118.7 | 142.6 | 141.6 | 164.5   |
| FPD order backlog | 47.9    | 57.8  | 51.0  | 65.4  | 61.8    | 39.4  | 27.8  | 14.2  | 12.2    | 15.8  | 14.8  | 16.0  | 25.5    |
| PVE order backlog |         |       |       |       |         |       |       |       | 0.0     | -     | 8.4   | 8.4   | 7.6     |

PVE orders and order backlog for and before FY12/Q4 are shown together with FPD.

# Orders by Region: SPE+FPD+PVE

(Billion Yen)



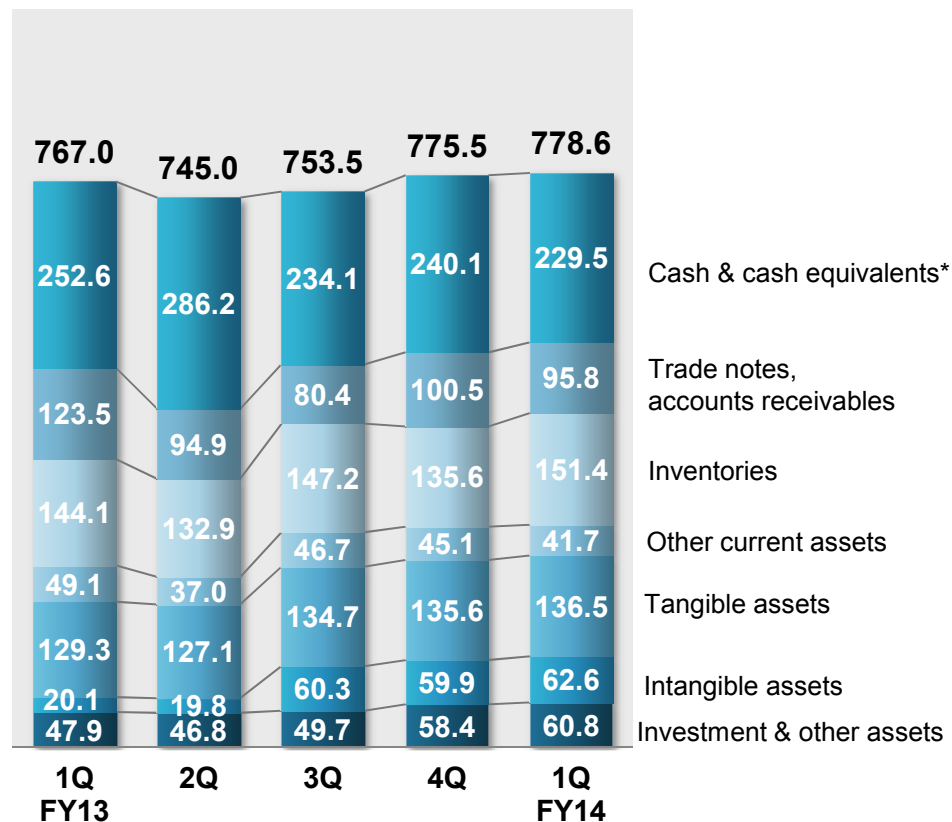
|                          | FY11 1Q | 2Q   | 3Q   | 4Q   | FY12 1Q | 2Q   | 3Q   | 4Q   | FY13 1Q | 2Q   | 3Q   | 4Q   | FY14 1Q |
|--------------------------|---------|------|------|------|---------|------|------|------|---------|------|------|------|---------|
| Japan                    | 25.6    | 17.3 | 22.2 | 43.9 | 25.0    | 16.3 | 14.9 | 11.7 | 10.0    | 16.3 | 11.5 | 18.7 | 18.3    |
| U.S.                     | 18.6    | 46.6 | 24.5 | 25.4 | 31.1    | 24.8 | 29.7 | 36.8 | 24.0    | 18.4 | 31.7 | 24.9 | 26.4    |
| Europe                   | 6.9     | 22.8 | 14.1 | 18.6 | 17.2    | 3.9  | 7.6  | 7.0  | 6.8     | 7.7  | 5.0  | 7.7  | 10.9    |
| Korea                    | 31.1    | 24.9 | 21.0 | 30.7 | 21.9    | 17.9 | 51.1 | 25.1 | 9.7     | 7.3  | 5.2  | 10.5 | 18.2    |
| Taiwan                   | 42.5    | 34.6 | 38.2 | 40.3 | 13.7    | 6.6  | 33.5 | 21.0 | 20.0    | 16.7 | 31.3 | 41.0 | 14.9    |
| China, S.E. Asia, Others | 19.7    | 26.3 | 23.5 | 22.9 | 12.5    | 5.4  | 12.9 | 7.4  | 8.1     | 8.3  | 10.0 | 12.7 | 24.4    |



# Balance Sheet

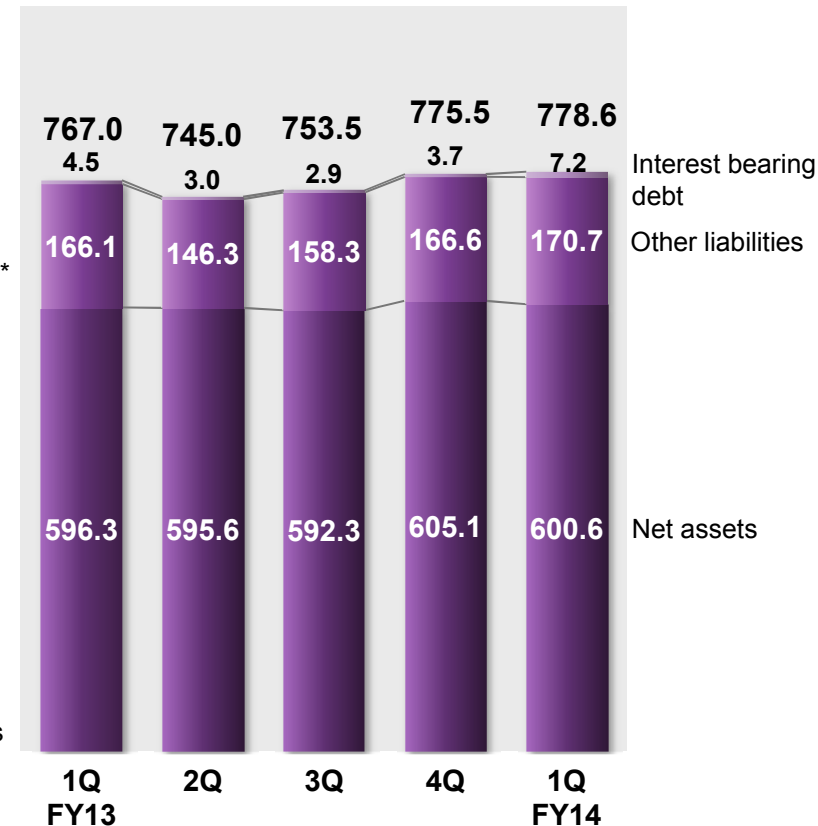
## Assets

(Billion Yen)



