
FY2012 Financial Forecast and Management Policy

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May 13, 2011



TOKYO ELECTRON

CORP IR/May 13, 2011

FY2011 Review



FY2011 Consolidated Financial Results

(Billions of Yen)

	FY2010	FY2011	YoY Change
Net Sales	418.6	668.7	+59.7%
Operating income	-2.1	97.8	+100.0
Operating margin	-0.5%	14.6%	+15.1pts
Income before income taxes	-7.7	99.5	+107.3
Net income	-9.0	71.9	+80.9
Dividend per share (Yen)	12	114	+102

FY2011 Results

- ▶ **Net sales ¥668.7 billion, up 59.7%**
- ▶ **Operating income ¥97.8 billion, up ¥100 billion**
- ▶ **Profitability improved**
 - Gross profit margin: 35.1%
 - SPE segment pre-tax profit margin: 23.6%
- ▶ **R&D expenses: ¥70.5 billion, record level**
- ▶ **Operating cash flow: ¥83.2 billion generated**
- ▶ **Executing production facility strategy**
 - Started construction of new Miyagi Plant
 - Decided to construct new plant in Kunshan City, Jiangsu Province, China

FY2011 New Products

Introduced high performance, high productivity and low power consumption products

- RLSA plasma etch system “**Tactras™ RLSA™ Etch**”
- Plasma enhanced batch thermal ALD system “**TELINDY PLUS™ IRad™ SA**”
- Plasma processing system “**Trias™ e+ SPAi**”
- Gas chemical etch system “**Certas WING™**”
- SiC epitaxial system “**Probus-SiC™**”



Tactras™ RLSA™ Etch

TELINDY PLUS™ IRad™ SA

Trias™ e+ SPAi

Certas WING™

Probus-SiC™

Business Environment



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CY2011 Business Environment

▶ SPE capex

Although 1st first half capex is expected to be slightly below the initial forecast due to the effects of the Japan earthquake, expecting increase in 2nd half. Because investments for NAND, Logic/Foundry are still strong, overall capex for the year is expected to increase 10%.

▶ FPD capex

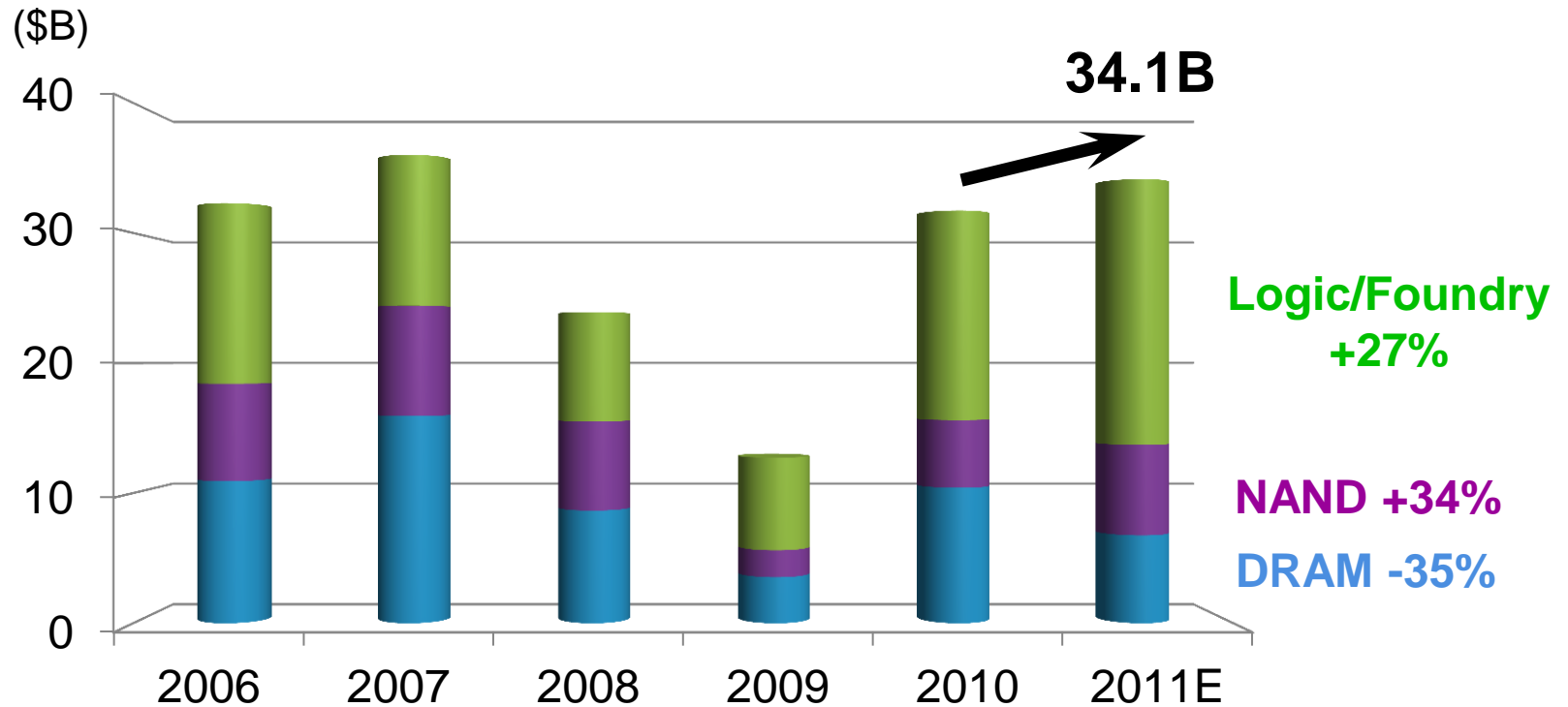
Although large panel investment in adjustment phase, small and mid-sized panel investment for smartphones is strong and overall capex expected to be about same level as 2010

▶ PV capex

Currently, single crystal silicon and Cd-Te strong, good future potential for thin-film silicon as conversion efficiency improves

