Questions & Answers

Hiroshi Takenaka,
President & CEO

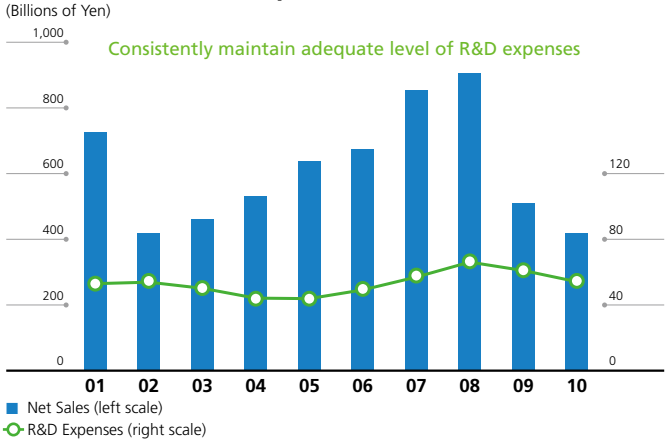
Q Fiscal 2010, the year ended March 31, 2010, marked your first year as President of Tokyo Electron. How would you summarize your achievements in the first year?

A Looking back, when I took over as president, we started off in a service business environment in which the future outlook was unclear. Nevertheless, we moved forward steadily believing in the importance of investing in people and product development for the future.

To put this in more concrete terms, my initiatives were not to necessarily cut personnel, but rather, to invest in their training, and use the downturn as an opportunity to enhance their skills to an even higher level. Similarly, we got employees to re-evaluate the operational efficiency of their work, which would have been hard to do during busier times, thereby preparing the Company for the next phase of business growth. Needless to say, the key to Tokyo Electron's success has always been rooted on its ability to develop technologically superior products in a timely manner. So we have not only sought to further improve existing products, but also fully channeled funds into developing new technologies for a new generation of products. As a result, there were two achievements of note. First, we started the commercial introduction of a new etch system that incorporates radial-line slot antenna (RLSA) plasma technology, after around 8 years of continuous development. Second, the Company commenced shipping a plasma CVD system for thin-film silicon PV production. We have high expectations for these businesses in the future.

On the other hand, in the short term we also quickly adjusted the company's size to match market conditions. Management and employees alike combined forces and set about reducing costs in unnecessary or less critical areas of operations. These efforts allowed Tokyo Electron to surpass initial sales forecasts by ¥120.0 billion, while curbing fixed costs.

Net Sales and R&D Expenses



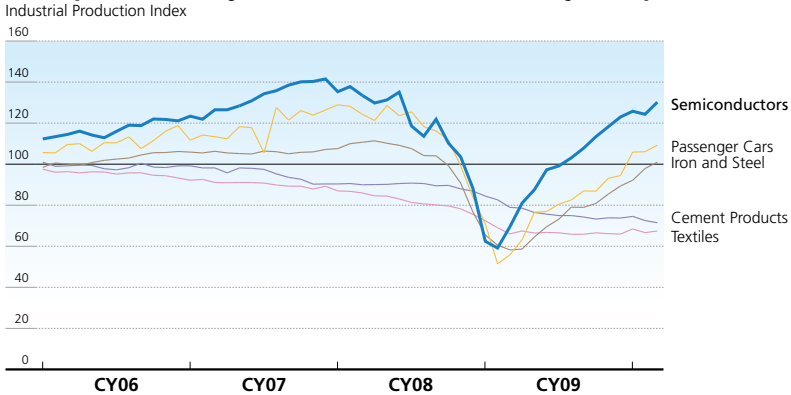
Tactras™ RLSA™ Etch, a new etch system with revolutionary plasma technology
In addition to a strong presence in BEOL etch processing, the Tactras™ RLSA™ Etch enables Tokyo Electron to focus on a wider range of solutions, targeting transistor-related processes (FEOL).

Q It appears that as the macro-economy recovers, the equipment industry that are Tokyo Electron's main markets are also starting to recover. What is your view on industry growth and the outlook for the business environment?