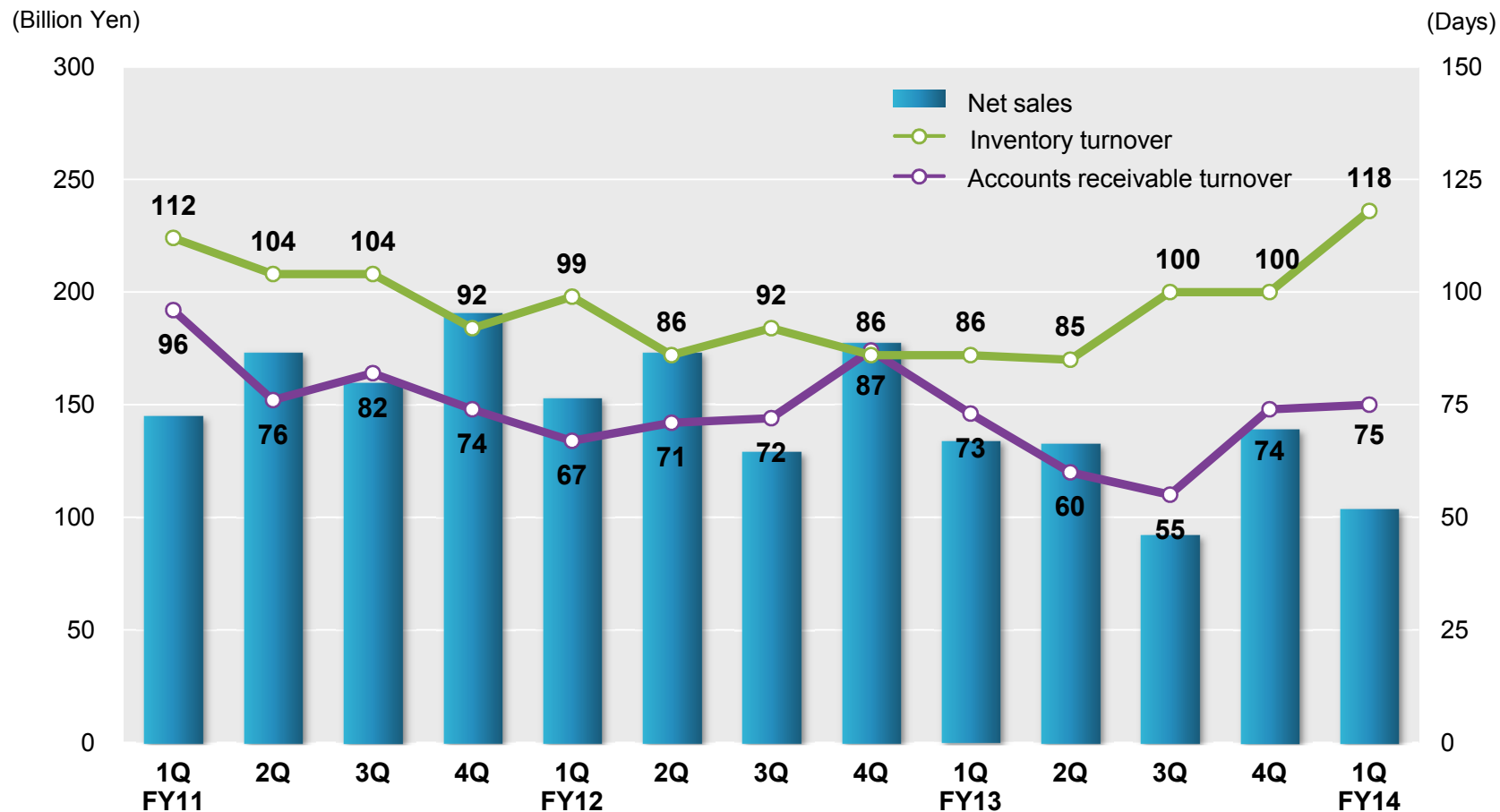
## Liabilities & Net Assets

(Billion Yen)



\*Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S)

# Inventory Turnover and AR Turnover



Turnover days = Inventory or AR at the end of each quarter / last 12 months sales x 365

# Cash Flow

|   | FY2013<br>1Q  | FY2014<br>1Q | (Billion Yen) |
|---|---------------|--------------|---------------|
| <b>Cash flow from operating activities</b>  | <b>35.8</b>   | <b>- 1.3</b> |               |
| Income before income taxes  | 11.2          | - 9.8        |               |
| Depreciation and amortization   | 5.5           | 6.3          |               |
| Increase/decrease in accounts receivable  | 26.0          | 5.1          |               |
| Increase/decrease in inventories  | 5.1           | - 15.7       |               |
| Increase/decrease in accounts payable   | - 11.4        | 0.7          |               |
| Income taxes paid   | - 5.2         | - 1.7        |               |
| Others  | 4.5           | 13.8         |               |
| <b>Cash flow from investing activities</b>  | <b>- 46.0</b> | <b>13.2</b>  |               |
| Capital expenditures  | - 7.3         | - 3.2        |               |
| Cash paid for acquisitions  | - 15.8        | -            |               |
| Term deposits over 3 months   | - 21.0        | 17.6         |               |
| Others  | - 1.9         | - 1.2        |               |
| <b>Cash flow from financing activities</b>  | <b>- 4.8</b>  | <b>- 1.4</b> |               |
| Dividends paid  | - 4.8         | - 4.6        |               |
| Others  | 0.0           | 3.2          |               |
| <b>Cash and cash equivalents at end of term</b>                                       | <b>142.8</b>  | <b>92.3</b>  |               |
| Term deposits over 3 months at end of term<br>(short-term investments, etc. included) | <b>109.8</b>  | <b>137.1</b> |               |
| <b>Cash and deposits at end of term<br/>(short-term investments, etc. included)</b>   | <b>252.6</b>  | <b>229.5</b> |               |



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# Revision of FY2014 Financial Estimates and Medium-term Management Plan

Tetsuro Higashi  
Chairman, President & CEO

July 30, 2013

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# Business Environment



TOKYO ELECTRON

CORP IR/July 30, 2013



# Business Environment (Outlook as of July 2013)

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## ▶ SPE capex

CY2013 WFE market expected to be flat YonY at \$30B.

