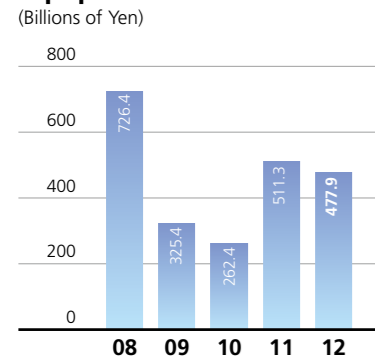


REVIEW OF OPERATIONS

Overview of FY2012

Semiconductor Production Equipment

Semiconductor Production Equipment Sales



In the fiscal year ended March 31, 2012, the global economy was characterized by slowing growth, mostly in advanced economies, amid a clouded outlook over the future stemming primarily from the financial crises in Europe. In the second half of the fiscal year, however, signs of a mild recovery emerged primarily in the U.S. economy. The manufacture of logic chips that meet lower power consumption and higher telecommunication standards was robust, driven by strong demand for advanced mobile devices such as smartphones and tablets. Meanwhile as for DRAM manufacturing, production adjustments were carried out due to the slowing growth of PC sales.

Net sales in the segment declined 6.5% year on year to ¥477.9 billion, as logic chips manufacturers' robust investments in scaling, or miniaturization, was outweighed by the cutbacks in investment carried out by memory manufacturers.

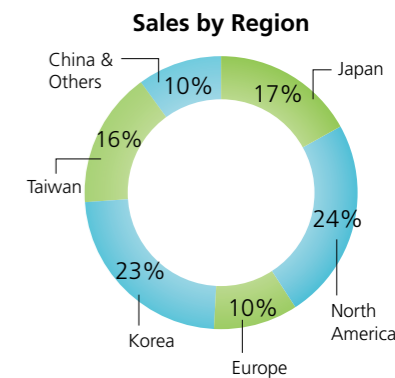
By region, while there were year-on-year sales increases of 73% in Europe, 24% in South Korea, and 12% in the United States, sales declined in all other regions. There was an especially large decline in Taiwan, a 50% down, due to sluggish capital investment by DRAM manufacturers.

Business Outlook

There is need for enormous quantities of IC chips as well as technological innovation for higher density, higher speed and lower power consumption in IC chips because of the spread of mobile devices including smartphones and tablets, and the expansion of data communication volumes accompanying the spread of cloud computing. Semiconductor production equipment will play an increasingly important role in the realization of this quantitative expansion of IC chips and further technological innovation, and this importance will continue to drive semiconductor capital investment.

Tokyo Electron will focus effort on the comprehensive strengthening of existing products and the launching of new businesses to link these market and technology trends to business expansion. In existing products, Tokyo Electron will continue to introduce high productivity models of coater/developers and thermal processing systems, products in which the Company possesses solid strengths. The company will seek sales growth from etch systems and cleaning systems, products that are targeted for reinforcement, by increasing customer recognition of the technological superiority of Tokyo Electron products through customer evaluations. In addition, the Company will develop strategies that link expansion of the served available market (SAM) to increased sales of single wafer deposition systems by entering into the new product area for logic chips, and the introduction of new testing products that meet the customer need to reduce test costs.

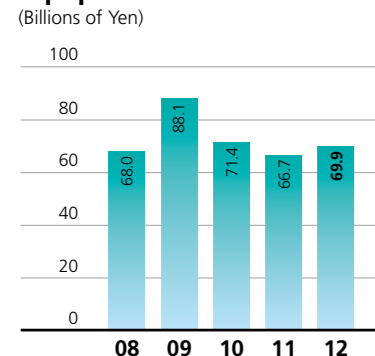
In new business fields, Tokyo Electron will expand the product line in the wafer-level packaging sector, where high growth is expected, above all in 3DI packaging technologies. In May 2012 the Company acquired and integrated NEXX Systems of the U.S., which owns technologies related to this field.



