

Interview with the CEO



Accelerating technology development

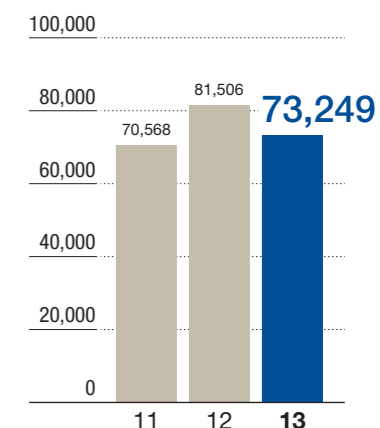
Technological innovation creates value for stakeholders

Q How would you characterize fiscal 2013 in terms of Tokyo Electron's business strategy?

A The business environment surrounding Tokyo Electron in fiscal 2013, the year ended March 31, 2013, was severe due to the influence of the weak macro economy and restrained capital investment by our customers. On the other hand, over the medium and long term, semiconductors continue to undergo major technological changes. Aiming to seize business opportunities accompanying shifts to new technologies, Tokyo Electron was more active than ever in laying preparations for the future. We worked to strengthen internal development, foster joint development with Japanese and overseas research institutions such as universities and consortia, and obtain new technologies via corporate acquisitions.

As we always say, technological innovation is the source of Tokyo Electron's revenues. In fiscal 2013, R&D expenses were maintained at the high level of ¥73.2 billion as we worked to further boost technological development in a number of areas that are highly promising for future growth. In addition, research into such new semiconductor devices as MRAM (magnetoresistive random access memory) has been accelerating in recent years. In the manufacture of such new semiconductor devices, technological development based on not only the extension of existing technologies, but also cutting-edge scientific theory is more important than ever. As such, the Company strengthened ties with academia, including Tohoku University. To create new markets, a new initiative is being launched by universities and semiconductor production equipment (SPE) manufacturers to develop new devices and new production equipment. In addition, Tokyo Electron invested ¥55 billion in four corporate acquisitions to capture outstanding products and technologies. Through this multi-faceted approach we are seeking to accelerate the pace of technological innovation to fuel the future growth of Tokyo Electron.

R&D Expenses
(Millions of yen)



Pursuing technological innovation through multifaceted efforts



Q Since assuming the title of CEO in addition to your role as Chairman, what are your thoughts on the development of the SPE market going forward? What will drive that development?

A The technology sought for semiconductors is becoming increasingly advanced and diverse. To meet this need, technological innovation in SPE is indispensable, and we on the production equipment side must create the breakthroughs. As long as semiconductors continue to evolve, I have every confidence that the SPE market will continue to expand, as production equipment manufacturers continue to provide high-value-added products and solutions.

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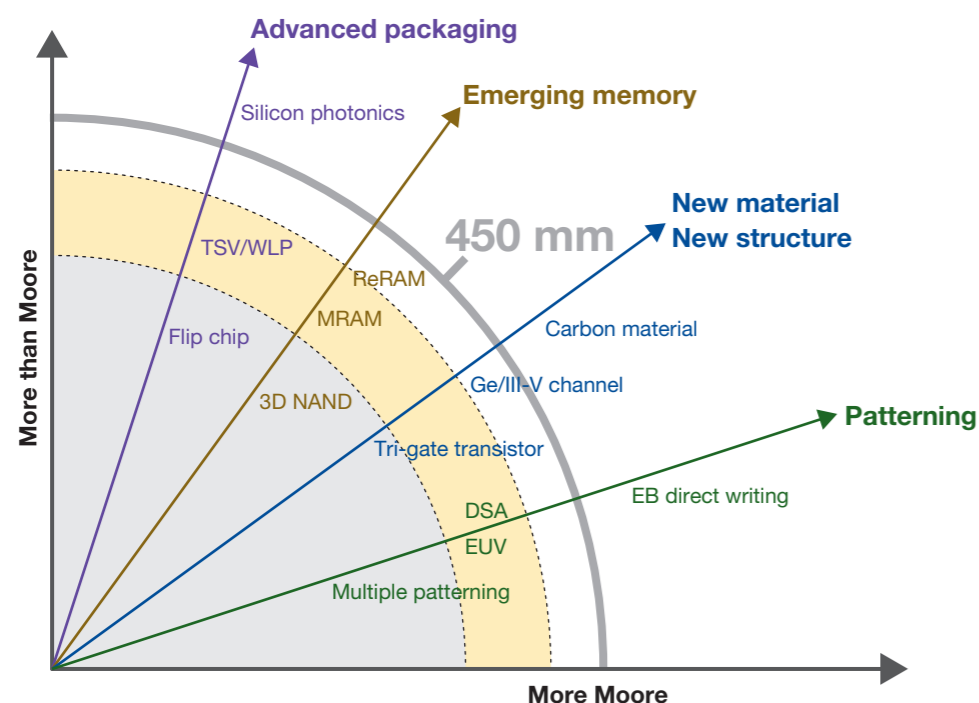
Demand for semiconductors is forecast to continue expanding due to the full-fledged spread of such mobile devices as smartphones and tablets and the rapid development of cloud computing, which enables enormous data traffic. In tandem with volume expansion, technological demand is constantly growing for new semiconductor devices offering higher speed and capacity, coupled with reduced power consumption. In addition to conventional CMOS scaling in line with Moore's Law, new technological innovations are helping meet today's increasing demands (Figure 1). From such next-generation memory as MRAM to 3DI* and other advanced packaging technologies, there is no end in sight to technological innovation surrounding semiconductors.