- Logic & foundry: Cutting-edge capacity investment continuing throughout the year.
- Memory: Growing due to increased demand for smartphones and tablets
  - NAND: Capex expected to increase on tightening supply and demand
  - DRAM: Recovery in capex for mobile DRAM

## ▶ FPD capex

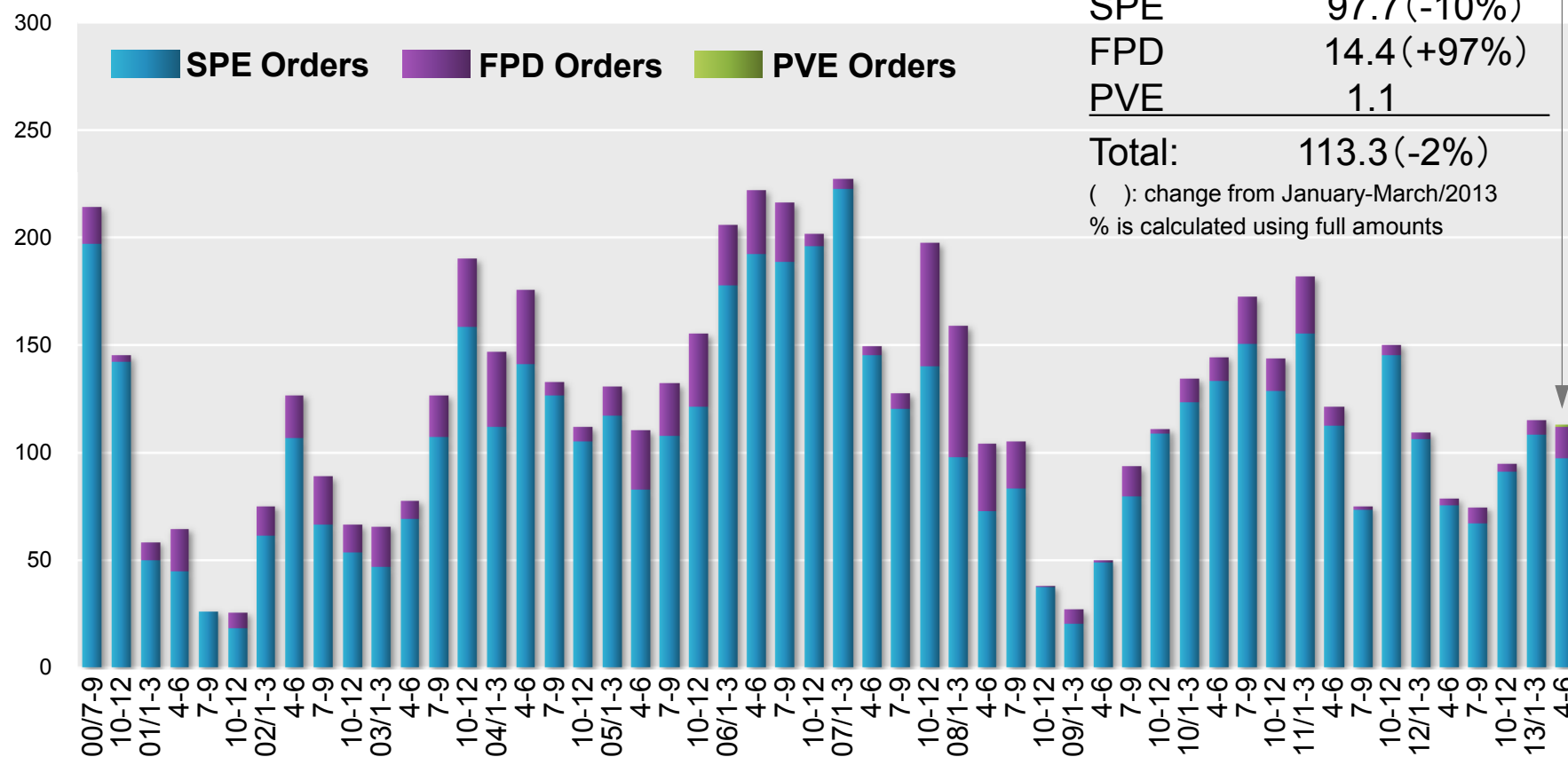
CY2013 demand for LCD panel equipment expected to grow around 50% YonY. Resumption of new investment in large panel equipment in China, and continued strength in small and medium-sized panel investment. The OLED TV market is expected to be established from 2016, with major capex starting from 2015.

## ▶ PVE capex

Although the market for solar panels is continuing to expand, oversupply is also continuing. As a result, extreme price declines are still exerting pressure on panel makers' profitability. In this business environment the industry is awaiting technological innovation to increase conversion efficiency, leading us to expect a recovery in capex over the medium term.

# Quarterly Orders

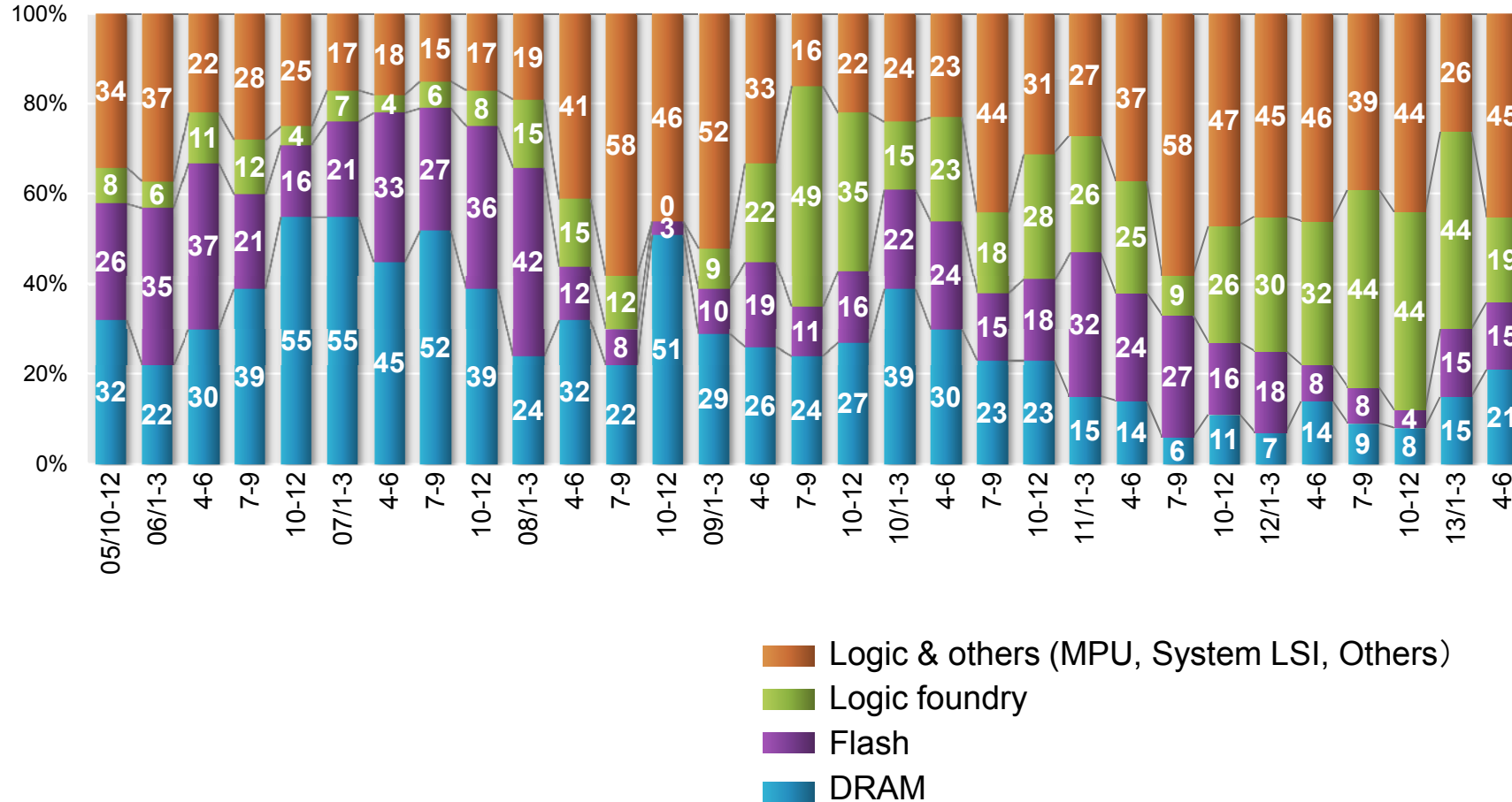
(Billion Yen)



