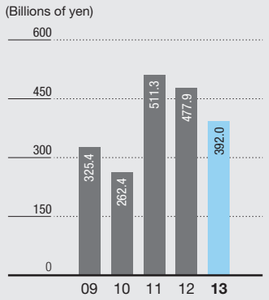
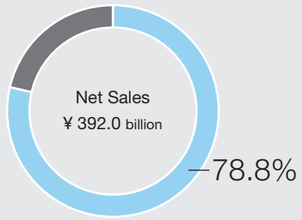
Review of Operations and Business Outlook

SALES BY SEGMENT	SHARE OF NET SALES	BUSINESS ENVIRONMENT	BUSINESS OVERVIEW	BUSINESS OUTLOOK

Semiconductor Production Equipment





During fiscal 2013, global capital investment in semiconductor equipment remained subdued, influenced by the sluggish economy. Due to a worsening DRAM supply-demand balance caused by slowing shipments of PCs as well as weaker than expected demand for NAND flash memory, investment to increase production capabilities in memory manufacturing by Tokyo Electron's customers was restrained. However, demand for logic chips used in mobile devices, servers and other applications was strong, leading to firm logic-related investment.

- Segment net sales were down 18.0% year on year to ¥392.0 billion.
- Sales fell 51% in Japan and 47% in South Korea due to weak memory-related investment.
- Sales rose 40% in Taiwan and 2% in the U.S. on the back of solid logic-related investment.
- Tokyo Electron achieved a record high 89% market share of coater/developers.
- Tokyo Electron secured multiple approvals from customers in the key area of etching and cleaning systems for new manufacturing lines.
- Tokyo Electron introduced new ALD systems and metallization systems.

The technological innovation sought for semiconductors is becoming increasingly advanced and diverse as semiconductor demand continues to expand, propelled by the full-fledged spread of such mobile devices as smartphones and tablets and the rapid development of cloud computing, which enables enormous data traffic.

SPE plays an increasingly important role in realizing the advanced technological innovation and needed volume expansion that will drive capital investment in the semiconductor industry.

By aggressively introducing new products, Tokyo Electron will take advantage of the shift to new technologies to expand its business. In coater/developers, an area in which the Company already commands a large market share, the Company will increase productivity and introduce products for extreme ultraviolet lithography. In deposition systems, Tokyo Electron aims to increase revenues with semi-batch ALD systems and metallization systems. In the key business areas of etching and cleaning systems, the Company will work to expand its market share with etching systems featuring low damage and high selectivity, as well as single wafer cleaning systems for advanced logic chips and dry cleaning systems. With regard to wafer probers, the Company plans to expand its served available market by introducing new products that will help to reduce customers' production costs. Additionally, in the wafer-level packaging field, which is expected to grow significantly, the Company aims to expand sales by taking advantage of its strong product lineup, enhanced by the electrochemical deposition systems acquired in fiscal 2013 with TEL NEXX.

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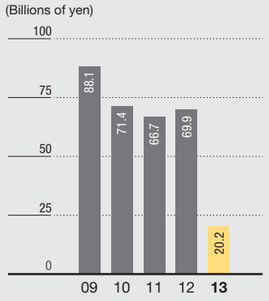
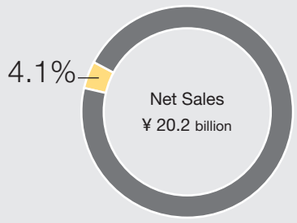
FPD/PV Production Equipment





In flat panel displays (FPD), capital investment in large panels was put off in fiscal 2013, due to weakened demand for flat panel TVs in developed countries. Investment was limited mainly to small- and medium-sized high-definition panels for use in mobile devices, falling approximately 70% as a result.

Demand for photovoltaic panels is rapidly expanding worldwide. As uncompetitive production lines released since 2008 face elimination, 2012 is thought to be the bottom point, with rising investment going forward.

- Segment net sales were down 71.2% year on year to ¥20.2 billion (of which sales of FPD production equipment accounted for nearly 100%).
- Sales by region were 47% domestic and 53% overseas.
- Around 85% of FPD production equipment sales came from sales of equipment for generation six (Gen6) or below small- and medium-sized panels.
- Tokyo Electron released an ICP etch system for Gen8 panels, responding to demand for higher definition panels.
- The Kunshan Plant in China began repair and manufacturing operations of FPD etch systems.

The market of small- and medium-sized panels for mobile devices such as smartphones and tablets will remain firm. Capital investment related to large-sized panels will resume in China. In thin film transistor (TFT) processes, the use of low-temperature polysilicon (LTPS) and indium gallium zinc oxide (IGZO) is advancing, replacing the use of conventional amorphous silicon.

As the successor to liquid crystal displays, OLED displays with higher definition and lower power consumption are already being used in mobile devices, and development aimed at manufacturing large-sized OLED displays for TVs has been accelerating. As such technological innovation advances, Tokyo Electron will pursue growth in this business by introducing competitive products for TFT process and entering the new market of OLED production equipment. In addition, the Company will ramp up manufacturing at the Kunshan Plant in China, increasing responsiveness to customers and reducing costs.

In photovoltaic panel production equipment, which is expected to become a business pillar in the medium- to long-term, Tokyo Electron will use the sophisticated thin-film silicon photovoltaic panel production equipment of Oerlikon Solar, acquired in fiscal 2013, as a base while strengthening development in order to realize high conversion efficiency, the key to low-cost power generation.

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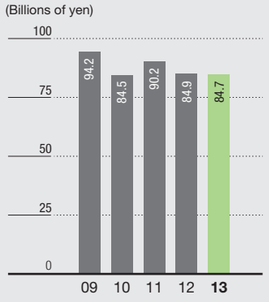
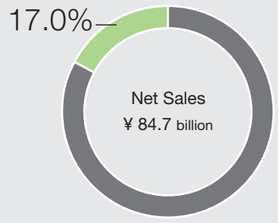
Electronic Components and Computer Networks





Demand for both consumer and industrial electronic components was weak in fiscal 2013. Private capital IT investment continued to face harsh conditions though the cloud computing market, including data centers, showed underlying notes of expansion.

- Segment net sales were down 0.2% year on year, to ¥84.7 billion.
- In the electronic components business, domestic demand for consumer and industrial electronics fell, causing domestic sales to decrease approximately 10%. However, sales in the Asia region, including China, rose, causing overall sales to decrease only 0.7% year on year.
- Sales in the computer networks business increased 2.2% year on year due to firm sales of product and maintenance services.

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

With these market trends in mind, Tokyo Electron will work to expand segment sales not only through existing businesses and securing trade rights, but also by promoting sales to overseas customers, and through overseas sales of the Company's in-house inrevium™ brand. In addition to reinforcing its direct sales system for cloud computing and data centers, Tokyo Electron will strive to introduce new high-value-added products and provide optimal solutions.

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