FPD: Flat Panel Display PV: Photovoltaic Cell

CY2011 WFE CAPEX by Application

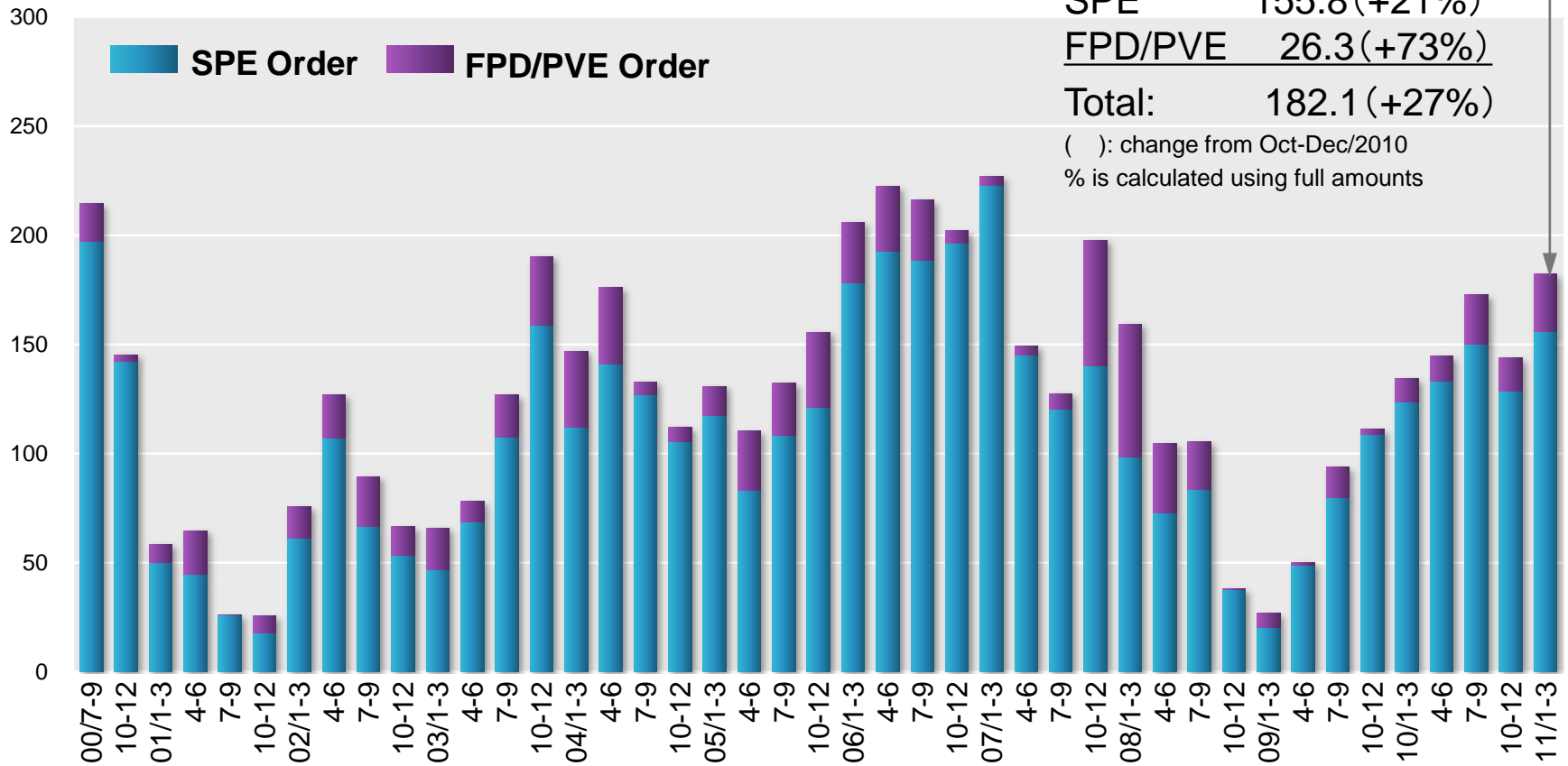


Investments for NAND & Logic/Foundry are expanding

Source: Gartner Dataquest, TEL 8

Quarterly Orders

(Billions of yen)