PVE orders for or before 2012/1-3 are included in FPD orders.



# SPE Orders by Application: Equipment only



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# Revision of FY2014 Financial Estimates



**TOKYO ELECTRON**

CORP IR/July 30, 2013



# Revision of FY2014 Financial Estimates

(Billion Yen)

|                            | FY2013 | FY2014 (E)           |              |                      |              |               |              | YoY change |
|----------------------------|--------|----------------------|--------------|----------------------|--------------|---------------|--------------|------------|
|                            |        | 1 <sup>st</sup> half |              | 2 <sup>nd</sup> half |              | Full year     |              |            |
|                            |        | New estimates        | Adjustments* | New estimates        | Adjustments* | New estimates | Adjustments* |            |
| Net sales                  | 497.2  | 252.0                | -            | 310.0                | -8.0         | 562.0         | -8.0         | +13%       |
| SPE                        | 392.0  | 196.0                | +6.0         | 240.0                | -            | 436.0         | +6.0         | +11%       |
| FPD                        | 20.0   | 10.0                 | -            | 16.0                 | -            | 26.0          | -            | +30%       |
| PVE                        | 0.0    | 4.0                  | -6.0         | 7.0                  | -8.0         | 11.0          | -14.0        | -          |
| EC/CN                      | 84.6   | 42.0                 | -            | 47.0                 | -            | 89.0          | -            | +5%        |
| Others                     | 0.4    | -                    | -            | -                    | -            | -             | -            | -          |
| Operating income           | 12.5   | -6.5                 | +1.5         | 24.5                 | -1.5         | 18.0          | -            | +5.4       |
| Lower line: OP margin      | 2.5%   | -2.6%                | +0.6pts      | 7.9%                 | -0.3pts      | 3.2%          | -            | +0.7pts    |
| Income before income taxes | 17.7   | -5.5                 | +1.5         | 25.5                 | -1.5         | 20.0          | -            | +2.2       |
| Net income                 | 6.0    | -1.0                 | +2.0         | 14.0                 | -2.0         | 13.0          | -            | +6.9       |

\*Adjustments: changes from the figures announced on April 30, 2013.

SPE: Semiconductor Production Equipment, FPD: Flat Panel Display Production Equipment, PVE: Photovoltaic Panel Production Equipment  
EC/CN: Electronic Components and Computer Networks

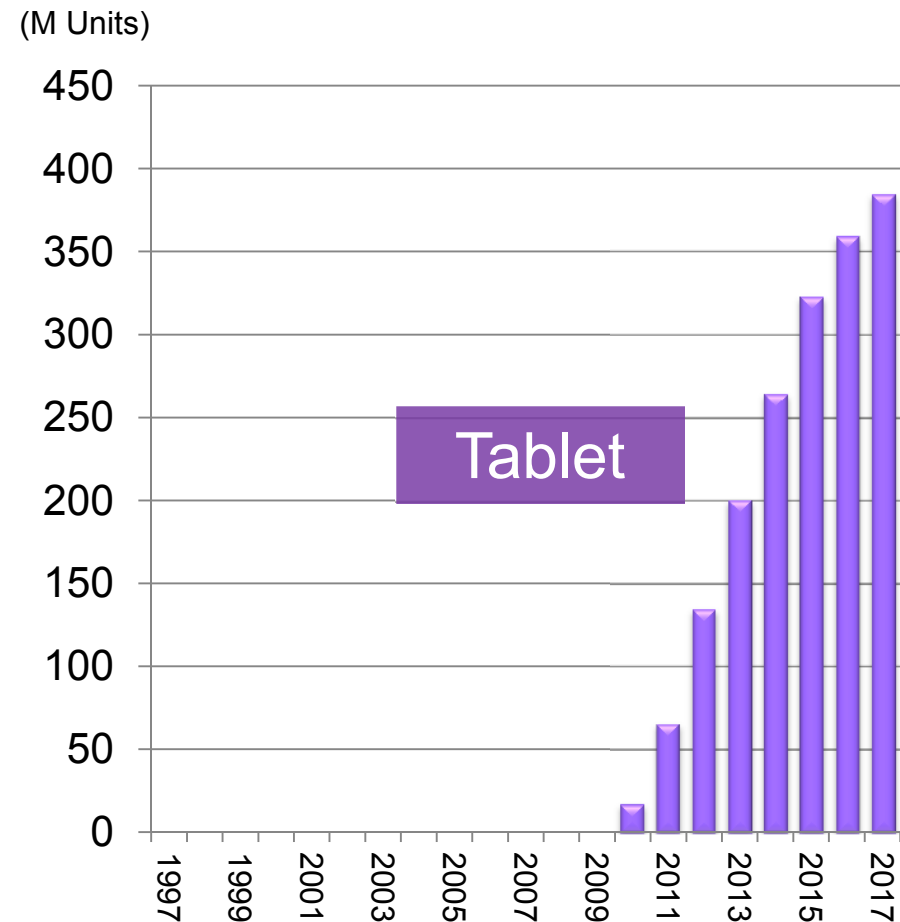
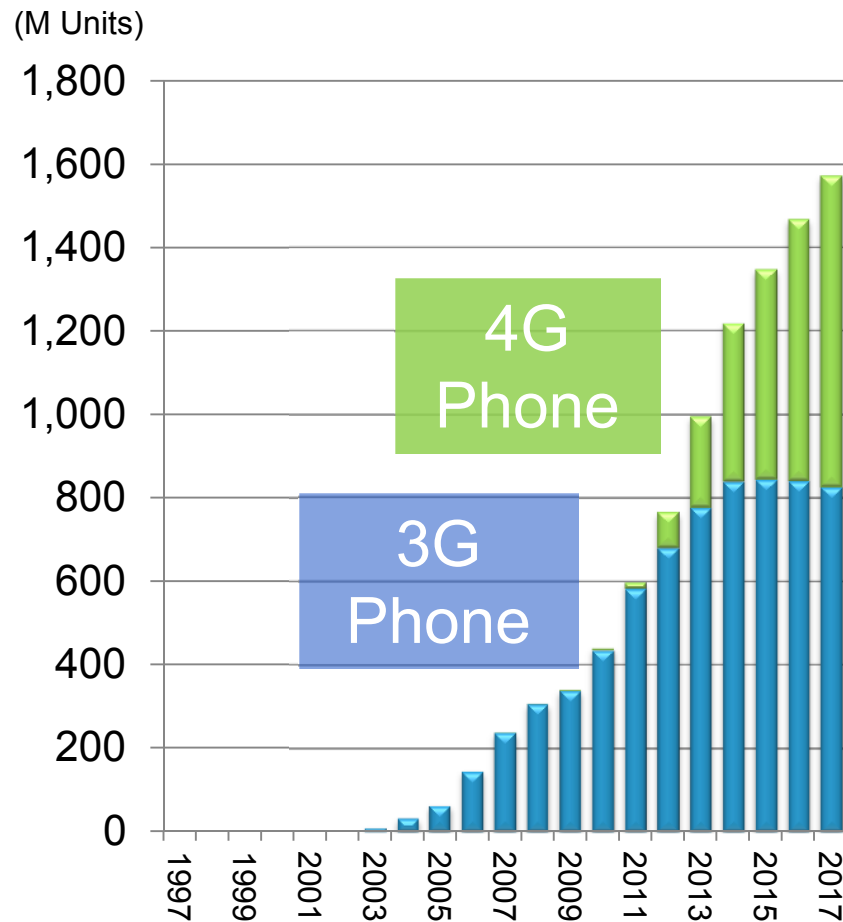
## Revisions to first half SPE sales and full year PVE sales

