

The 52nd Annual General Meeting of Shareholders



Tokyo Electron Limited
June 19, 2015

FY2015 Financial Report

(FY2015: April 1, 2014 – March 31, 2015)

Consolidated Statement of Income

(Billion Yen)

		FY2014	(%)	FY2015	(%)	Variance
Net sales		612.1	100.0	613.1	100.0	+0.9
Sales by division	SPE	478.8	78.2	576.2	94.0	+97.4
	FPD	28.3	4.6	32.7	5.3	+4.3
	PVE	3.8	0.6	3.6	0.6	▲0.1
	EC/CN	100.7	16.5			

SPE: Semiconductor Production Equipment

FPD: Flat Panel Display Production Equipment

PVE: Photovoltaic Panel Production Equipment

EC/CN: Electric Components & Computer Networks

Consolidated Statement of Income

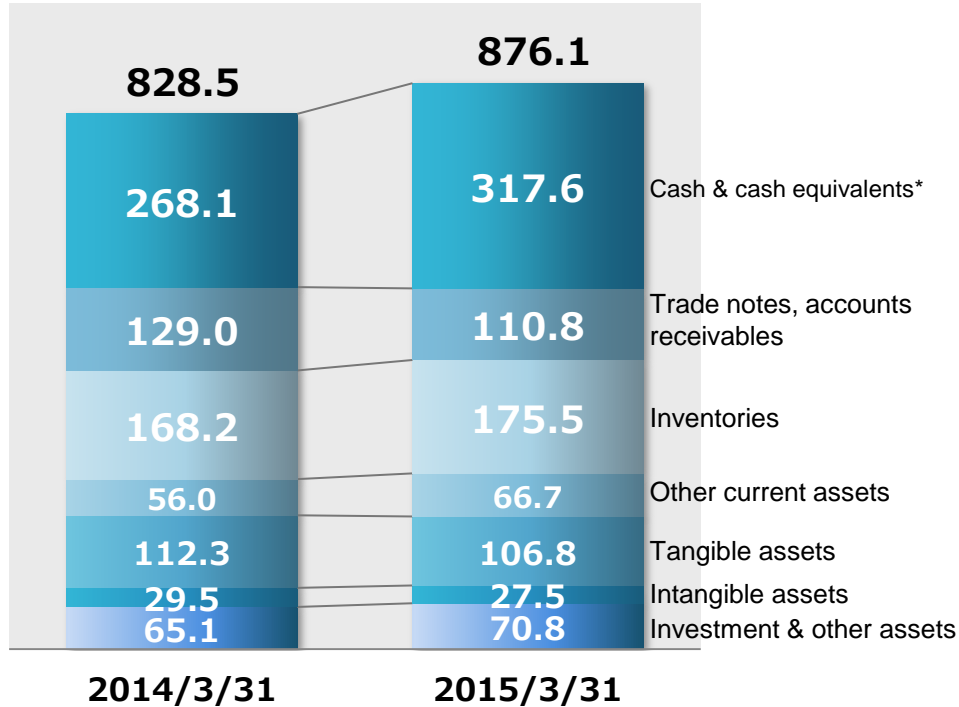
(Billion Yen)

	FY2014		FY2015		Variance
		(%)		(%)	
Net sales	612.1	100.0	613.1	100.0	+0.9
Gross profit	201.8	33.0	242.7	39.6	+40.8
Operating income	32.2	5.3	88.1	14.4	+55.9
Ordinary income	35.4	5.8	92.9	15.2	+57.4
Unusual or infrequent profit	0.5		1.8		+1.3
Unusual or infrequent loss	47.7		8.0		▲39.7
Income before income tax	▲11.7	▲1.9	86.8	14.2	+98.5
Net income	▲19.4	▲3.2	71.8	11.7	+91.2

Consolidated Balance Sheet

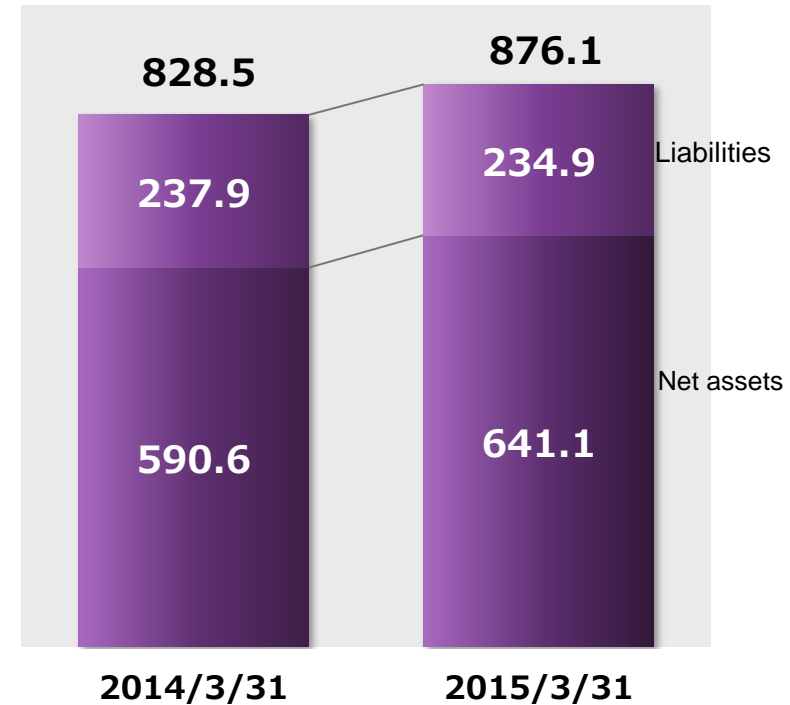
Assets

(Billion Yen)



Liabilities & Net Assets

(Billion Yen)