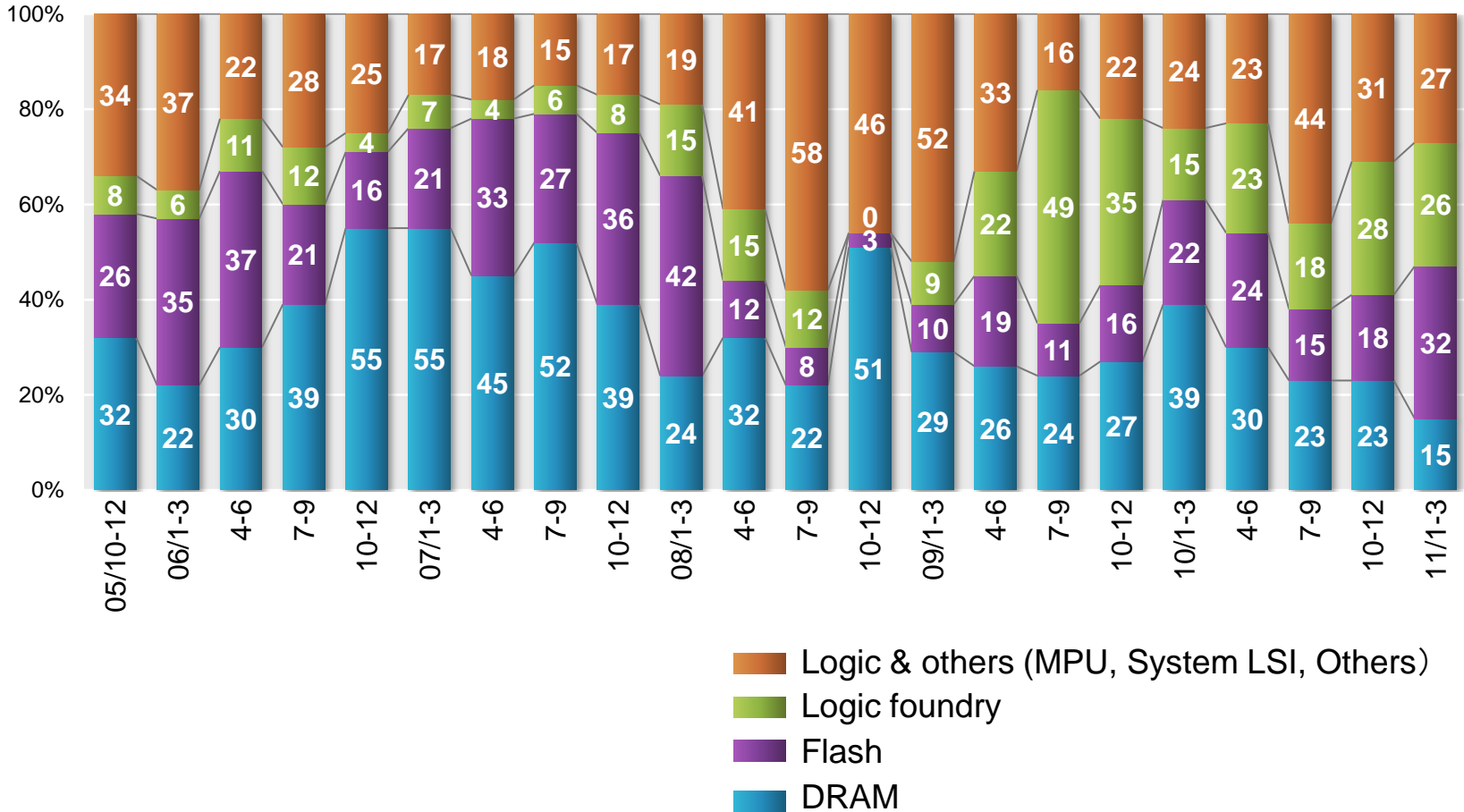
Jan-Mar/2011

SPE	155.8 (+21%)
FPD/PVE	26.3 (+73%)
Total:	182.1 (+27%)

() : change from Oct-Dec/2010
% is calculated using full amounts

SPE Orders by Application

(equipment only)

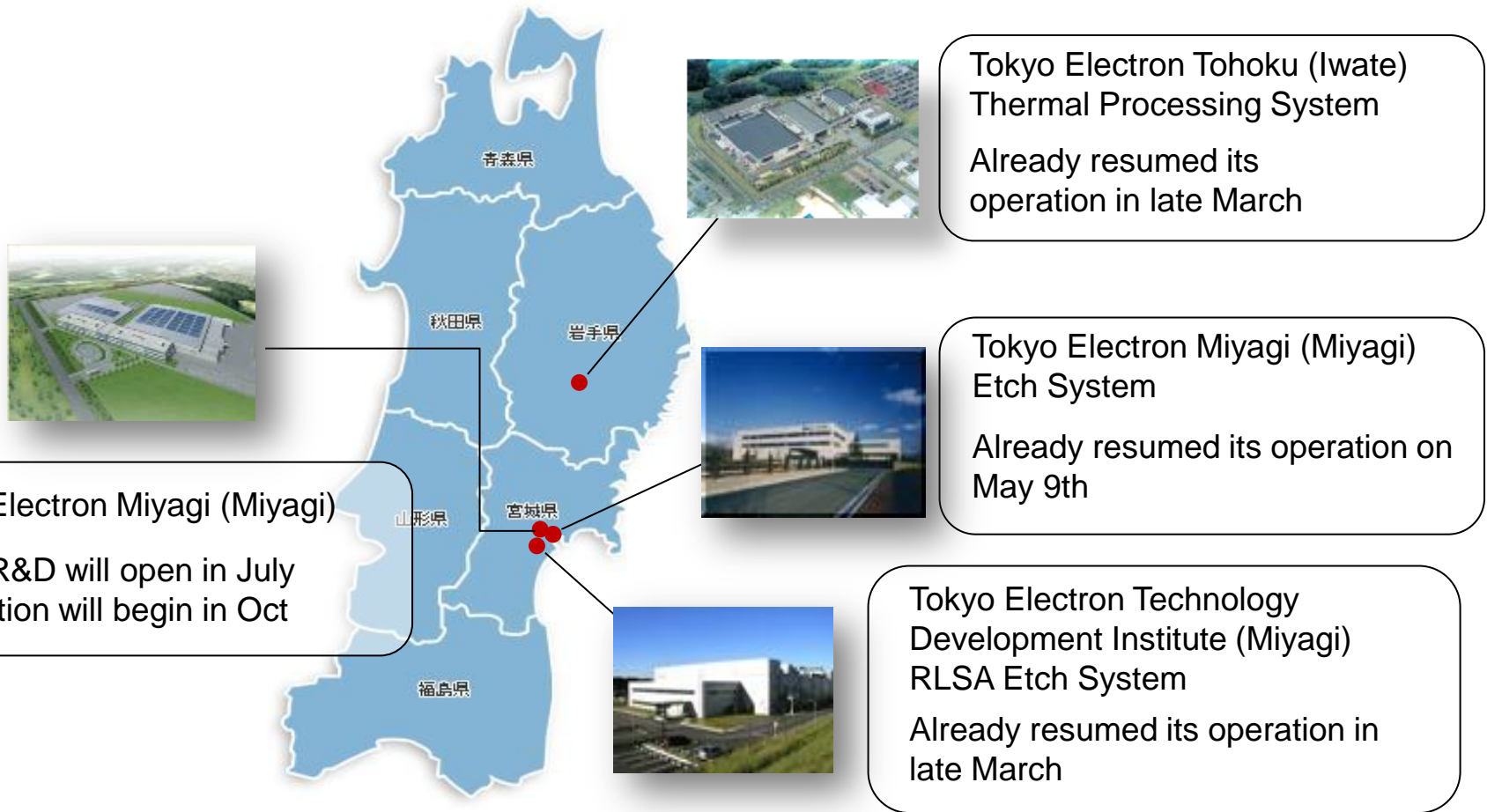


FY2012 Financial Estimates



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The Great East Japan Earthquake Status



All TEL group plants and facilities in affected area (Tohoku area) are now in operations

Disaster Response

Suppliers

- Confirmed the status of around 300 suppliers in the six prefectures of Tohoku + Ibaraki prefecture
- Responding by making operational adjustments and by using temporarily alternative production, etc.

Radiation

- All equipment and parts shipped overseas are tested
- Following IATA regulations

(IATA: International Air Transport Association)

Electric Power

- Summer plans: Reduce 25% from last year's peak
- Will utilize solar power generation (2000kW), new turbo refrigeration units, emergency generators and shift work.

