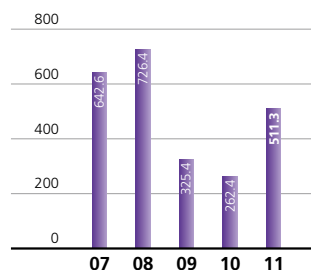


REVIEW OF OPERATIONS

Semiconductor Production Equipment

Semiconductor Production Equipment Sales

(Billions of Yen)



Overview of FY2011

In the fiscal year ended March 31, 2011, the global economy as a whole attained a trend of mild recovery, supported by government stimulus measures in various countries. The semiconductor market expanded rapidly as a result of robust demand for smartphones, tablets, and other mobile electronics. Responding to this increased demand, semiconductor manufacturers made aggressive capital investments, particularly in wafer fab equipment.

Net sales in the segment soared 94.9% year on year to ¥511.3 billion, driven upwards by semiconductor manufacturers' robust investments in scaling, or miniaturization, and capacity expansion.

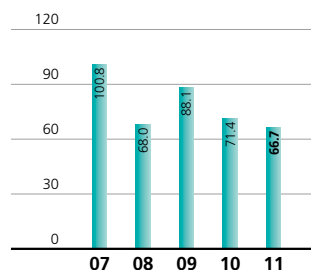
By region, sales rose sharply in all geographic markets, mainly bolstered by investments by NAND flash memory and logic semiconductor manufacturers.

By product, sales of all product groups increased sharply as a result of the proactive promotion of new models of such products as the coater/developer CLEAN TRACK™ LITHIUS Pro™ V, plasma etch system Tactras™ Vigus™, and the thermal processing system TELINDY PLUS™. New products, such as the plasma etch system Tactras™ RLSA™ Etch, also contributed to the increased sales.

FPD/PV Production Equipment

FPD/PV Production Equipment Sales

(Billions of Yen)



Overview of FY2011

While the market for large liquid crystal display (LCD) panels used in flat-screen TVs entered an inventory adjustment phase, demand for small- and medium-sized panels was robust due to strong demand for smartphones and tablets. In line with the growth in the mobile electronics market, capital investments by LCD panel manufacturers were firm, especially in China and South Korea. In the photovoltaic cell (PV) production equipment business, the single-crystal silicon cell market is expanding, but the thin-film silicon PV market that Tokyo Electron has entered has yet to demonstrate strong growth.

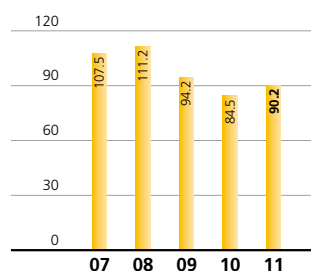
Net sales in the segment declined 6.5% year-on-year to ¥66.7 billion. FPD production equipment sales were roughly on par with the previous year, supported by steady demand for sixth-generation and above models, while sales of PV production equipment declined.

By region, sales in China surged by 171%, as the country continues to become the center of large LCD panel production. South Korea sales jumped 124% and Taiwan sales increased 29%. Sales in Japan, however, fell 66% below the previous year to ¥14.6 billion.

Electronic Components and Computer Networks*

Electronic Components and Computer Networks Sales

(Billions of Yen)



Overview of FY2011

About 90% of the sales in this segment are from Japan. In the domestic electronics market, though demand was brisk in the first half of the fiscal year, sales stalled in the second half as some government stimulus measures came to an end and consumers lost their appetite for personal electronics upgrades.

Net sales in the segment rose 6.8% to ¥90.2 billion. Sales of semiconductor products used in consumer electronics such as flat-screen TVs and digital household electronics entered a slump from the beginning of the year, but semiconductor products used in industrial equipment such as medical equipment, semiconductor production equipment, and factory automation (FA) equipment were brisk. Sales of high added-value analog integrated circuits (IC) and custom ICs also increased. Due to the slowness of the recovery in corporate IT investment, sales of computer network-related products declined, though software and maintenance services posted sales growth.