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# Medium-term Management Plan

# High Growth of Mobile Applications Leads SPE



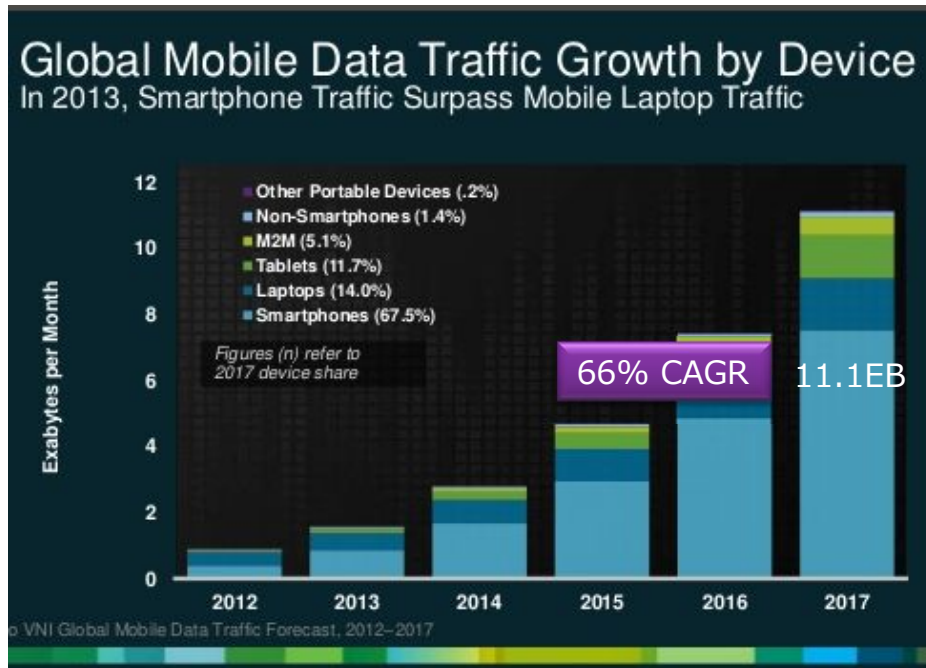
Source: iSuppli, Mar 2013

Highly-functional, sophisticated applications to grow sharply

# Explosive Mobile IP Traffic

IP traffic via mobile devices forecast to increase explosively

- Compared with 2012, x12.6 in 2017, and CAGR66%



**Average Traffic Per Mobile Device Type**

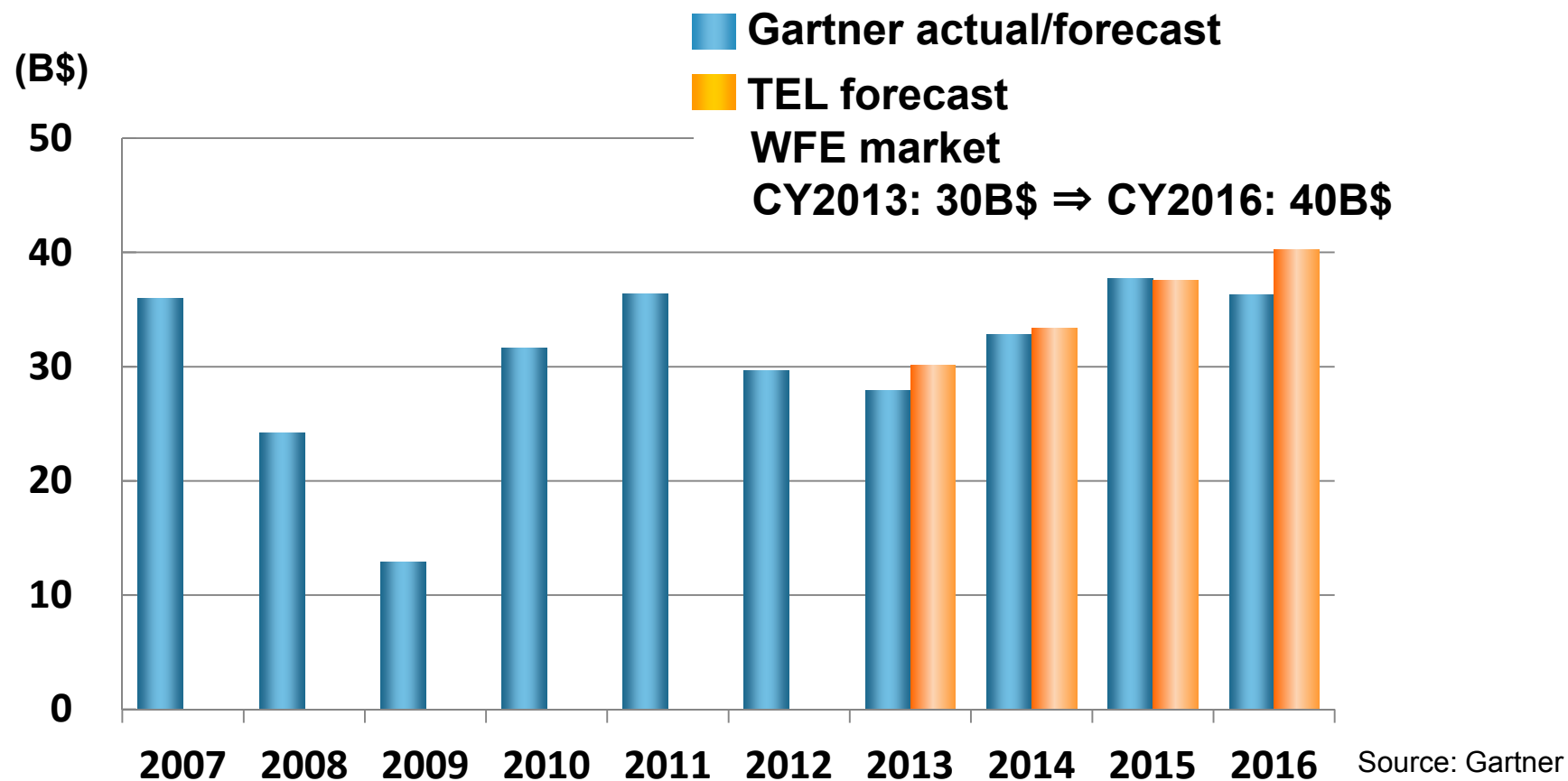
|                | 2012          | 2017          |
|----------------|---------------|---------------|
|                | MBs per Month | MBs per Month |
| Non-Smartphone | 6.8           | 31            |
| M2M            | 64            | 330           |
| Smartphone     | 342           | 2,660         |
| 4G Smartphone  | 1,302         | 5,114         |
| Tablet         | 820           | 5,387         |
| Laptop         | 2,503         | 5,731         |

Source: Cisco VNI Global Mobile Data Traffic Forecast, 2012-2017

Source: Cisco, Feb 2013

Sustained need for ultrahigh speed processing  
and low power consumption

# Wafer Fab Equipment (WFE) Market



WFE market expected to grow continuously due to continuing logic and new NAND fab investment

# Background to WFE Market Growth

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## ▶ Logic

Will continue to make up more than half of WFE capex

Growing demand for high performance semiconductor devices such as FinFET

Continued miniaturization to 7-5nm

## ▶ NAND

To increase based on mobile devices and storage markets (SSD)

We expect sustained market growth from investment in new fabs due to the shift from 2D to 3D NAND

## ▶ DRAM

PC demand is weak, but mobile DRAM capex is expected to continue due to rapid growth in number of mobile devices and functions per device



# TEL Status at Technology Transitions

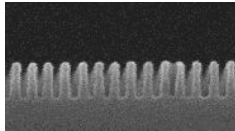
## Lithography/Patterning

### EUV

- Collaboration with imec and SEMATECH for coater/developers
- Maintained leading position
- TEL product road-map fully aligns with EUV's

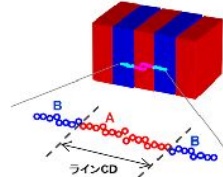
EUV: Extreme Ultraviolet

### Multi patterning



- Quadrupling development in progress
- 11nm achieved by TEL products

### DSA

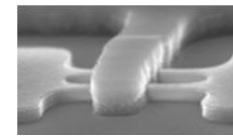


- Collaboration with consortia, materials makers, universities
- Customer evaluation in progress

DSA: Directed Self-Assembly

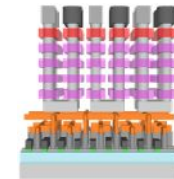
## New structures

### FinFET



- High volume manufacturing
- Advanced development with key customers

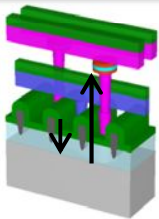
### 3D NAND



- Active customer evaluation
- JD with leading customers

## New memory

### STT-MRAM

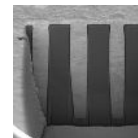


- Collaboration with Tohoku University and imec
- TEL product development in progress