FY2012 Financial Estimates

(Billions of Yen)

	FY2011	FY2012 (E)			
		1 st half	2 nd half	Full year	YoY change
Net Sales	668.7	335.0	395.0	730.0	+9%
SPE	511.3	253.0	306.0	559.0	+9%
FPD/PVE	66.7	38.0	38.0	76.0	+14%
EC/CN	90.2	44.0	51.0	95.0	+5%
Others	0.4	-	-	-	-
Operating income	97.8 14.6%	35.0 10.4%	65.0 16.5%	100.0 13.7%	+2.1 -0.9pts
Income before income taxes	99.5	36.0	66.0	102.0	+2.4
Net income	71.9	23.0	43.0	66.0	-5.9
EPS (Yen)	401.7	128.5	240.1	368.6	-33.1

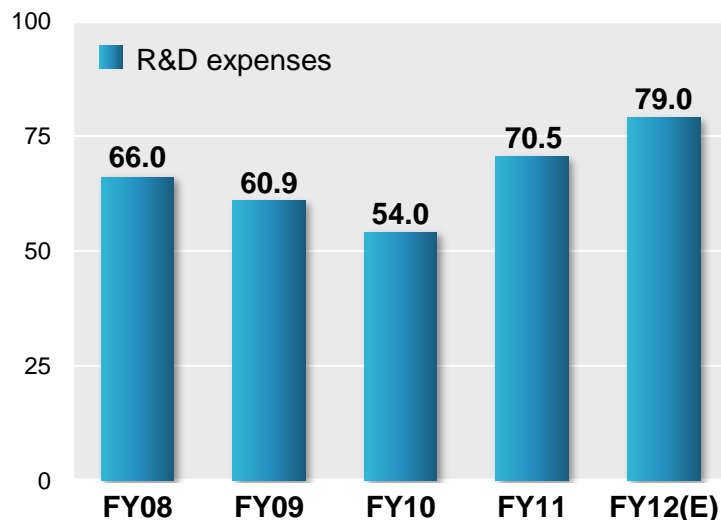
1. SPE: Semiconductor Production Equipment, FPD/PVE: Flat Panel Display and Photovoltaic Cell Production Equipment, EC/CN: Electronic Components and Computer Networks
2. YoY changes and profit ratios are calculated using full amounts, before rounding.

Although there are some earthquake effects in the 1st half, overall sales and operating profit increase YoY

R&D Expenses and CAPEX

R&D Expenses

(Billions of Yen)

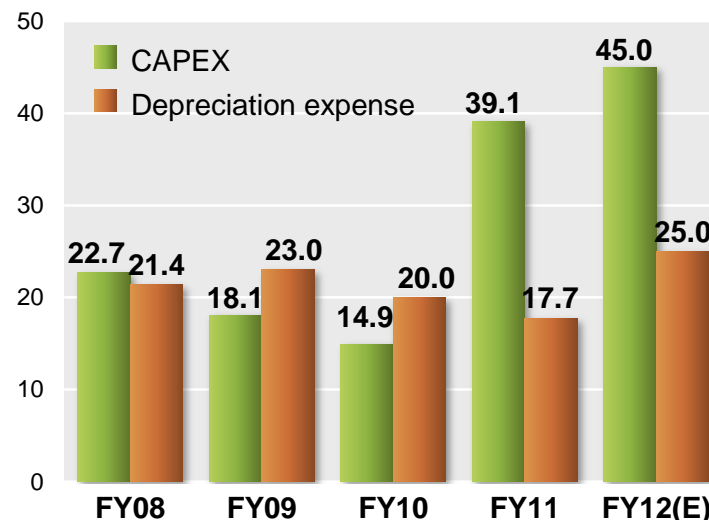


FY12(E) R&D details

- Existing business: around 60%
- New business field: around 40%
(RLSA application expansion, 3DI, OLED, Test, PV, etc)

CAPEX

(Billions of Yen)



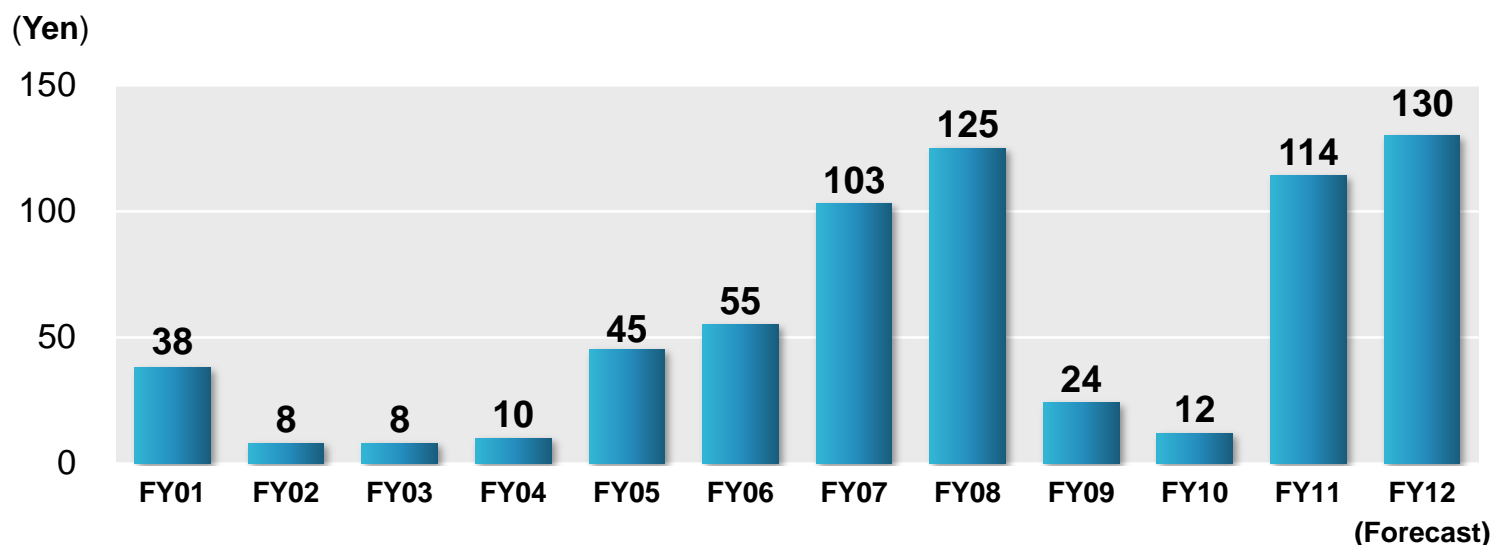
FY12(E) CAPEX details

- New Miyagi plant
- New Kunshan (China) plant
- Process Technology Center (Korea)
- TEL Technology Center Tsukuba
- Equipment and measurement tools

¥12 billion out of total investments are for new plants and new business expansion