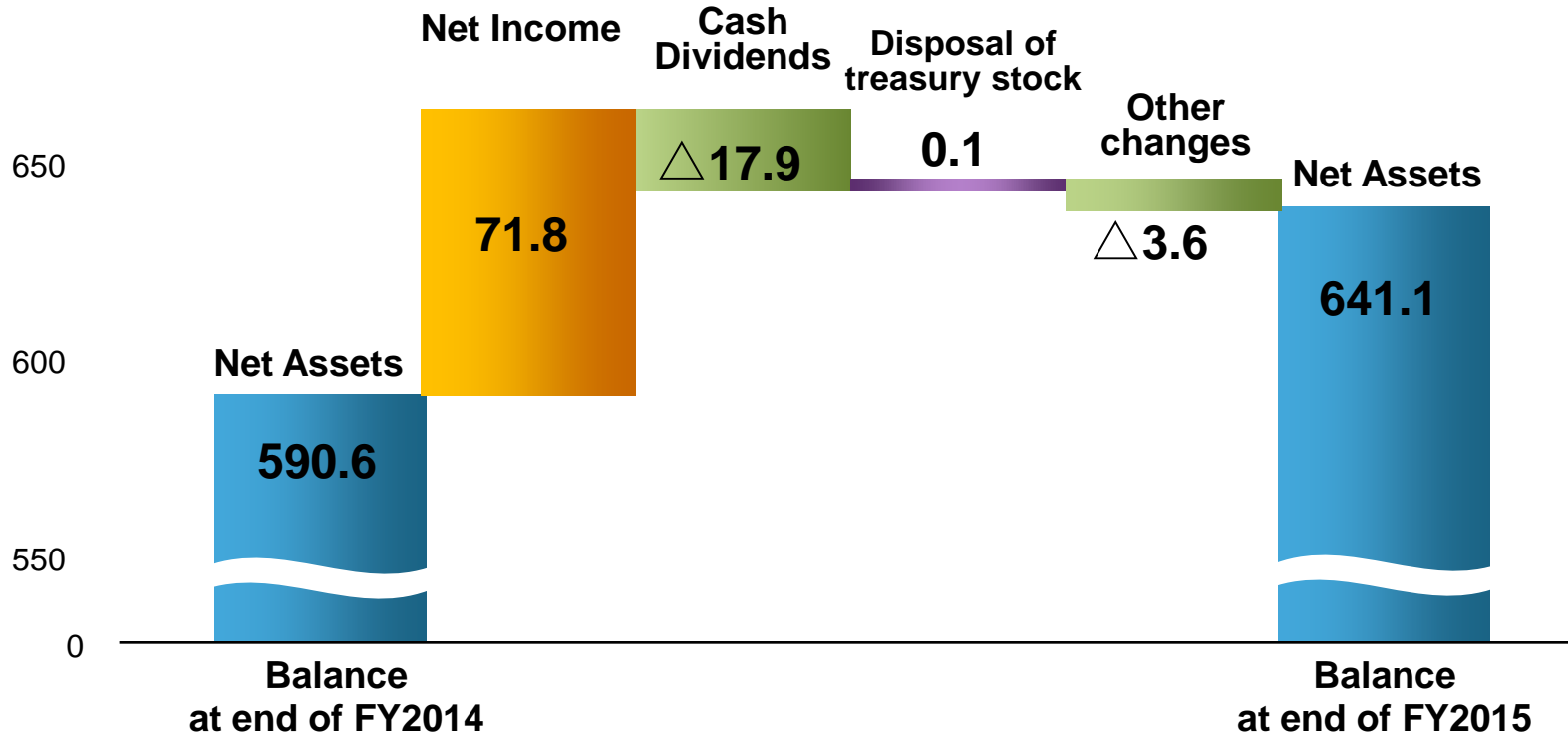


*Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

Consolidated Statements of Changes in Net Assets

(Billion Yen)

700



Non-consolidated Financial Statement

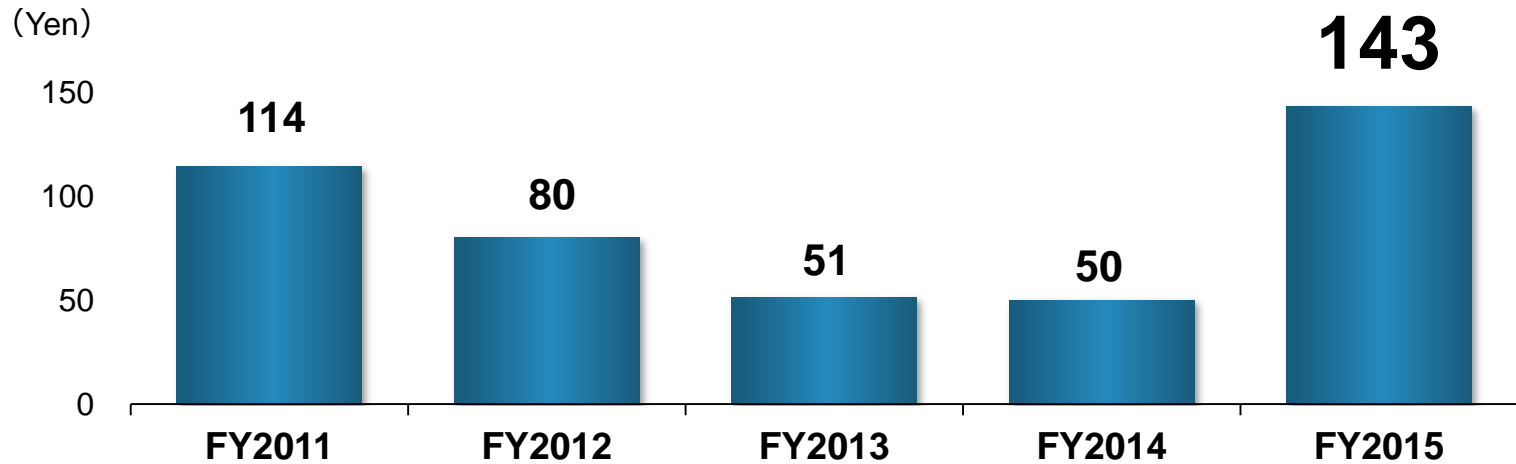
(Billion Yen)

Statement of Income	FY2014	(%)	FY2015	(%)	Variance
Net sales	462.2	100.0	555.0	100.0	+92.8
Operating income	16.2	3.5	47.0	8.5	+30.8
Ordinary income	27.8	6.0	86.5	15.6	+58.6
Income before income taxes	▲26.0	▲5.6	61.9	11.2	+87.9
Net income	▲26.4	▲5.7	63.2	11.4	+89.6

Balance Sheet	FY2014	(%)	FY2015	(%)	Variance
Total assets	608.2	100.0	671.7	100.0	+63.5
Total liabilities	251.5	41.4	266.2	39.6	+14.7
Total net assets	356.7	58.6	405.4	60.4	+48.7
Total liabilities & net assets	608.2	100.0	671.7	100.0	+63.5

FY2015 Dividends

▶ Annual dividend per share



	1Q	2Q	3Q	Year-end	Annual dividends	Total dividends	Payout ratio
FY2015	10yen	30yen	35yen	68yen	143yen	25.6 Billion yen	35.7%

FY 2016 Financial Estimates

(FY2016: April 1, 2015 – March 31, 2016)

Business Environment

▶ SPE Capex

CY2015 WFE capex is expected to rise around 5% YoY. Especially, the growth of capex for memory is anticipated.

▶ FPD Capex

CY2015 demand for LCD panel manufacturing equipment forecast to increase 20% YoY due to increase in capex for large panels and the start of investment in small/medium panels for mobile devices.

FY2016 Consolidated Financial Estimates

(Billion Yen)

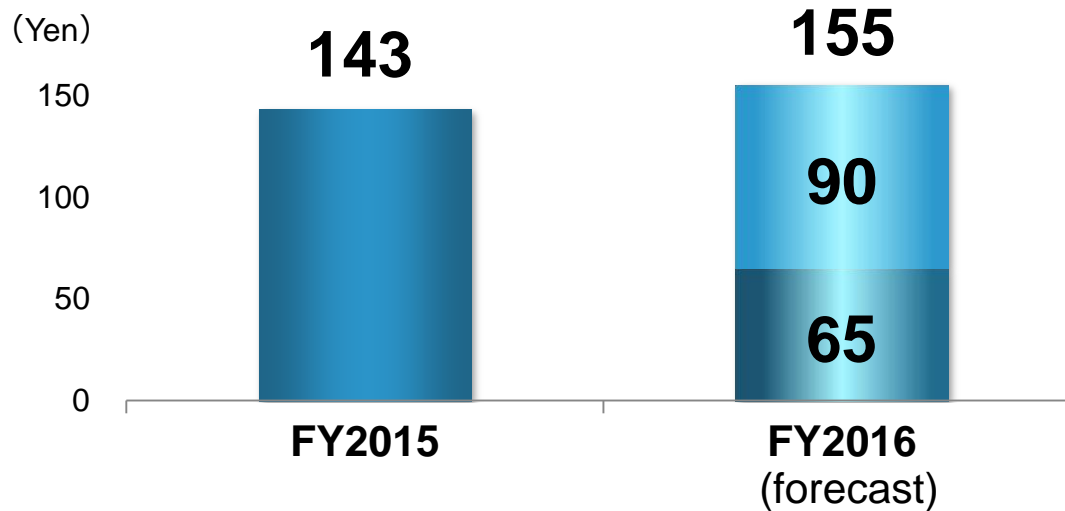
		1 st Half	2 nd Half	Full year	YoY changes
Net Sales		320.0	355.0	675.0	+10.1%
Sales by division	SPE	300.0	325.0	625.0	+8.5%
	FPD	17.5	29.5	47.0	+43.7%
	PVE	2.5	0.5	3.0	▲17.1%
Operating Income		47.0 14.7%	65.0 18.3%	112.0 16.6%	+27.1% +2.2pts
Ordinary Income		47.0	65.0	112.0	+20.5%
Income before income taxes		46.0	65.0	111.0	+27.8%
Net income		33.0	46.0	79.0	+9.9%

SPE: Semiconductor Production Equipment FPD: Flat Panel Display Production Equipment
PVE: Photovoltaic Panel Production Equipment

FY2016 Dividend Forecast

▶ Annual dividend per share (forecast)