STT-MRAM: Spin Transfer Torque-Magneto-resistive Random Access Memory

## Advanced packaging

### Wafer level packaging/TSV



- Product line-up expanded complemented by NEXX's products

TEL is well-positioned to launch these new technologies

# SPE Business Initiatives

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## Increase share

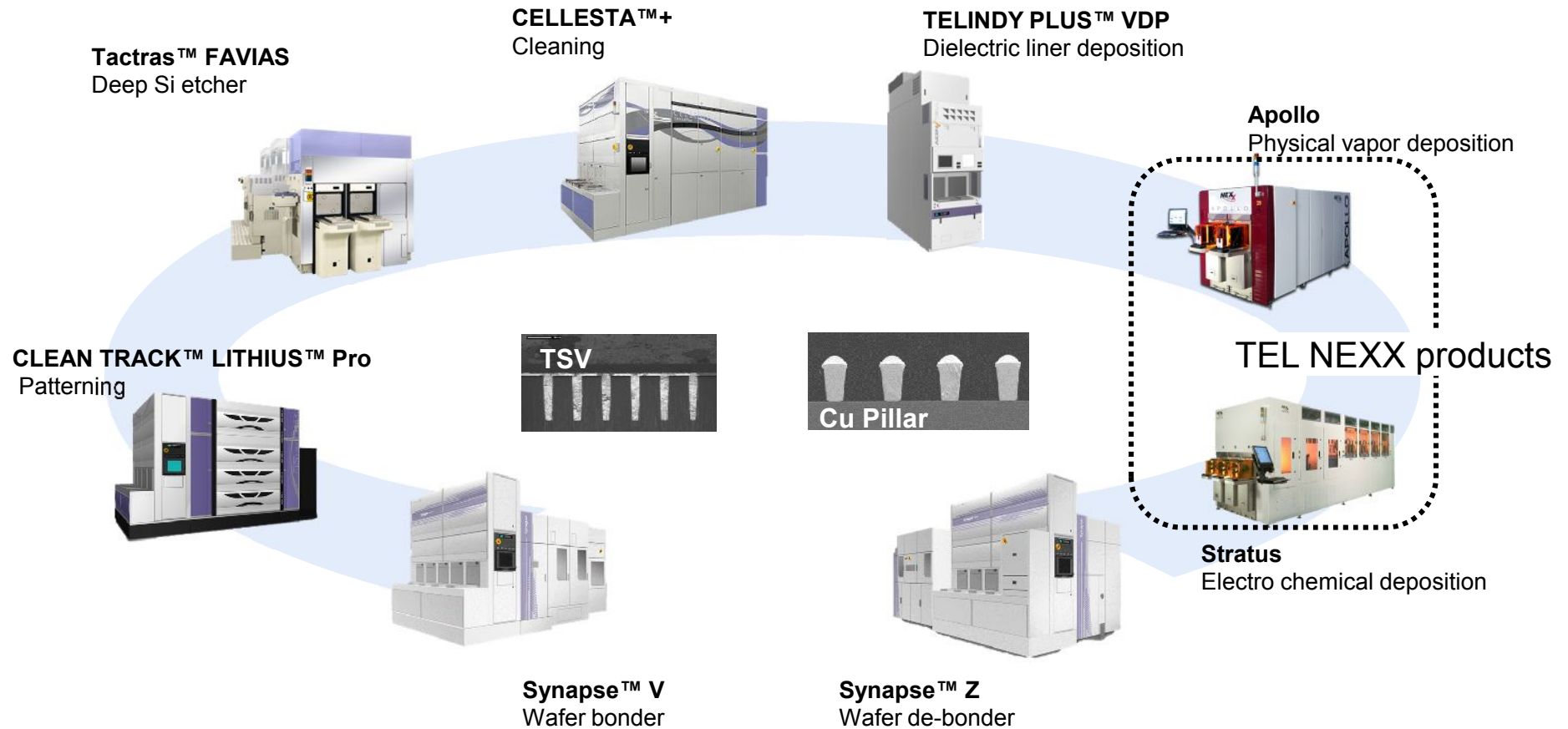
- Etching system
  - Increase share in the Poly etch market (FinFET gate process) with the RLSA etch system
  - Leverage our strength in HARC etching technology to win a position in 3D NAND
- Cleaning system
  - Focus on growing our share in single wafer cleaning system
  - Grow sales in dry cleaning systems for further miniaturization
- Thermal processing system
  - Grow sales in single wafer deposition market with semi-batch type ALD system

## New segment

- Advanced packaging areas
  - Aiming for medium term income growth by expanding product line up

HARC: High aspect ratio contact

# TEL Products in Advanced Packaging Area



Strengthen product line-up in wafer level packaging market

# Development for Next-Generation Memory

## STT-MRAM Product Line-up



GCIB system  
(TEL Epion)



Cleaning  