A Product inquiries have been recovering since about August 2009, and manufacturing volume has now recovered to the point where we are even struggling to meet delivery schedules. The products that Tokyo Electron makes have deep connections with social infrastructure and people's lives. Consequently, as the economy begins to rebound, our business is showing signs of recovery sooner than most industries.

Under these circumstances, I expect continued technological advances to support renewed growth in the market for semiconductor production equipment (SPE). At the same time, I also think that the competitive environment will intensify and "the strongest survive" will become a watchword in the industry. That is the reason we are prioritizing investment for technological differentiation. In the flat panel display (FPD) production equipment area, China's efforts to promote TV market penetration will stimulate investment for the time being, but at the same time reducing costs is becoming imperative for us. In addition, we will accelerate the development of various anticipated technologies such as production equipment for OLED, a new next generation display. The business climate in the photovoltaic (PV) cell production equipment business has changed dramatically over the past year. While new chemical compounds have been attracting attention, crystalline solar is maintaining a high market share due to lower silicon costs. Up to now, we have focused most of our resources on thin-film technology, and we expect thin-film to remain the best area for a production equipment supplier, like us, to leverage its expertise. Photovoltaic cells is a market that we expect to grow steadily over the next ten to twenty years. We will continue watching the market, seeking whatever technology and business model is most appropriate to meet our goal.

V-shaped Recovery in Semiconductor Industry in Japan



Note: Mining production index = Index of production trend with 2005 average set as 100.
Source: Ministry of Economy, Trade and Industry

Q

The markets that Tokyo Electron serves are changing, with increasing customer consolidation and a shift of customers to Asia. How is Tokyo Electron responding to these changes?

A

The scale of capital investment by our customers has become massive, and disparities in technological prowess are steadily growing. As a result, only a limited number of our customers will be able to continue making these large-scale investments. The production equipment industry is experiencing the same changes, with market leaders capturing a rising share of the overall market. Therefore it is increasingly vital for equipment suppliers to maintain the technological expertise and financial strength needed to continue introducing the most advanced equipment in a timely manner.

Another trend we are seeing is that of the growing post-sales business. Customers are not only purchasing cutting-edge production equipment, but also wish to use the equipment they have already installed for longer periods by improving and upgrading it. Tokyo Electron has shipped over 50,000 units of equipment which are currently in operation worldwide. This installed base offers the Company excellent opportunities to develop new business in the future.

Any of these recent changes in the business environment are ones that I think will benefit Tokyo Electron. In fiscal 2010, we introduced the following measures aimed at responding to market change:

- Decided to construct the Miyagi Plant to strengthen the growing etcher business, while closing the production/development site for cleaning systems at the Saga plant and consolidating it into the Koshi Plant
- Decided to close the Kansai Technology Center in Amagasaki and integrated RLSA development work at our facility in Sendai, to strengthen our focus on this area of technology
- Reorganized the sales and R&D structure with the goal of developing closer cooperative ties to our customers
- Strengthened TEL Technology Center, America, and established a new technology center in Taiwan
- Established the "Field Solutions" business unit in order to enhance post-sales business operations