Interim	Year-end	Annual total
65yen	90yen	155yen





TM

Pursuing Global Excellence

Regarding the business combination plans with Applied Materials

Context:

- Sep. 24, 2013 Merger plans announced
- Jun. 20, 2014 Approval obtained at the Tokyo Electron Annual Shareholders Meeting
- Jun. 23, 2014 Approval obtained at the Applied Materials Extraordinary Shareholders Meeting
- Apr. 27, 2015 Termination of the business combination agreement at the Board of Directors by the two companies

Our planned business combination terminated

due to the gap unfilled between the view of the
U.S. Department of Justice and our view

**Although our business integration
didn't come into reality...**

Even during the preparation phase for the merger:

**Management structure improved
and
Profit margin increased**

Through the efforts towards the merger:

The strengths of Tokyo Electron reaffirmed

- Enormous trust from customers
- Products and technological competitiveness
- Excellent teamwork

Through the efforts towards the merger:

Inspiring findings earned on

**”What makes a true global company”
and ”Drastic approach to profits”**

A fresh start as the new Tokyo Electron

Contents:

- 1. Vision**
- 2. Business growth**
- 3. Increasing profitability**
- 4. Shareholder return**

1. Vision

Vision

A true global company generating high added-value and profits through innovative technology and groundbreaking ideas with diverse integrated technologies

Major efforts

- Drastic differentiation of the key business
- Shifting to anticipating customer needs
- Securing a footing for growth and technological innovations
- Ensuring operation efficiency
- Global talent optimization

New organization


Key features of our organization reform:

- New COO appointed
- Capable talent newly assigned
- Strengthening local responsiveness to customers

Shifting to a business that “identifies latent customer needs” delivering more than expected

2. Business growth

Business circumstances



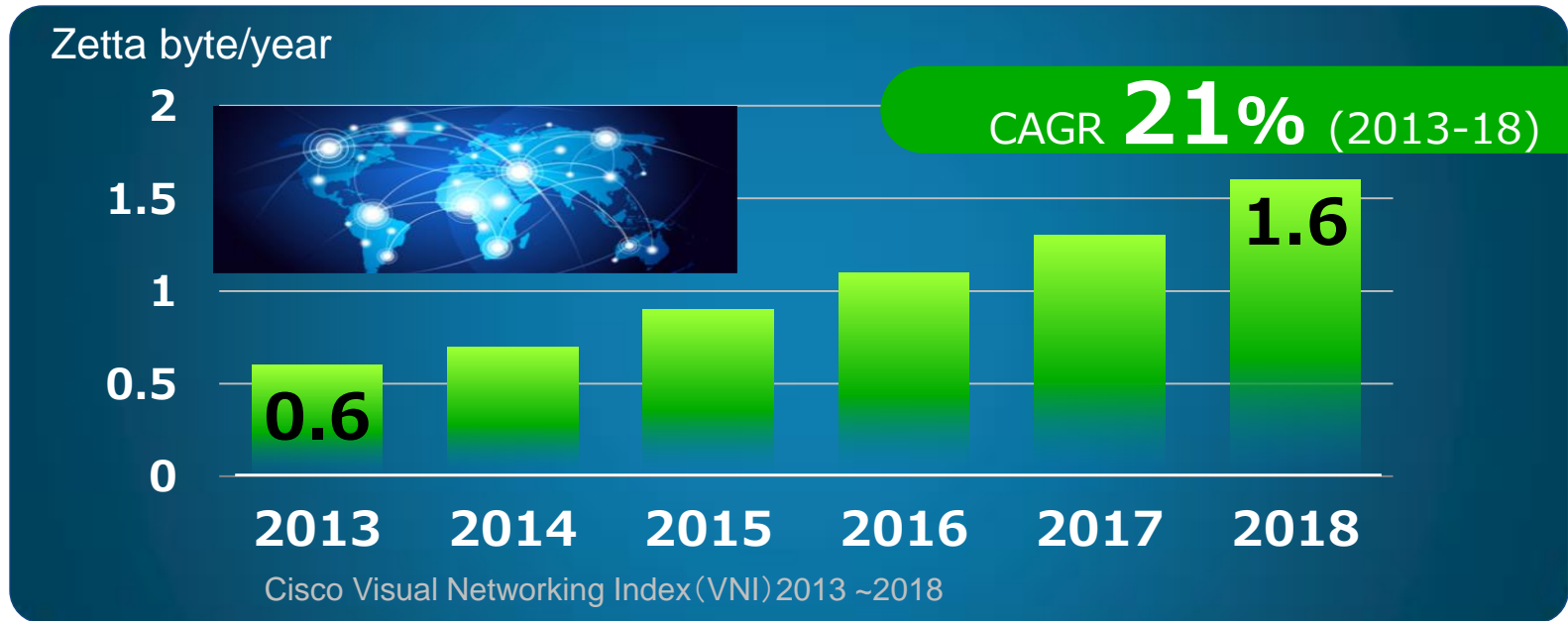
	2014		2020
World population	7.2 billion		7.7 billion
Number of connected things	14.5 billion		50 billion
Things connected to the internet	PCs, smartphones, tablets	+	Wearables, PAN/BAN, automobiles, transportation systems, industrial machinery, etc.

Forecast by CISCO

Anything will be connected to internet in the near-future of IoT

Business circumstances

World IP traffic

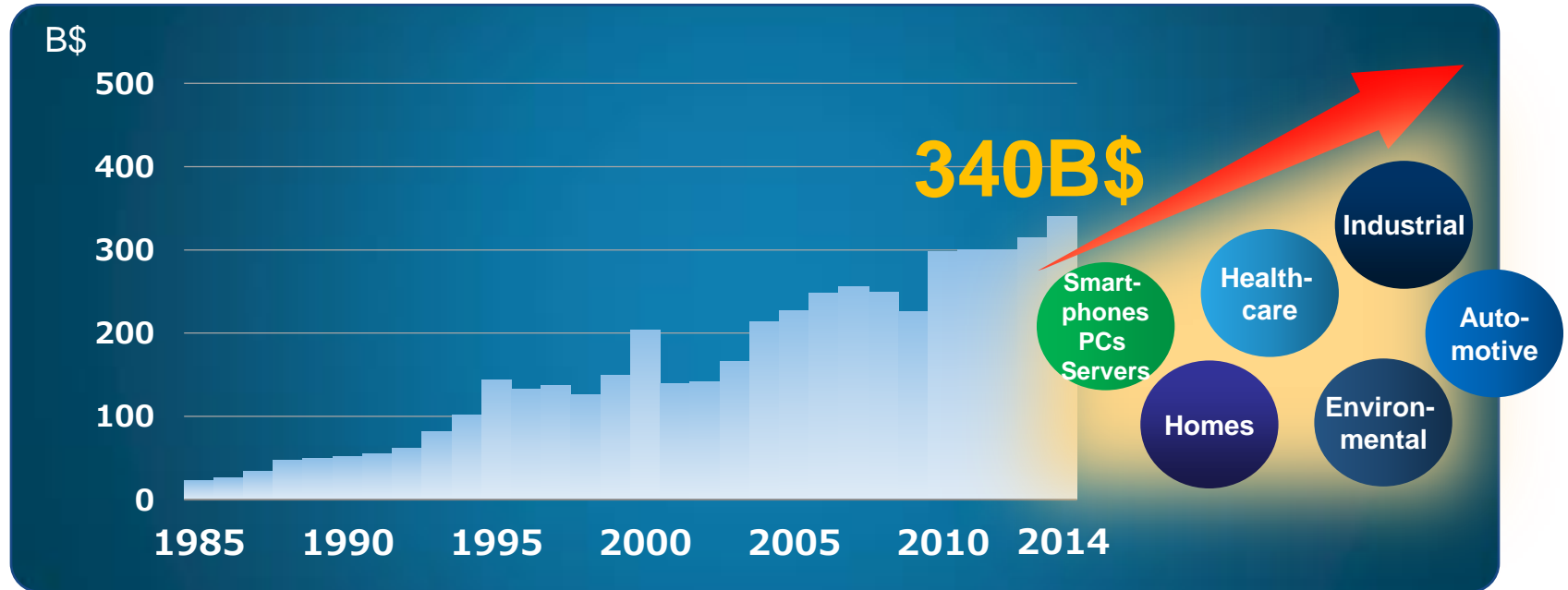


Data on the internet will continue to increase explosively

Zettabyte: Unit indicating the magnitude of computer storage devices and digital data. 10^{21} bytes