FY12 Dividend Forecast

Dividend per share (E)		
Interim	Year-end	Year total
¥45	¥85	¥130

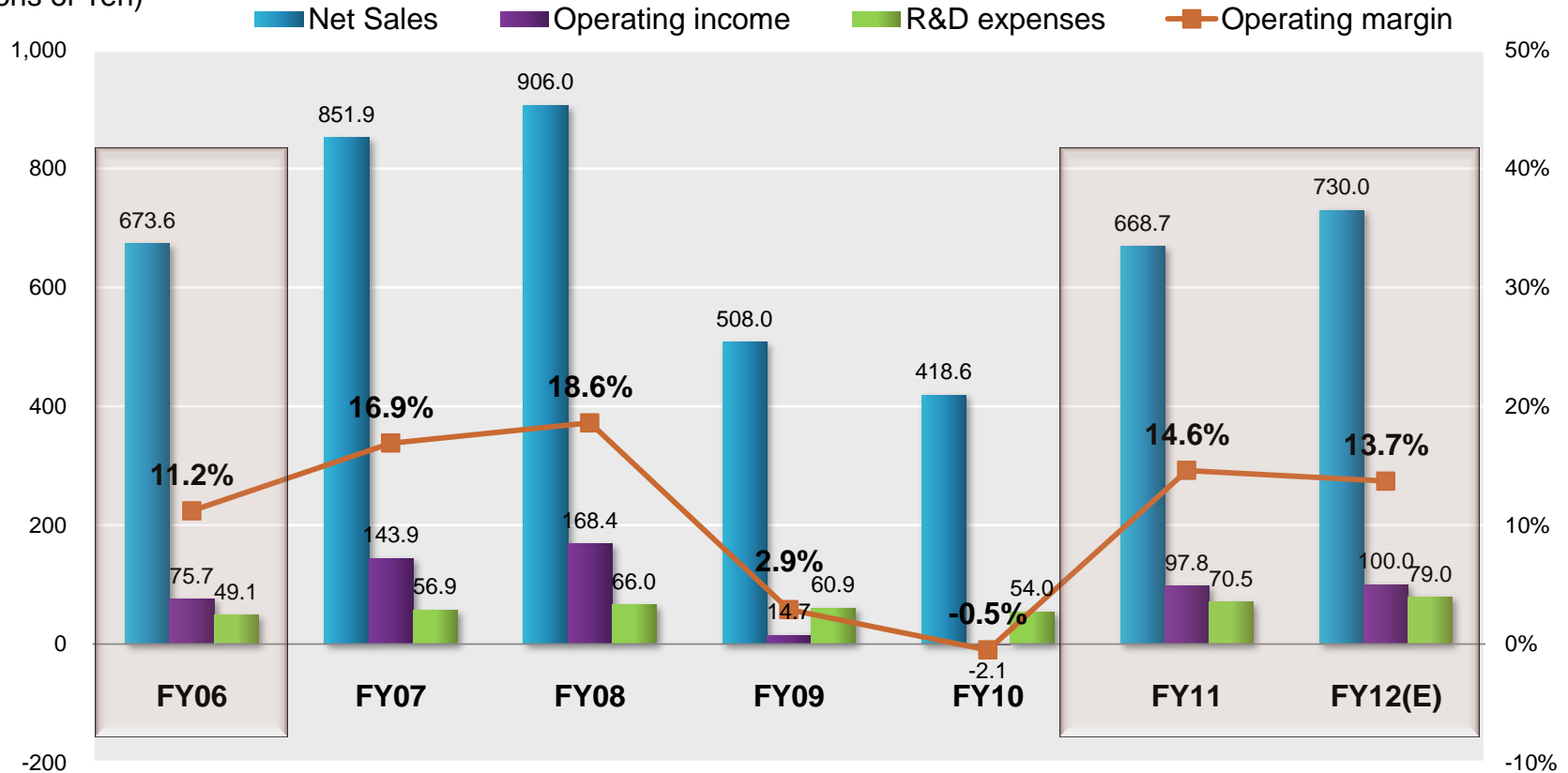


Dividend payout ratio 35.3%, expecting dividend per share increase

*Changed dividend payout ratio from 20% to 35% from FY11 year end dividend.

Consolidated Financial Outlook

(Billions of Yen)



**While keeping proactive investments in R&D,
improving profitability at the same time**

Management Policy



Changes in Markets and Technology: SPE

Market changes

- Customers becoming oligopolies
- As mobile market expands, NAND and foundry demand increasing
- Increasing lifespan of equipment

Technology changes

- Increasing complexity of technology - Double patterning, EUV, 3D memory
- New Solutions— 3DI technology

SPE Business Strategy

1. Unify development and manufacturing in high growth etcher business at new Miyagi plant
2. Enhance our position in the wafer cleaning market
3. Enhance technology differentiation of our SPE products
4. Pursue new technologies (3DI, test systems)
5. Expand field solutions business
6. Enhance upstream collaboration with customers