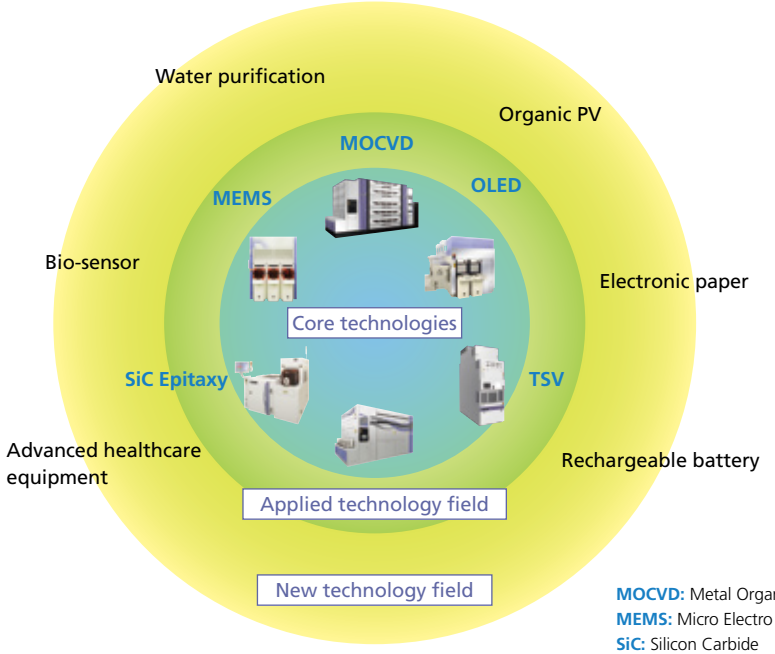
Global R&D and Manufacturing Bases

About imec
imec is a world-leading independent research center in nanoelectronics and nanotechnology. Its research focuses on the next generations of chips and systems, and on the enabling technologies for ambient intelligence.

Q Please tell us more about Tokyo Electron's efforts to develop next-generation technology and new businesses.

A In the semiconductor industry, design rules have been improving from 30nm to 20nm, then to 10nm. As this shows, we are increasingly required to develop ultimate technologies and, as we did in the past, we continue to explore and open up new frontiers. We are pursuing many new ideas that employ immersion technology such as double-patterning technology and 3DI, a chip stack technology, and thus pushing the boundaries to get higher density. With each passing day we are progressing closer towards our goal. In the flat-panel display industry, meanwhile, we are developing technology to support a larger panel size, and also accelerating development of production equipment for OLED displays. Finally, we are channeling more resources into the development of our own unique production equipment for photovoltaic cells. Tokyo Electron is making the utmost effort to realize these technological advances using an international R&D infrastructure that includes not only consortia in Japan, but also the Albany Nanotech project, in Albany, New York, and imec in Belgium.

Meeting the Challenge of New Technologies



MOCVD: Metal Organic Chemical Vapor Deposition
MEMS: Micro Electro Mechanical Systems
SiC: Silicon Carbide
TSV: Through Silicon Via
OLED: Organic Light-Emitting Diode

Q

What do you view as currently the most important issue for Tokyo Electron management, and how do you plan to address the issue?

A

The most important issue for the Company is how to realize sustainable growth over the long term. To do this, we have to build a robust and flexible earnings base that can withstand market fluctuations. Tokyo Electron will soon mark the 50th anniversary of its founding. As we are fortunately doing business in the semiconductor industry, an unusual industry in that persistent growth is possible as long as technological innovation continues to take place, we continue to put semiconductor technology at the center of our business and pursue the following strategies:

- In existing product segments in which there is a large space for growth, we will concentrate our efforts on strengthening our position of leadership
- We will pursue technological innovations that enhance value, investing resources to develop differentiated products
- We intend to enhance our manufacturing skills, to ensure that Tokyo Electron is hard-to-beat by new manufacturers particularly in Asia
- In this way, we will continue to introduce products that enjoy high profitability and high market share
- The new products in new business areas will be developed centering on the use of our core technology—production equipment technology—that Tokyo Electron has accumulated over many years
- We will respond flexibly to market changes

By implementing these strategies, I believe the Company will rebuild its earnings capabilities and achieve record levels of business performance in the near future.

Q

Finally, what is your long-term vision for Tokyo Electron?

A

We believe Tokyo Electron must conduct business as the best production equipment supplier, one that helps to establish a prosperous society through contributing to an improved quality of life for people. As a trusted partner of our customers and as a company that contributes to society, we will establish ourselves as a company that is full of vision and energy while at the same time fulfilling our mission which is shared by all our employees. I believe that a company in which the employees are working with vigor and enthusiasm attracts great interest from all the stakeholders and also provides value. Standing firm with our management policy which places much importance on transparency and fairness, we will strive to raise corporate value by growing the Company, thereby meeting the expectations of our stakeholders and earning their continued loyalty and support.