Business circumstances

World Semiconductor Market

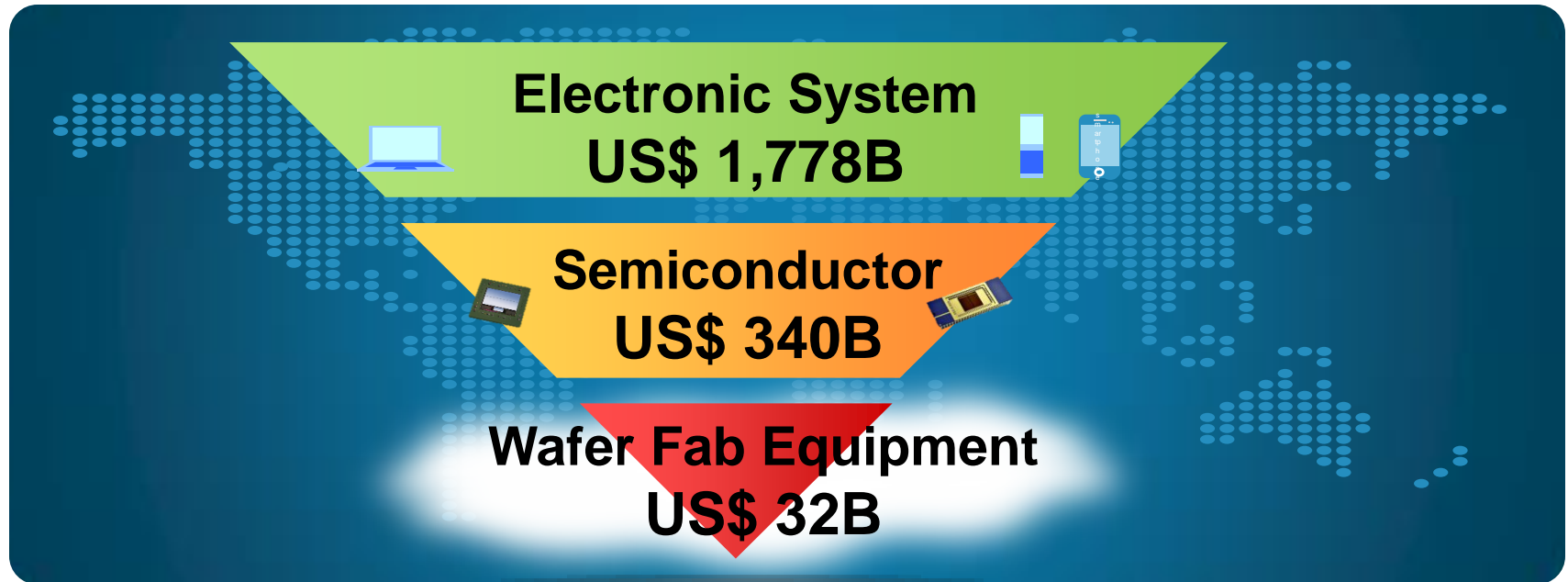


Increased application by paradigm shift to IoT will expand semiconductor market

Source: Gartner "Forecast :Semiconductor Manufacturing Equipment, Worldwide, 1Q15 Update April 2015

Business circumstances

CY2014 World Electronics-related industry



SPE market assuming a critical role in the value chain

Source : Gartner "Forecast :Semiconductor Manufacturing Equipment, Worldwide, 1Q15 Update April 2015

Our SPE competitiveness

WFE market share:

CY2013 **CY2014**

10.4% → **13.6%**

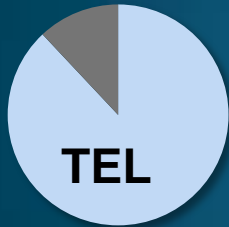
Source: Gartner

Significant turnaround in market share in CY2014

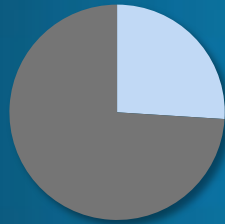
Our SPE competitiveness

TEL Product market share (CY2014)