system



Etching/CVD  
system



Magnetic  
annealing system  
(TEL Magnetic  
Solutions)



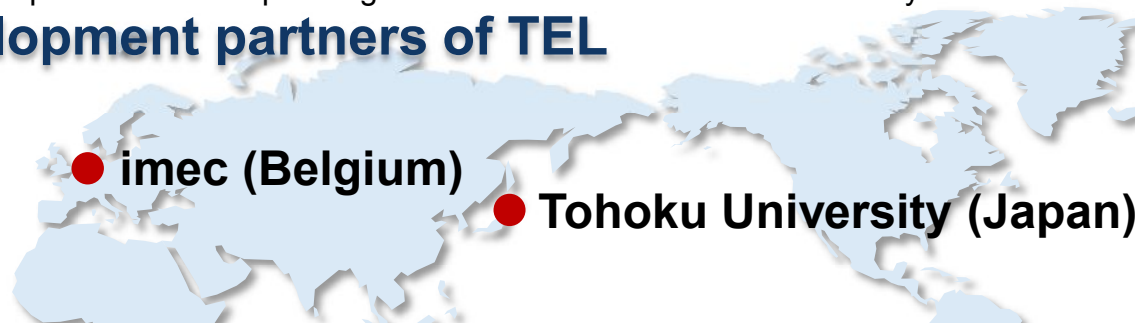
Oxide/Nitride  
CVD system



Magnetic/Metal  
PVD system

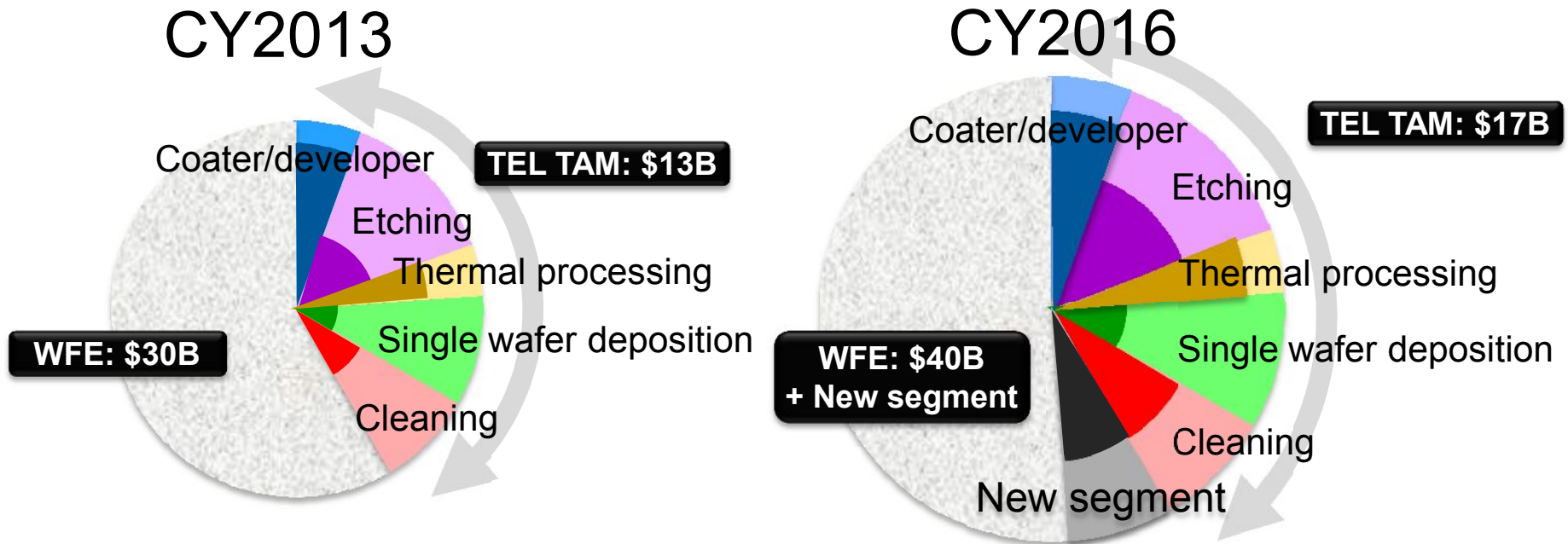
STT-MRAM: Spin Transfer Torque-Magneto-resistive Random Access Memory

### ► Development partners of TEL



Accelerate development aiming to rapidly attain  
volume production technology

# Outperform the Market Growth



- **SPE business: 60% growth in 3 years**  
(Net sales: 436 billion yen ⇒ 690 billion yen)
  - Expansion of WFE and TEL's TAM : 30%
  - Share gains in each TAM : 15%
  - Entries into new arenas : 15%

# FPD Business Initiatives

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- ▶ Aim to increase revenues and product share by launching new ICP etch system for G8 panels.
- ▶ With OLED panel manufacturing for large panel TVs expected to begin in earnest from 2016, we plan to rapidly develop an OLED film forming equipment and expand revenues.
- ▶ Aiming to increase ability to respond to customers with equipment production at our Kunshan, China plant. Also aim to improve profitability by gradually increasing local supply ratio.