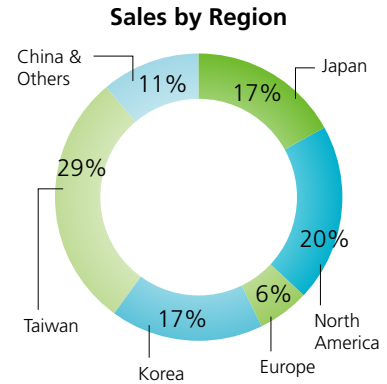
* Tokyo Electron Device Limited operates this business.

Business Outlook

The semiconductor market continues to expand, driven by brisk worldwide demand for smart-phones, tablets and other mobile electronics that can now function as a result of the diffusion of wireless broadband and mobile applications. The semiconductor production equipment market, which is underpinning this expansion in semiconductors, is also expected to continue its high growth, despite periodic fluctuations in demand.

Tokyo Electron is taking advantage of this market environment to further expand its business. Two management priorities are the comprehensive strengthening of existing product groups and the establishment of new businesses. In existing product groups, Tokyo Electron will strive to enhance its position in etch systems and cleaning systems, two markets which are both large and also have strong growth potential, by means of timely launching new products based on customer needs. In the establishment of new businesses, the Company will expand products for manufacturing new 3D chip stacks for high-density semiconductors, expand the applications of a new plasma source using radial-line slot antenna, and accelerate the development of systems to meet the customer need of reducing test costs.

Furthermore, Tokyo Electron is bolstering its field solutions business through the proactive promotion of used equipment business, equipment refurbishment and service contracts, aiming to establish a stable earnings stream from the business.

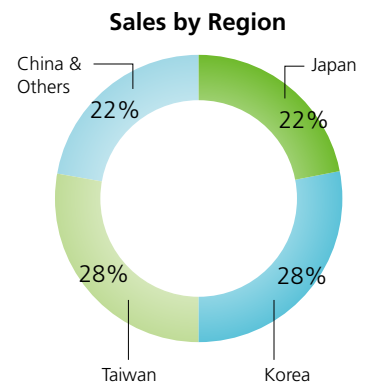


Business Outlook

The applications for displays are expanding. In addition to large LCD panels used in televisions, demand for small- and medium-sized touch-panels used in smartphones and tablets is surging. Moreover, digital signage, electronic paper, and other applications using flat panels are expected to become popular in the near future. Going forward, China is expected to be the center of growing investment in large LCD panel manufacturing, while new rounds of investment in small- and medium-sized panel manufacturing are also forecast.

Tokyo Electron will focus on launching differentiated products that address high-speed and high-definition technologies. As competition intensifies, the Company will also strive to further reduce costs. In addition, Tokyo Electron will accelerate development of production equipment for OLED displays, considered to be the next-generation display in the post-LCD era, in preparation for market entry in the near future.

The thin-film silicon PV business Tokyo Electron is currently entering is still in its infancy. The business potential over the medium- to long-term, however, is significant as the technology will evolve in tandem with the global shift to renewable energy. Tokyo Electron has business alliances with Sharp Corporation of Japan and the Swiss company Oerlikon Solar Ltd., while also developing its own proprietary technologies. The Company plans on opening a new R&D center in Tsukuba, Ibaraki Prefecture, Japan in spring 2012, where it will research technologies for efficiency improvements and aim for the early establishment of the thin-film silicon PV business.



Business Outlook

Though the Great East Japan Earthquake has introduced some opaque elements into the semiconductor market in the first half of 2011, overall the market is expected to remain on a steady growth track. In addition, though IT investment has been tepid, a recovery is still expected in the second half of the year. Amid this business environment, Tokyo Electron will reinforce both its sales structure and support services as a semiconductor trading company, promote its business outside Japan, and invest more in proprietary technology development to expand sales of its own brand "inrevium™" across Asia. Through these measures, the Company aims to increase revenue and profits.