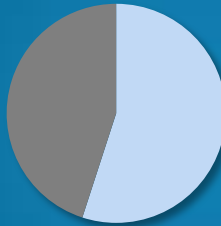
Overwhelming competitiveness



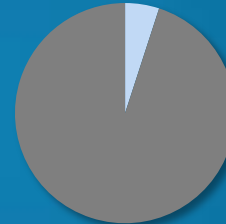
Coater/
developer



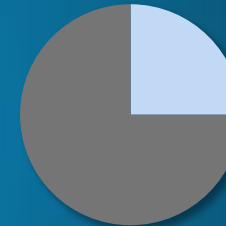
Etch



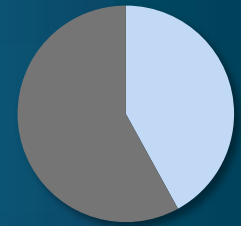
Thermal
processing



Single wafer
deposition



Cleaning



Prober

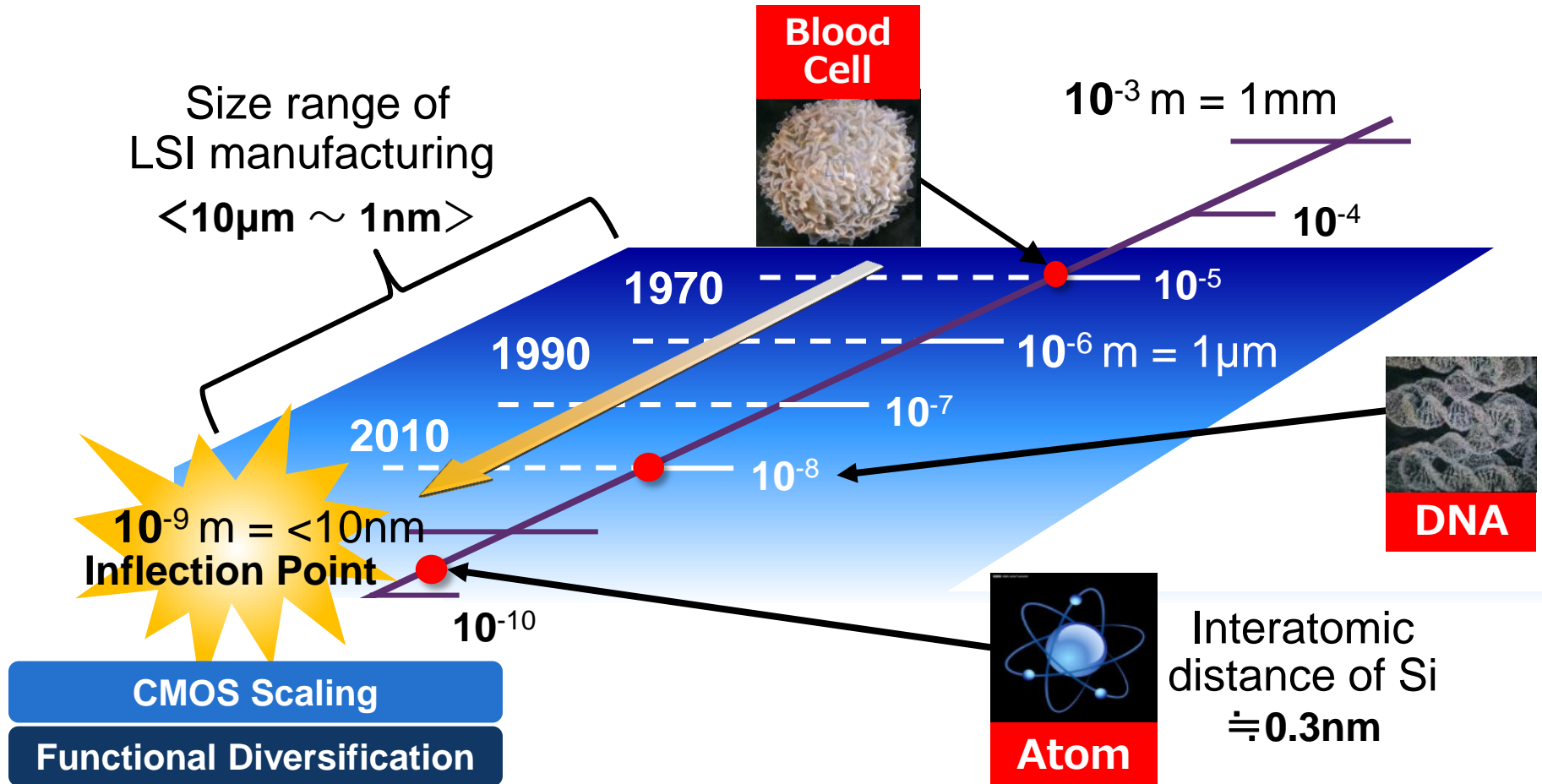
Source: Gartner

Year-on-year growth overall, particularly with rapid share expansion of the cleaning system

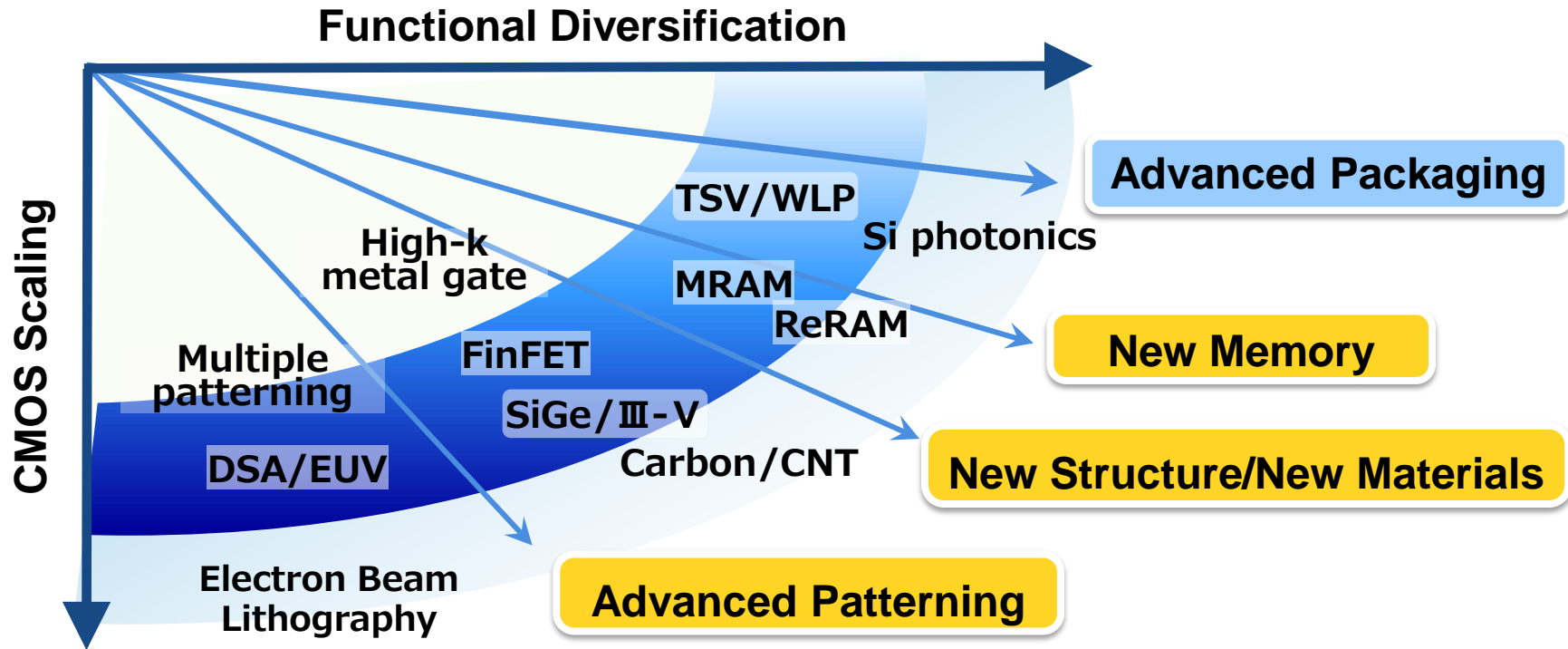
Semiconductor industry at an inflection point

Semiconductor technology today is facing
the most critical inflection ever

Semiconductor industry at an inflection point



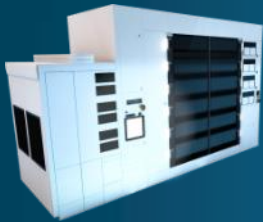
Direction of technological innovations



Evolution of semiconductors involves new, extensive technologies

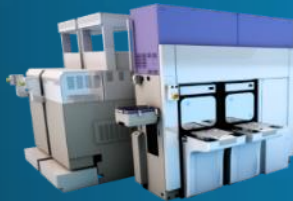
SPE strategic products

Compatible with the advanced patterning,
new structure (2D to 3D) and new materials



Coater/developer
CLEAN TRACK™
LITHIUS Pro™ Z

Plasma etch system
Tactras™ RLSA™ Etch



Thermal processing system
TELINDY PLUS™

ALD system
NT333™



Metallization system
Triase+™EX-II™ TiN

Dry cleaning system
Certas LEAGA™



SPE strategic products

Product line-up for STT-MRAM



GCIB system



Cleaning system



Etching/CVD system



Magnetic annealing system



MTJ Stack Film Deposition system

Ready for mass production of the new memory

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

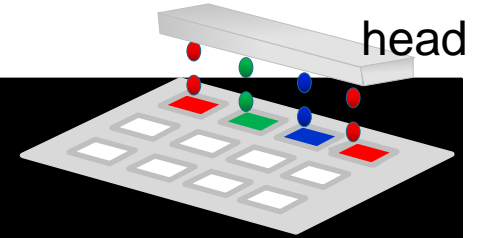
FPD new generation technology

- New display requires:
- ▶ Ultra-high resolution
 - ▶ Ultra-low power consumption
 - ▶ Flexibility (curved, foldable, rollable)



Next-generation OLED displays in the spotlight

FPD strategic products



Elius™ 2500
Inkjet Printing System for
OLED panel manufacturing

Developed in collaboration with Seiko Epson

**Launched new equipment for manufacturing
large OLED displays**

Growth in two large markets

New systems

featuring innovative solutions

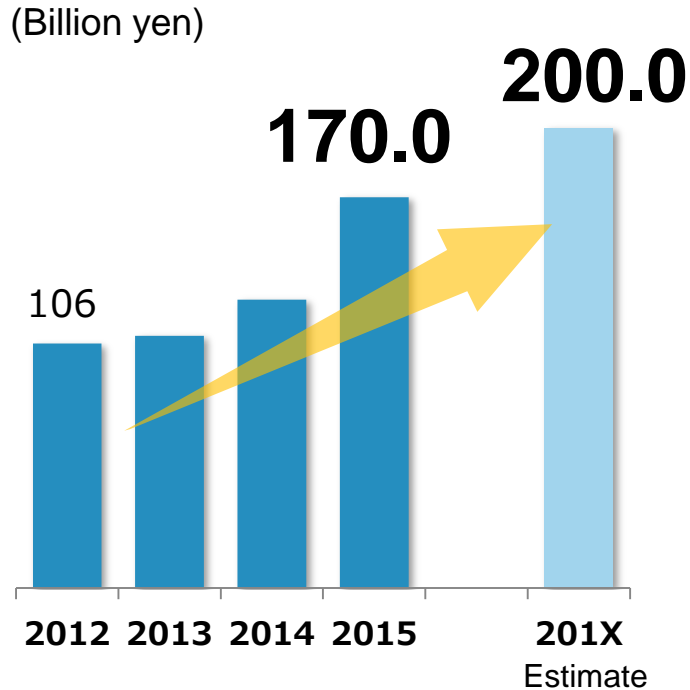


Post-sales

Service contracts, parts sales,
relocation, modifications,
performance improvement,
used equipment

New system market and post-sales market

Post-sales



- Huge business opportunities with 54,000 tools shipped from TEL (world's number one)
- JPY170 bil. achieved inFY2015, ahead of time
- Future target of JPY200 bil.