New Miyagi Plant

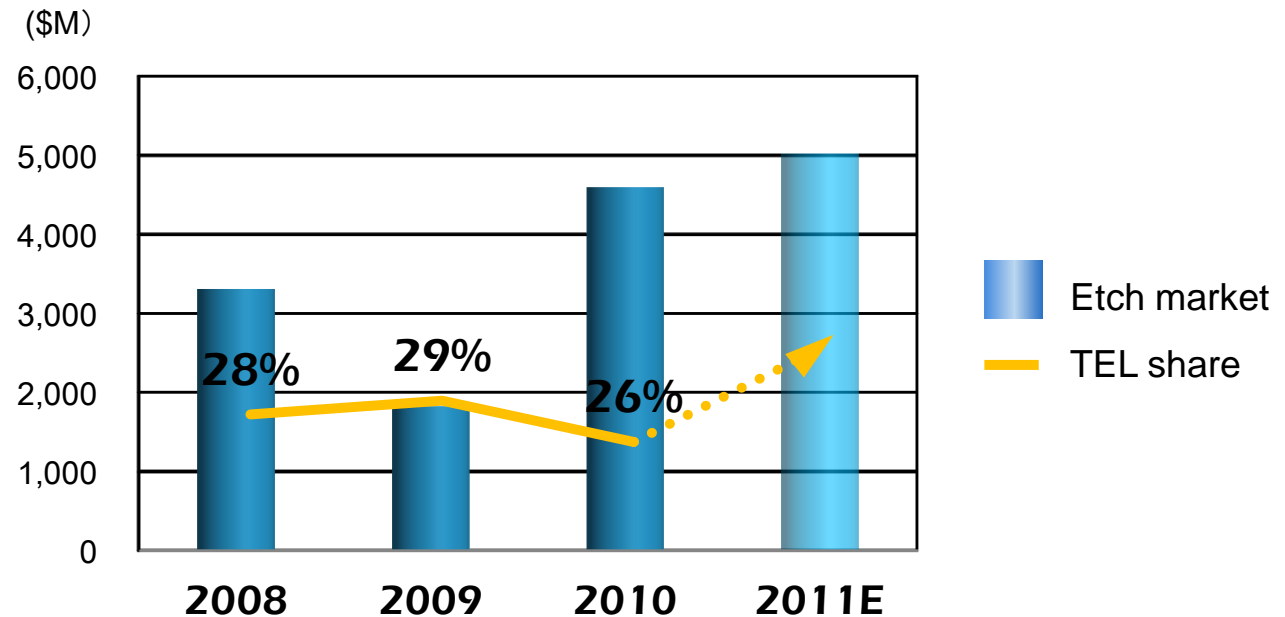


TEL Technology Center,
Taiwan



Process Technology Center
(Korea)

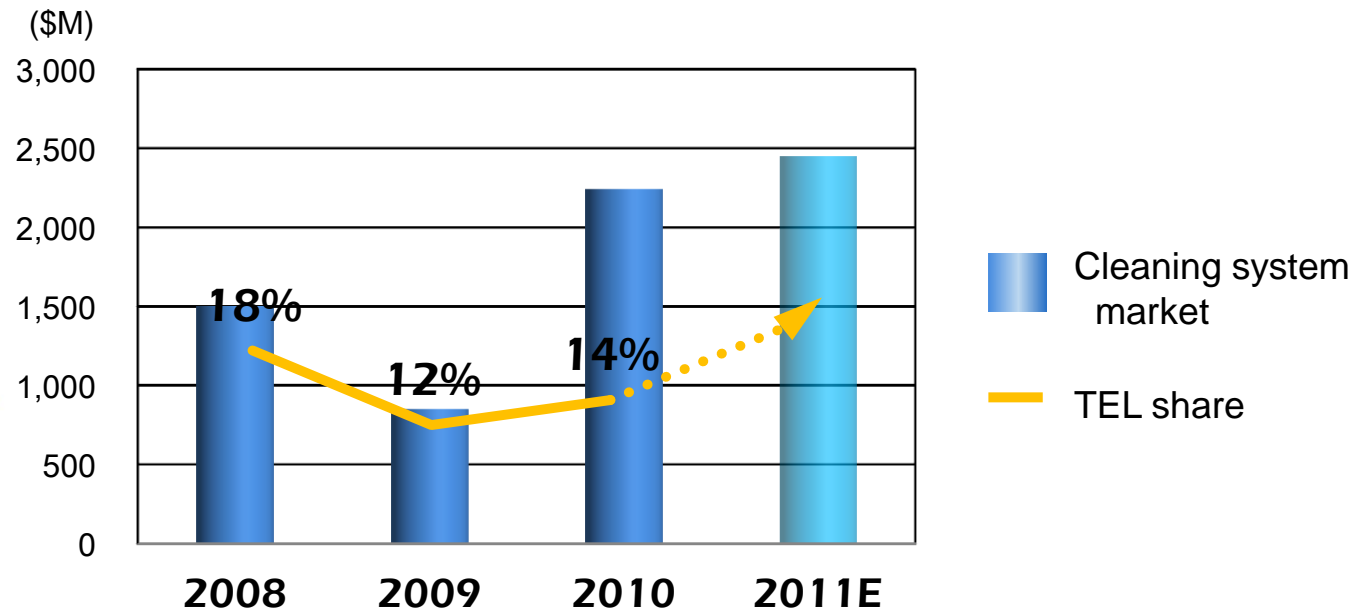
Etcher



Market: Gartner Dataquest
TEL share: TEL estimate

- Share slightly declined from CY2009 (due to increase in proportion of memory capex)
- Oxide etcher: Expanded share in HARC for DRAMs and BEOL
- Silicon etcher: Won new POR orders from several customers (including RLSA etcher)
- POR net increase: Over 20 processes