*3-dimensional interconnect

As the development of new production equipment for new devices accelerates, the roles of SPE manufacturers on the cutting edge of semiconductor technology grows only more important.

More than ever, SPE manufacturers must provide breakthroughs and solutions to technological problems. By meeting this demand, I am sure that the SPE market will continue to grow in the medium and long term.

Figure 1: Diverse technological development that supports semiconductor device innovation and leads the SPE market



Q What were the objectives of the three corporate acquisitions Tokyo Electron executed in the SPE business last year?

A These three acquisitions were all aimed at securing future-oriented technologies. I am confident they will create synergies with existing products and technologies, accelerate our technological development, and help to solidify our combined growth.



We acquired NEXX Systems, FSI International and Magnetic Solutions to strengthen our core SPE business. The benefits are numerous, from the obtainment of new single wafer cleaning technology in the cleaning systems business, which we are seeking to develop, to the expansion of our product lineup in the field of advanced wafer level packaging, which allows smartphones and tablets to run faster and use less energy, to the acquisition of magnetic annealing technology necessary for manufacturing MRAM which is poised to succeed flash memory and DRAM as the next generation of memory. All of these corporate acquisitions were made with the goal of capturing future technologies that are indispensable for the manufacture of new semiconductor devices.

We are making full preparations for the coming market expansion by bringing in outstanding technologies from outside the Company.

Three acquisitions to strengthen the SPE business

<p>Cleaning technology FSI International, Inc. (now TEL FSI, Inc.)</p> 	<p>Advanced packaging technology NEXX Systems, Inc. (now TEL NEXX, Inc.)</p> 	<p>MRAM manufacturing technology Magnetic Solutions Ltd. (now TEL Magnetic Solutions Ltd.)</p> 
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Interview with the CEO

Q Please tell us about the background surrounding Tokyo Electron's entry into the photovoltaic panel production equipment business with the purchase of Oerlikon Solar

A We entered the market of photovoltaic panel production equipment with the goal of creating a new business pillar that will enhance Tokyo Electron's revenues over the medium and long term. It will be quite a challenge, but it's an area in which we can use the SPE technology Tokyo Electron has built up over the years.

For photovoltaic power generation to expand, its cost will have to decrease below that of fossil fuel and other existing power sources. We entered the photovoltaic panel production equipment market hoping to rapidly realize cost reductions in power generation by working from a development base of Oerlikon Solar's thin-film silicon photovoltaic panel technology, among the most advanced in the world, and combining it with Tokyo Electron's proprietary semiconductor and flat panel display production equipment technologies. To begin with, we are concentrating our efforts on quickly establishing this innovative technology.

Q Have the changes in top management brought any shifts in TEL's approach to returning profits to shareholders?

A At present there is no change to our performance-linked dividend payout ratio target of 35%, but we will need to be flexible, taking into consideration the Company's operating environment and financial base.

In fiscal 2013, as we entered Tokyo Electron's 50th year, we issued annual dividends of ¥51, including a commemorative anniversary dividend of ¥20, to express

our gratitude for the support of our shareholders. In fiscal 2014, the year ending March 31, 2014, considering the Company's stable financial base as well as the recent state of the world economy, we expect to pay annual dividends of around ¥50, on level with fiscal 2013.

Going forward, we aim to continue our efforts to maximize corporate value and increase direct returns to shareholder through sustained profit growth, while also flexibly considering share buybacks and other means of further enhancing shareholder returns.

Global Development Bases

Accelerating technological innovation throughout our global development framework to maximize shareholder value through growth