Sales from post-sales activities included in the sales of SPE and FPD.

3. Increasing profitability

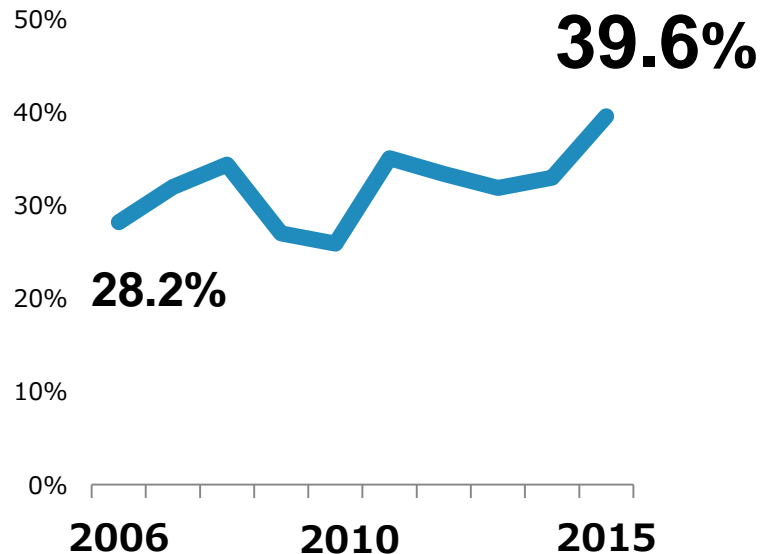
Factors for the increased margin

- Consolidation of the domestic business locations
- Withdrawal from the unprofitable PVE business
- Deconsolidation of Tokyo Electron Device Ltd.

⇒ Management structure improved

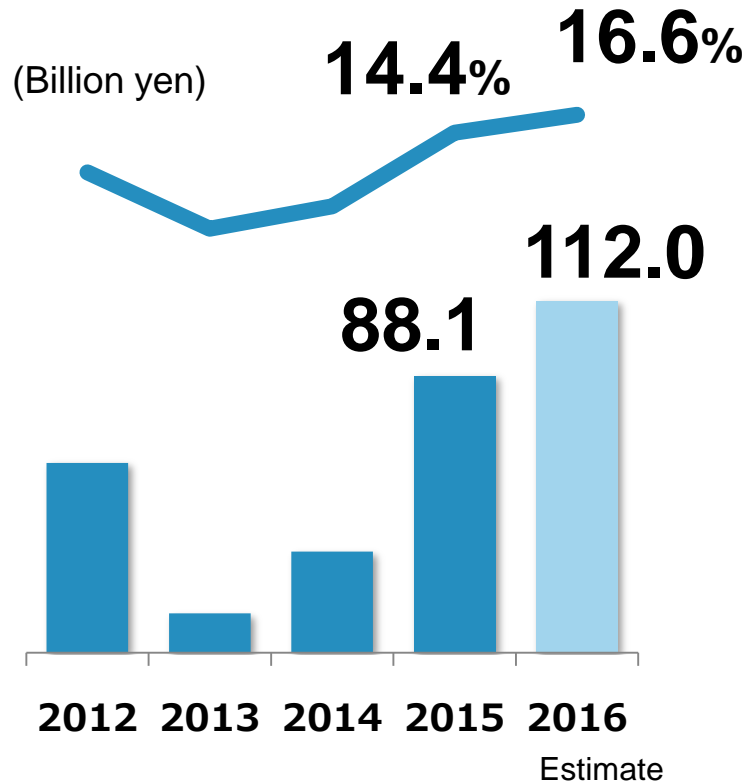
Recent gross margin

Trend over the past 10 years



- Record-high gross margin in FY2015
- Reaching/ exceeding 40% soon

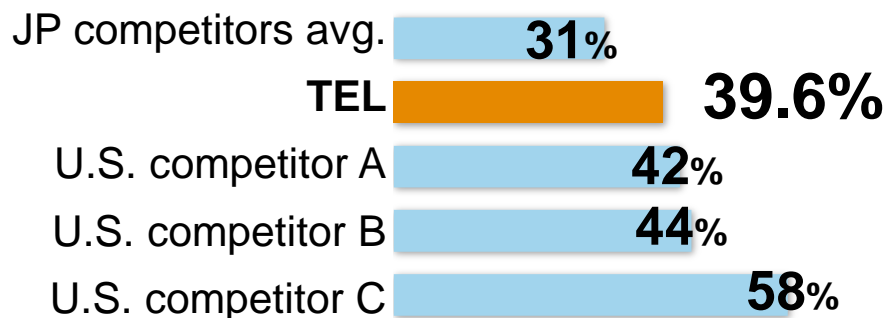
Recent operating income & operating margin



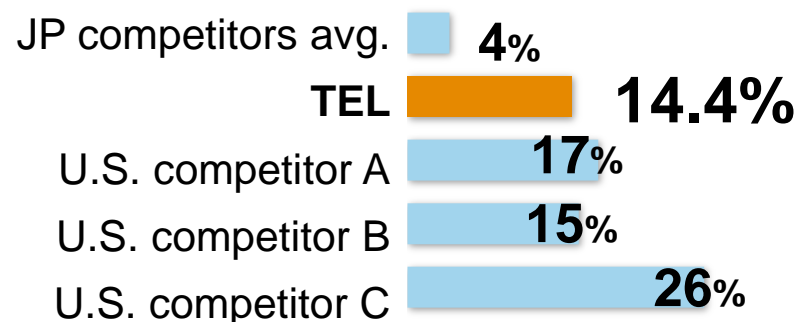
- Significant operating margin improvement
- FY2016 operating income expected to be over JPY110 bil.

Profit margin benchmarking (most recent FY)