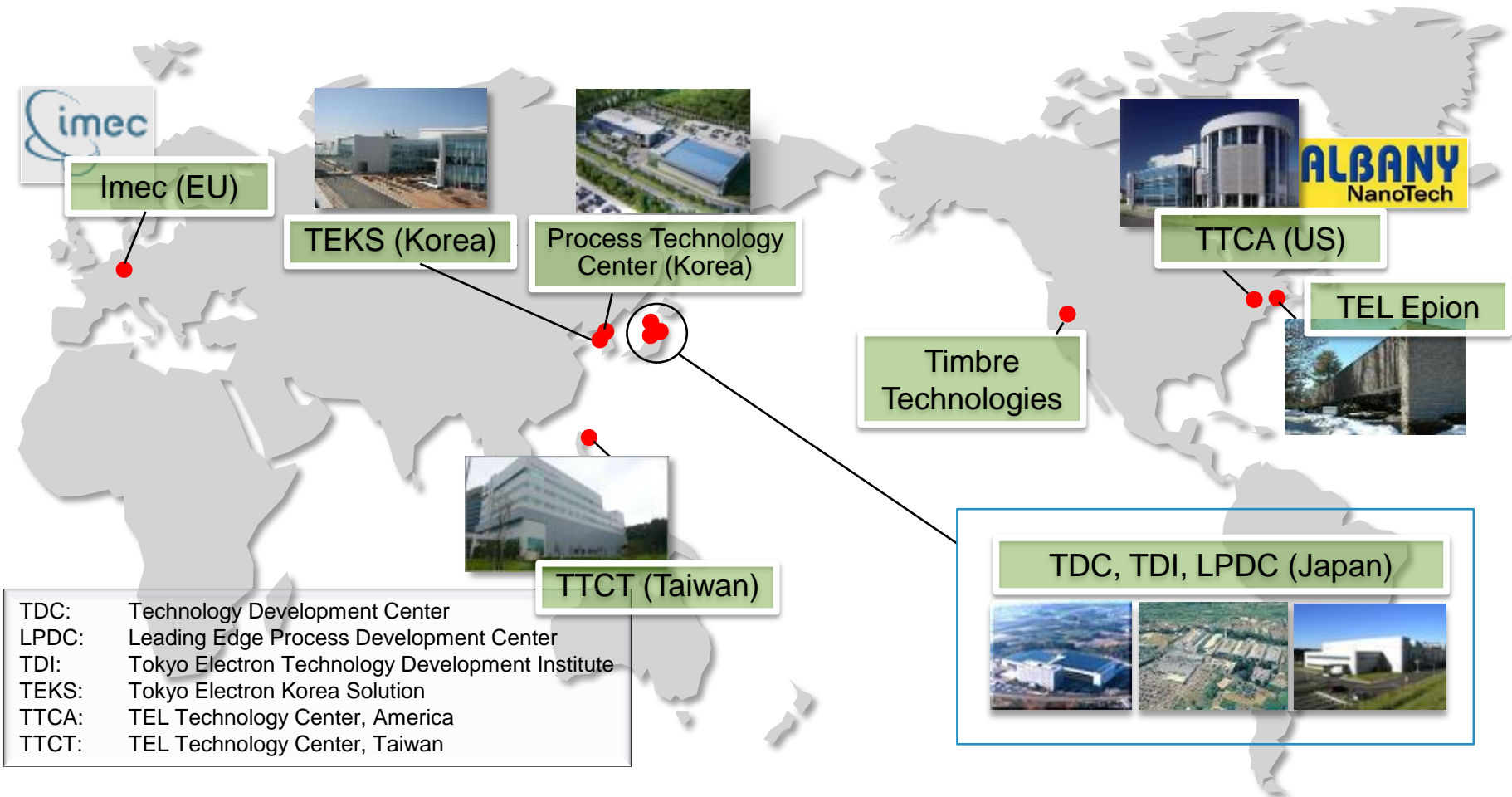
Cleaning System



Market: Gartner Dataquest
TEL share: TEL estimate

- Share slightly increased from CY2009
- Single wafer cleaning: succeeded in placing evaluation tools in several customers
- Scrubbers share 40%, dry cleaning share 60%

Global R&D Bases



Expanding R&D functions focusing on leading edge technology

Main Businesses: Key Actions in FY2012

Coater /Developer

- Maintain/grow share for immersion lithography
- Develop technology with EUV lithography products in an inline environment

Thermal processing system

- Grow share and enhance position especially in Korean market
- Strengthen business base through full-scale entry into ALD and other new markets

Single wafer deposition system

- Develop new products to address broad needs in metal film deposition
- Establish process using Ru and lead its broad adoption

RLSA

- Accelerate widespread sales for low-damage Poly etch processes
- Build a ¥50 billion business including application of CVD

Main Businesses: Key Actions in FY2012

3DI

- Promote evaluation and adoption of etching/deposition/bonding tools by multiple customers
- Expand sales of reverse exposure Fusion Bonder for CIS*

Test system

- Further enhance profitability
- Develop new systems to meet decline in test costs

Field solutions

- Respond flexibly to new investment and expansion mainly in the commodity device market
- Targeting ¥150 billion sales through used equipment, modification and service contract business

CIS: C-MOS Image Sensor

Changes in Markets and Technology: FPD

Market changes

- Capex for large TV displays becoming centered on China
- Active investment in small- and mid-sized displays for touch panels
- Emergence of Korean equipment makers, intensifying cost competition

Technology changes

- Trend for enlarging mother glass size has peaked, small, mid-sized ratio increasing
- High definition, high speed
- Post liquid crystal — OLED



Establishing FPD Plant in China

Objectives

- Strengthen our customer response capabilities
- Enhance cost competitiveness

Business details

- Preventative maintenance for electrode of FPD production equipment for Chinese market
- To become a base for modification and manufacturing of certain existing equipment

Location: Kunshan, Jiangsu Province

Construction start: January 2011

Planned completion: January 2012

Total investment: ¥5.0 billion



Initiatives in the Growing OLED Market

Evaporation Method TEL own technology

Precision deposition control

Effective use of highly organic materials

Space saving design

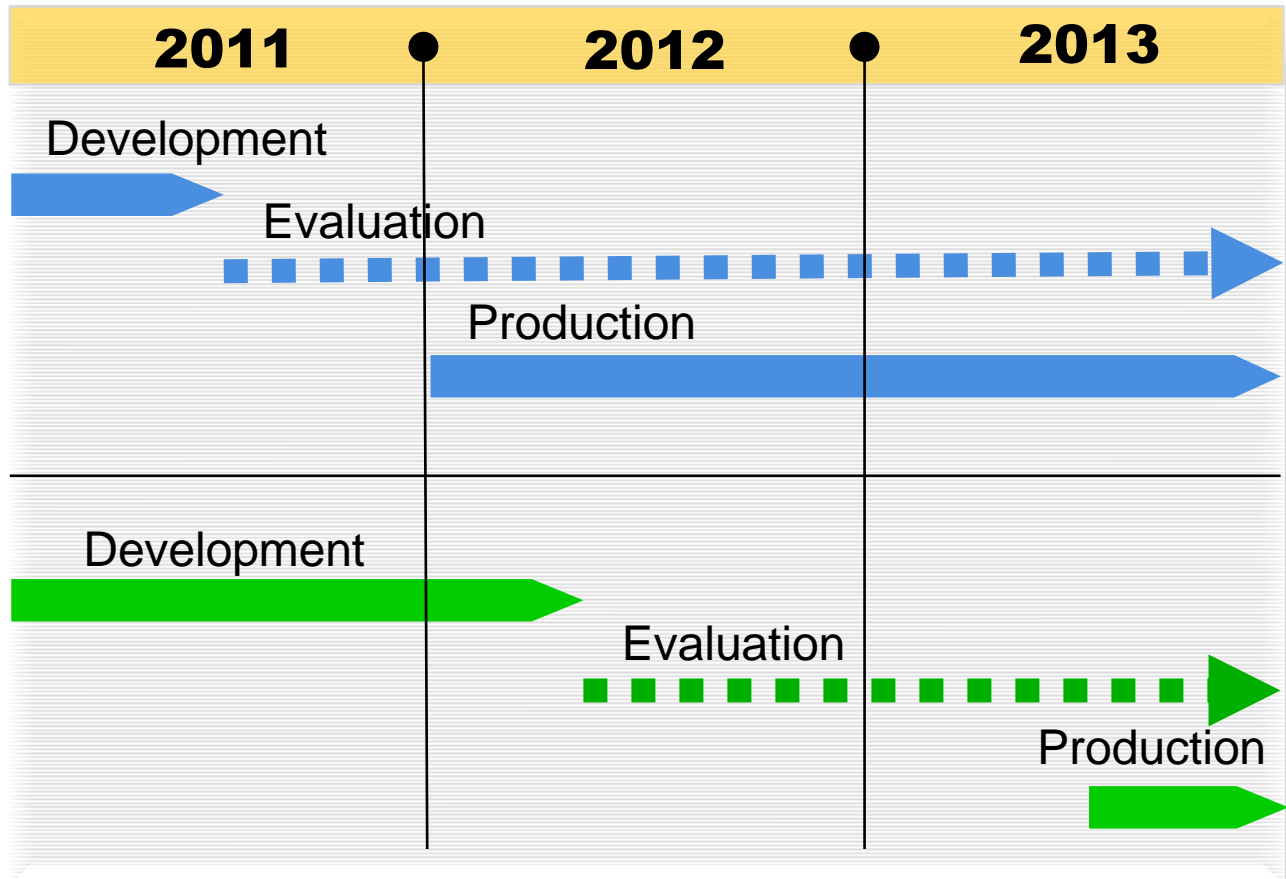
Inkjet Method Collaboration with Seiko Epson