Overview of FY2012

FPD/PV Production Equipment

FPD/PV Production Equipment Sales



While demand for small- and medium-sized LCD panels used in smartphones and tablets was robust, the market for large LCD panels used in TVs slumped as global shipments of TVs declined year-on-year for the first time ever. Investments by flat panel manufacturers mirrored this trend, focusing on the small- and medium-sized LCD production equipment for advanced mobile electronics. In the photovoltaic cell (PV) production equipment business, while the PV market continued to grow, the market environment became severe as panel prices continued to plunge amid a worsened supply-demand balance, which forced many PV-related companies to exit the business.

Net sales in the segment rose 4.7% year-on-year to ¥69.9 billion. FPD production equipment sales were slightly down compared with the previous year, while sales of PV production equipment increased.

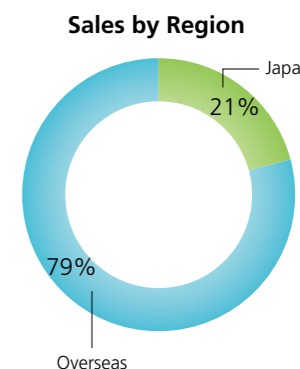
Business Outlook

The market for small and medium-sized high-definition displays incorporated in smartphones, tablets, and other mobile products is growing.

The use of low-temperature polysilicon (LTPS) or indium gallium zinc oxide (IGZO) instead of conventional amorphous silicon in thin-film transistor (TFT) processes is becoming prevalent. In addition, high-definition, low-power-consumption organic light-emitting diode (OLED) displays have already been practically applied in mobile devices as post-liquid crystal display (LCD), and development toward production of large OLED displays for televisions has been accelerating.

As this technology innovation advances, Tokyo Electron will aim for business growth through the launch of competitive products adapted to new TFT processes and the introduction of production equipment for OLEDs, which will mark the Company's entry into new product areas. In addition, amid intensification of competition, the Company will pursue greater efficiency in operation to reduce costs.

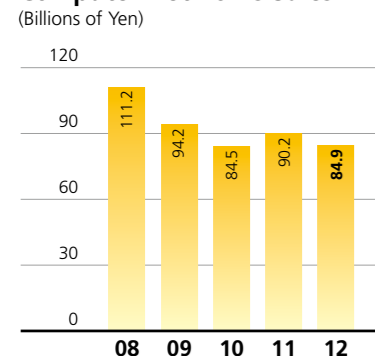
In the PV business, Tokyo Electron will focus on thin-film silicon production technology, which is considered optimal for large-scale power generation. This technology brings down the electricity cost. The Company believes a large market will form over the medium to long term provided high conversion efficiency is realized. The Company will concentrate R&D for PV production equipment at the TEL Technology Center Tsukuba, a facility opened in Ibaraki Prefecture in the spring of 2012, and aim for an early business start-up.



Overview of FY2012

Electronic Components and Computer Networks*

Electronic Components and Computer Networks Sales



In the Japanese electronic components market during the fiscal year ended March 31, 2012, while the market for smartphones and other mobile devices expanded steadily, demand slumped for digital household electronics, particularly TVs. In terms of IT investment, there were signs of a gradual recovery, with expanded investment in cloud computing and other areas amid a growing awareness of the benefits of IT to support corporate and social activities.

Net sales in the segment declined 5.9% to ¥84.9 billion. In the electronic components business, while sales of semiconductors used in communications equipment such as mobile phone base stations were robust, sales of semiconductors both for consumer and industrial electronics products slumped. In the computer networks business, sales of equipment, primarily storage, and maintenance services were strong on increased corporate demand for cloud computing and a greater use of data centers.

Business Outlook

In the electronic components business, market growth in the Asia region is expected to continue. In the computer networks business, the use of data centers is expected to increase reflecting the further spread of cloud computing.

With these market trends in mind, Tokyo Electron will expand sales in the Asia Region. The measures to do this include sales expansion to the overseas subsidiaries of Japanese companies located in the Asia region, and sales promotion to overseas customers of newly acquired trade rights and the Company's own products under the inrevium™ brand. The Company will also undertake high growth in the IT market through providing optimal solutions: for instance, the introduction of high-value-added new products for cloud computing and data centers.