Gross margin

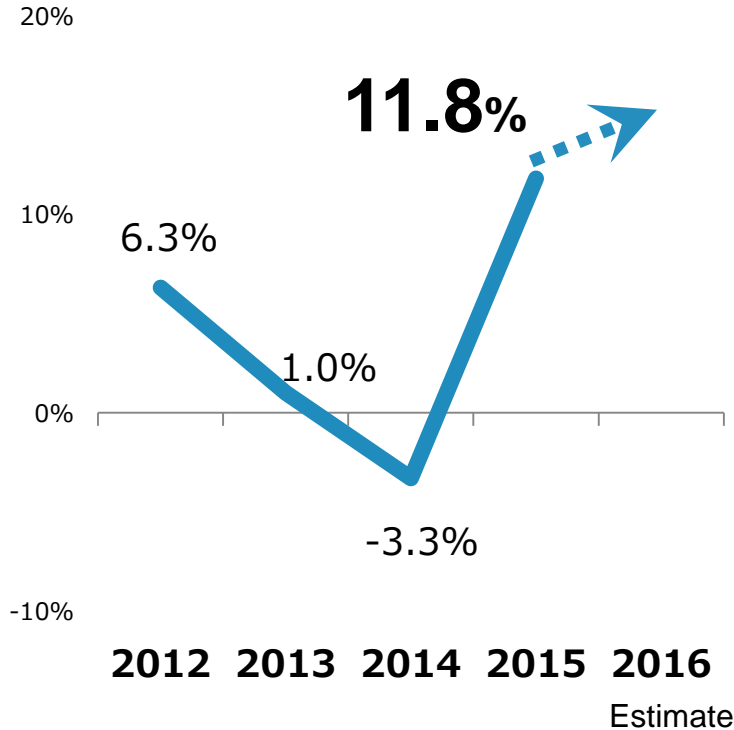


Operating margin



Aiming to achieve global-level results

Recent ROE



- Sharp recovery in ROE
- Further improvement expected in FY2016

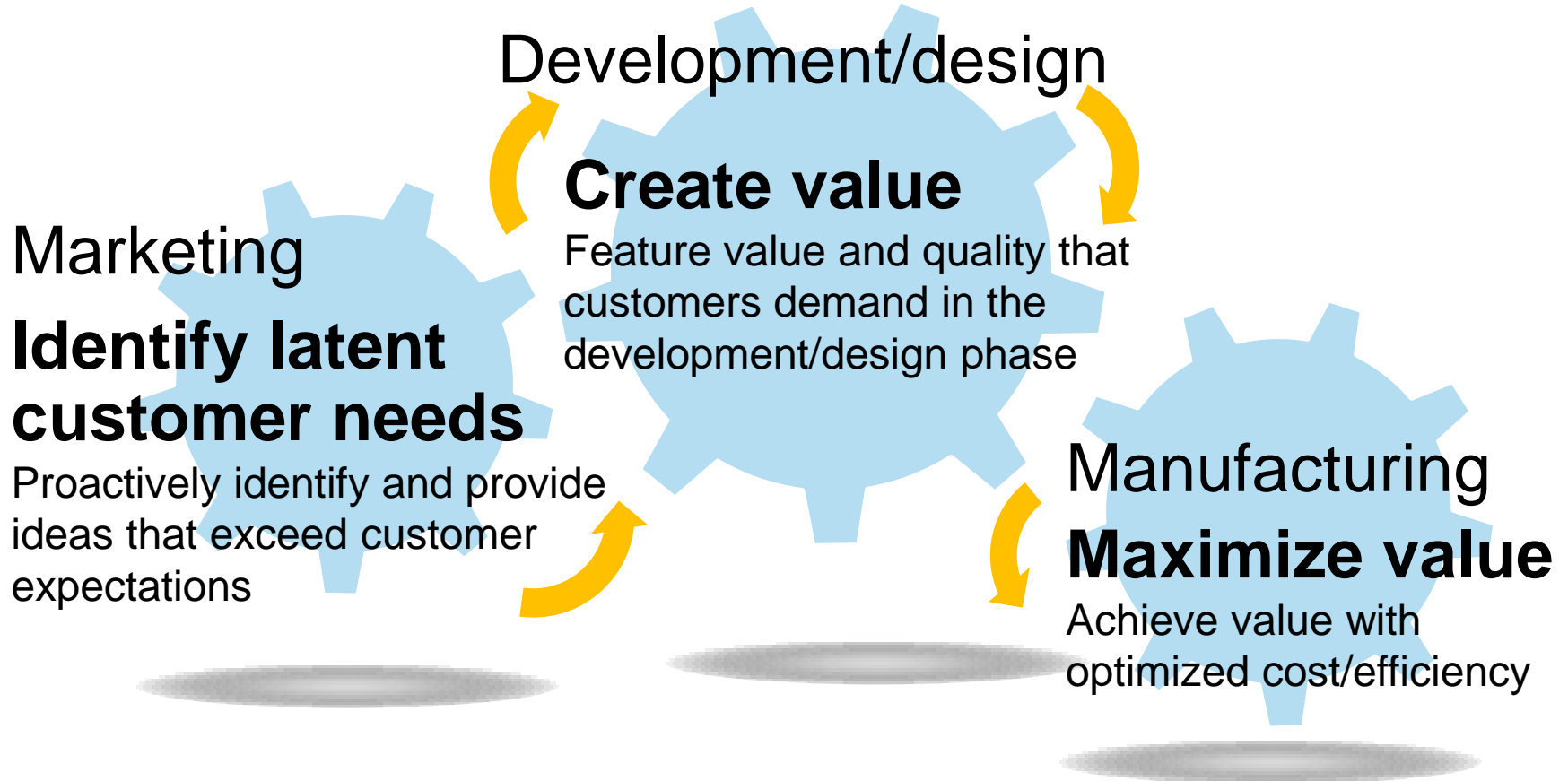
Financial model

Aiming at global-level results

WFE market size:	US\$30B		US\$37B
Operating margin:	20%	~	25%
ROE:	15%	~	20%

Details to be confirmed in the process of mid-term management plan preparation, followed by necessary disclosure

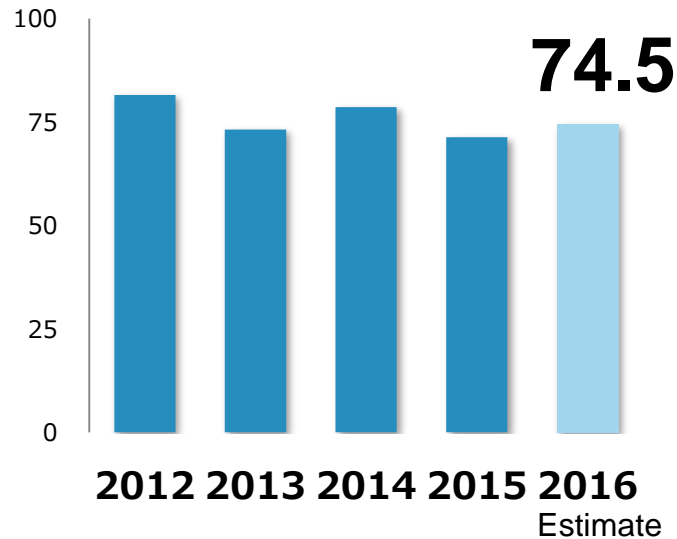
For further increased profitability



R&D expenses / Capital expenditures

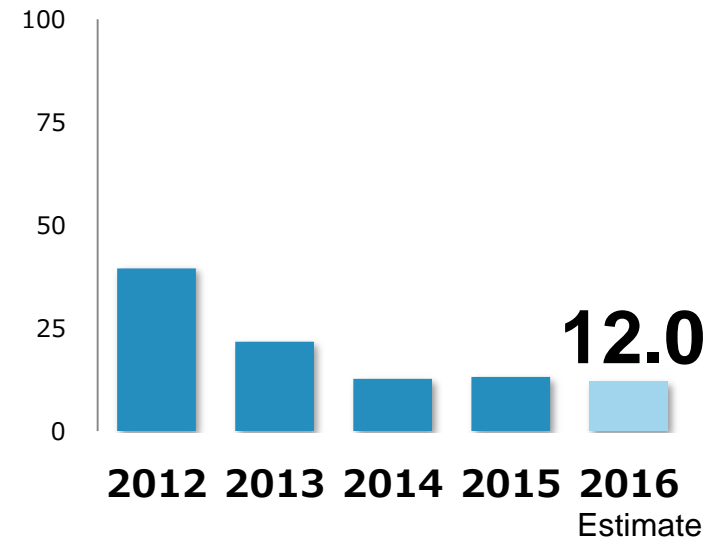
R&D Expenses

(Billion yen)



Capital Expenditures

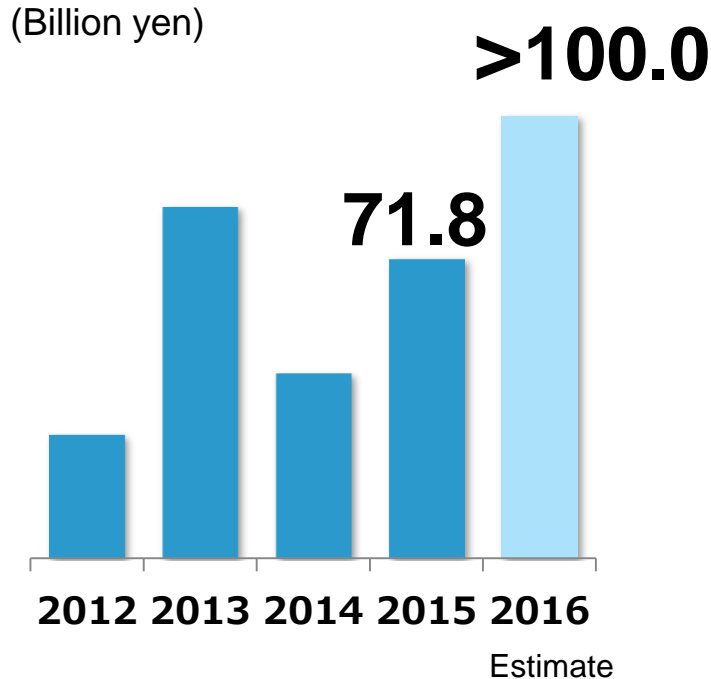
(Billion yen)



High-level R&D investment maintained

4. Shareholder return

Operating cash flow



- Cash-generating capability remarkably improved
- FY2016 operating cash flow expected to exceed JPY100 bil.