Separate RGB layers with one coating

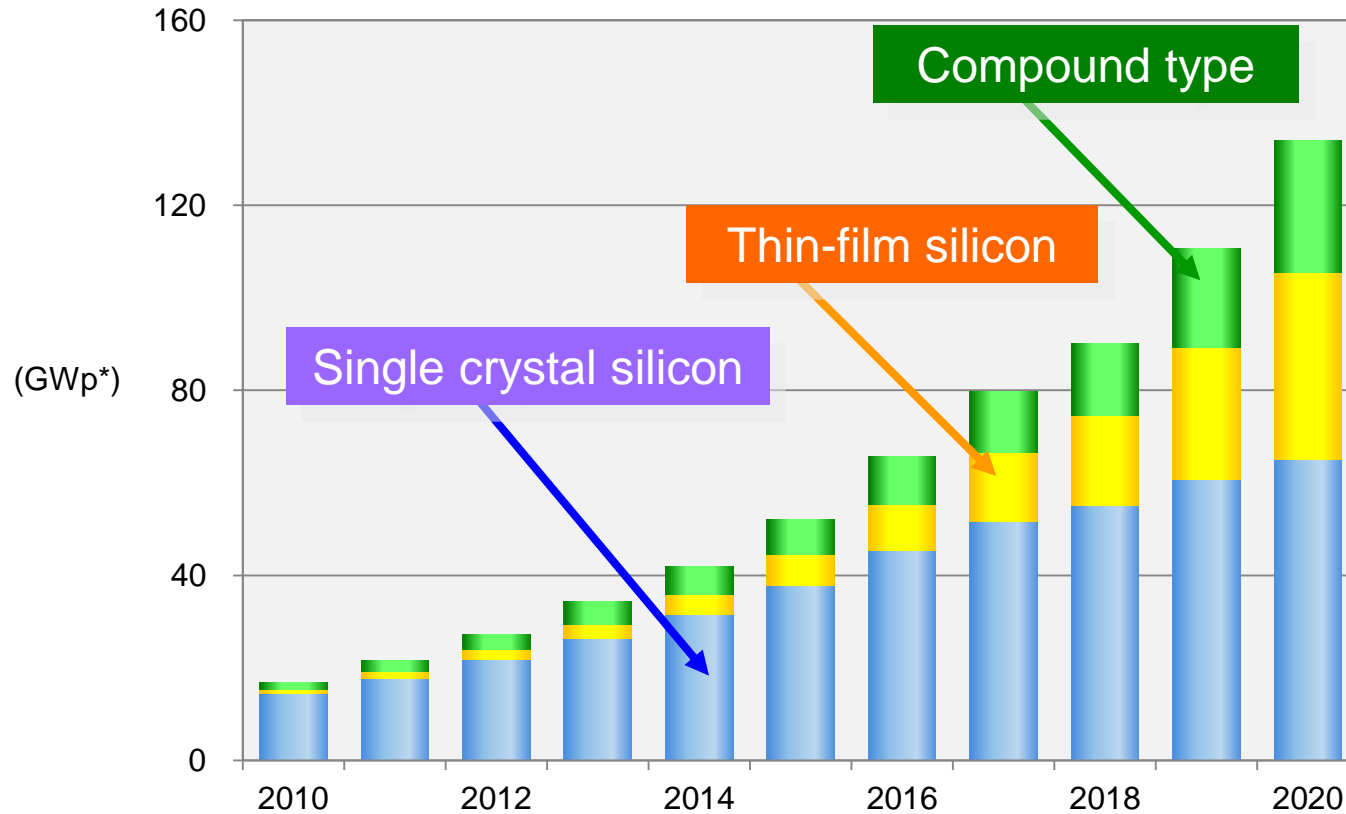
Accumulated knowledge of large glass substrate production

High quality print technology

OLED Roadmap



PV Market Forecast (2010-2020)



GWp (Giga watt peak) is the unit for the maximum level of output: the normal output level of one nuclear reactor is about 1GW

Source: TEL forecasts based on EPIA (European Photovoltaic Industry Association) announcement

PV Business Strategy

Product development



Shipped to Japan & EU

Inroad into Asian market



Achieving €0.5/wp

Process development



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TEL own technology

Establish TEL Technology Center Tsukuba

Objectives

- Accelerate R&D in base and core technologies
- Develop technology to raise efficiency of thin film Si PVE

Expected benefits

- Collaborate with research institutes and universities etc. in Japan's largest research location
- Promote networking with other industries
- Recruit top class engineers

Location: Tsukuba, Ibaraki

Construction start: August 2011

Planned completion: March 2012

Total investment: ¥7.0 billion

Staffing: approx. 100



FY2012 Overview

- ▶ **SPE**

 - Strengthen existing business

 - Specifically, improve upon our position in etch and cleaning systems

 - Promote 3DI and test system business development

- ▶ **FPD, OLED, PV**

 - Enhance competitiveness by new China plant

 - Upfront investment to secure medium-term growth

- ▶ **Start-up in each new facility**

 - Miyagi, Tsukuba, Korea

**Strengthen our core technologies and developments of adjacent areas,
and lead the markets in technology and products**

- **Disclaimer regarding forward-looking statement**

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

- **Processing of numbers**

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

- **Exchange Risk**

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

FPD/PV: Flat panel display/Photovoltaic