Tokyo Electron (Kunshan) Limited

ICP: Inductively Coupled Plasma

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# PVE Business Initiatives

## Advantages of thin-film silicon PV

- ◆ Low materials cost and simple production process (Low production cost)
- ◆ High performance in high temperature and low daylight regions
- ◆ Toxic/rare materials not required

## Measures to increase conversion efficiency

- Light management technology
- Application of SPE technology
  - Plasma uniformity technology
  - Thin-film uniform coating technology
  - MEMS technology



Technology Center Tsukuba

Rapidly increase conversion efficiency to achieve manufacturing costs under \$0.4/Wp and exceed grid parity

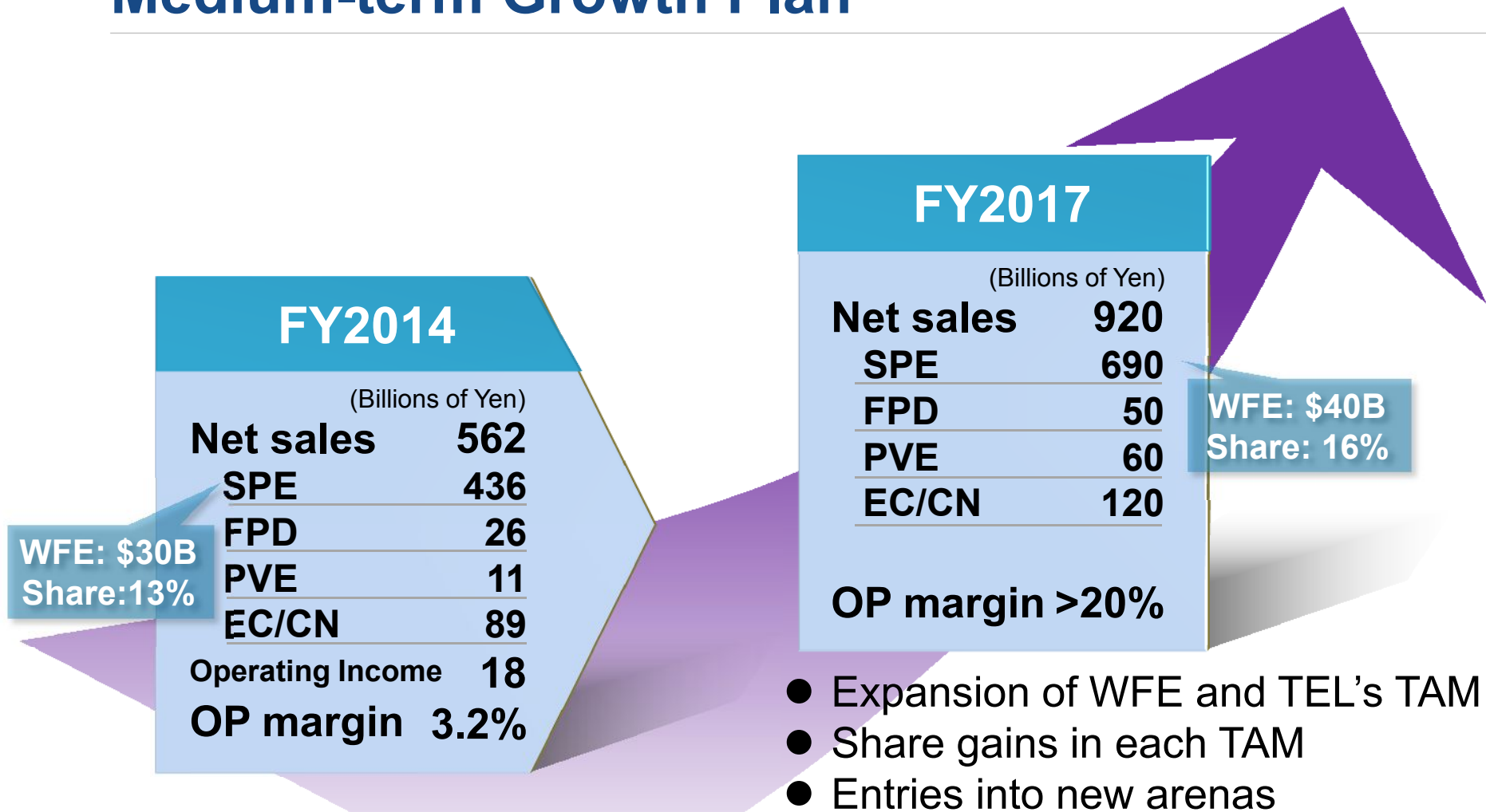
## Measures to Raise Profitability

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- ▶ Reduce costs through an integrated development and production framework and raise production efficiency through new manufacturing methods
- ▶ Gradually increase local supply ratio and improve profit margins by producing FPD equipment at our Kunshan, China plant
- ▶ Pursue more efficient development
- ▶ Large-scale investments in new production and development facilities completed. Now entering a phase of lower depreciation expenses.



# Medium-term Growth Plan



Aiming for OP margin of 27%+ in SPE business, 20%+ consolidated

# Management Policy

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- ▶ Management stance: Technology innovation creates markets, and delivers profits
- ▶ Customer comes first: Enhance technical support on a global level
- ▶ From the workplace to the top executives build a company that is driven by creativity, passion, a spirit of challenge and a sense of full responsibility
- ▶ Realize a world-class, high profit company and achieve further growth

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▶ **Disclaimer regarding forward-looking statement**

Forecast of TEL's performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast described here due to changes in various external and internal factors, including the economic situation, semiconductor/FPD/PV market conditions, intensification of sales competition, safety and product quality management, and intellectual property-related risks.

▶ **Processing of numbers**

For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

▶ **Exchange Risk**

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD/PV production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD/PV: Flat panel display/Photovoltaic panel

# 50 Years