Basic policy on use of cash

**Growth
investment**

Development of innovative
solutions

+

**Shareholder
return**

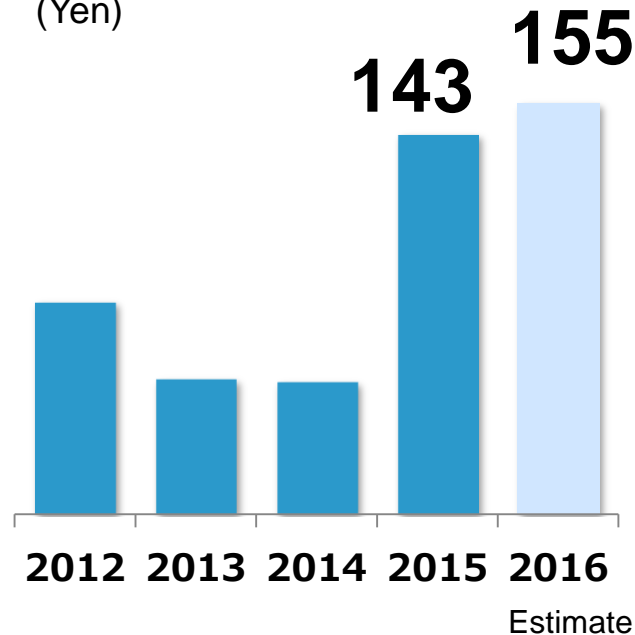
Dividends & share buybacks

**For continuous growth investment
and further enhanced shareholder return**

Shareholder return

Dividend per share

(Yen)



- Record-high achieved in FY2015; Further increase expected in FY2016
- Target dividend payout ratio of 35%

Shareholder return

Share buybacks worth up to JPY120 bil. planned

- Period: May 14, 2015 – May 13, 2016
- Total shares to acquire: Not exceeding 15.4 mil. shares



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Proposals to be resolved

- 1. Partial Amendments to the Articles of Incorporation concerning the liability-limiting contracts**
- 2. Election of Thirteen Corporate Directors**
- 3. Election of One Audit & Supervisory Board Member**
- 4. Payment of Bonuses to Corporate Directors for the 52nd Fiscal Year**
- 5. Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors**
- 6. Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries**

Proposal 1

Partial Amendments to the Articles of Incorporation concerning the liability-limiting contracts

1. Partial Amendments to the Articles of Incorporation concerning the liability-limiting contracts

(Proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 24 Liability-Limiting Contracts with <u>Outside Directors</u> In accordance with the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may, within the limits stipulated by laws and regulations, conclude contracts with <u>outside directors exempting those outside directors</u>, in the absence of intentional conduct or gross negligence, from the liability provided for in Article 423, Paragraph 1, of the Companies Act.</p> <p>CHAPTER V AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD</p> <p>Article 32 Liability-Limiting Contracts with <u>Outside Audit & Supervisory Board Members</u> In accordance with the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may, within the limits stipulated by laws and regulations, conclude contracts with <u>outside Audit & Supervisory Board Members exempting those outside Audit & Supervisory Board Members</u>, in the absence of intentional conduct or gross negligence, from the liability provided for in Article 423, Paragraph 1, of the Companies Act.</p>	<p>CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 24 Liability-Limiting Contracts with <u>Directors</u> In accordance with the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may, within the limits stipulated by laws and regulations, conclude contracts with <u>directors (excluding Executive Directors, etc.) exempting those directors</u>, in the absence of intentional conduct or gross negligence, from the liability provided for in Article 423, Paragraph 1, of the Companies Act.</p> <p>CHAPTER V AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD</p> <p>Article 32 Liability-Limiting Contracts with <u>Audit & Supervisory Board Members</u> In accordance with the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may, within the limits stipulated by laws and regulations, conclude contracts with <u>Audit & Supervisory Board Members exempting those Audit & Supervisory Board Members</u>, in the absence of intentional conduct or gross negligence, from the liability provided for in Article 423, Paragraph 1, of the Companies Act.</p>

Proposal 2

Election of Thirteen Corporate Directors

2. Election of Thirteen Corporate Directors

<Candidates for Corporate Directors>

- | | | | | | |
|----|----------|-----------|-----|----------|----------|
| 1. | Tetsuro | Higashi | 8. | Masami | Akimoto |
| 2. | Tetsuo | Tsuneishi | 9. | Sadao | Sasaki |
| 3. | Hirofumi | Kitayama | 10. | Toshiki | Kawai |
| 4. | Hikaru | Ito | 11. | Tatsuya | Nagakubo |
| 5. | Kenji | Washino | 12. | Hiroshi | Inoue |
| 6. | Tetsuro | Hori | 13. | Masahiro | Sakane |
| 7. | Gishi | Chung | | | |

Note: Hiroshi Inoue and Masahiro Sakane are the candidates for outside director in accordance with Article 2 item (15) of the Companies Act of Japan.

Proposal 3

Election of One Audit & Supervisory Board Member

3. Election of One Audit & Supervisory Board Member

<Candidate for Audit & Supervisory Board Member>

Yoshiteru Harada

Proposal 4

Payment of Bonuses to Corporate Directors for the 52nd Fiscal Year

(The 52nd Fiscal Year: April 1, 2014 – March 31, 2015)

4. Payment of Bonuses to Corporate Directors for the 52nd Fiscal Year

	Payment of Bonuses to Corporate Directors for the 52nd Fiscal Year
Eligible persons	Corporate Directors of Tokyo Electron Limited at the end of the 52nd Fiscal year Note: 9 persons (including 2 outside directors)
Aggregate amount	394.5 million yen (including 14 million yen for outside directors)

Proposal 5

Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors

5. Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors

	Stock-Based Compensation to Corporate Directors (Share Subscription Rights)
Eligible persons	Corporate Directors of Tokyo Electron Limited to be elected at this shareholders meeting Note: 11 persons (excluding outside directors)
Aggregate amount	Up to 420.8 million yen

5. Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors

Description of Share Subscription Rights	
Aggregate number	Up to 754 rights (Up to 75,400 shares of the common stock)
Issuance price	Gratis
Paid-in amount for exercise	1 yen per share
Exercise period	To be resolved at the Board of Directors meeting from the date three years after the allotment date until the date 20 years after the allotment date
Conditions for exercise	<ol style="list-style-type: none"> 1. The minimum number of subscription rights exercisable shall be one. 2. Other conditions pertaining to the exercise of subscription rights include matters regarding advertising subscription rights based on a resolution of a meeting of the Board of Directors, and the agreement for granting share subscription rights concluded thereof.

Proposal 6

Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries

6. Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries

Description of Share Subscription Rights	
Eligible persons	Executive officers of Tokyo Electron Limited and corporate directors and executive officers, etc. of TEL subsidiaries
Aggregate number	Up to 935 rights (Up to 93,500 shares of the common stock)
Issuance price	Gratis
Paid-in amount for exercise	1 yen per share
Exercise period	To be resolved at the Board of Directors meeting from the date three years after the allotment date until the date 20 years after the allotment date
Conditions for exercise	<ol style="list-style-type: none"> 1. The minimum number of subscription rights exercisable shall be one. 2. Other conditions pertaining to the exercise of subscription rights include matters regarding advertising subscription rights based on a resolution of a meeting of the Board of Directors, and the agreement for granting share subscription rights concluded thereof.



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