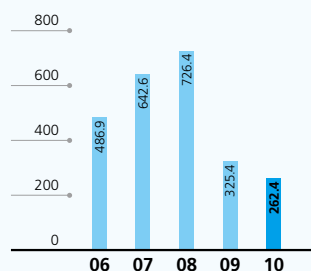


## Semiconductor Production Equipment

### Semiconductor Production Equipment Sales

(Billions of Yen)



### Overview of FY2010

The global economic downturn, triggered by the economic crisis which began in the fall of 2008, caused business conditions to deteriorate during the first half of fiscal 2010, to a level even below that which followed the collapse of the IT bubble in 2001. However, semiconductor demand recovered significantly from mid 2009, elevating capacity utilization levels at major semiconductor manufacturers' production facilities. As a result, capital investment in semiconductor production equipment in the second half of the year became brisk.

The Division's sales dropped off sharply in the first half, but recovered steadily in the second half, thanks to increased investment by foundries and memory manufacturers. Sales for the full fiscal year were down 19% year on year, to ¥262.4 billion.

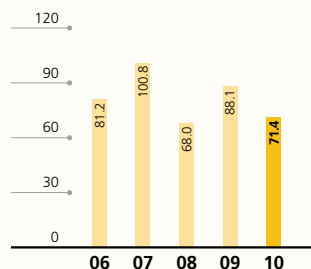
By region, sales in Taiwan rose 56% year on year, and sales in Korea were up 19%, due to the surge in demand during the second half. However, in all other regions, sales for fiscal 2010 declined year on year.

By product, sales of etch systems maintained almost the same level as in the previous fiscal year partly due to the adoption of chip scaling technology by memory manufacturers and in capacity investment by logic manufacturers. However, sales of the other products further decreased year on year.

## FPD/PV Production Equipment

### FPD/PV Production Equipment Sales

(Billions of Yen)



### Overview of FY2010

The global economic downturn, which began in the latter half of 2008, created a situation of oversupply in the market for LCD panels. LCD manufacturers held back on new investments through the first half of 2009. However, the rising market penetration of LCD TVs, particularly in China, has been steadily closing the supply-demand gap. This contributed to an upturn in orders for FPD production equipment from mid 2009. Due to the economic downturn, government subsidies for photovoltaic power generation were reduced, and many customers postponed investments, causing a sudden drop in demand for photovoltaic (PV) cell production equipment.

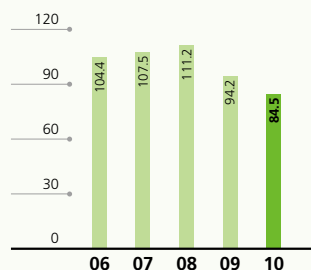
The Division's sales declined 19% year on year in fiscal 2010, to ¥71.4 billion.

By region, sales in Japan rose 131% year on year, supported by shipments of production equipment for 10th-generation glass substrates. However, sales in Korea fell 77% year on year, and sales in Taiwan dropped by 49%. A product breakdown highlights the rapid shift towards larger panel sizes. FPD production equipment for glass substrates for the 8th generation or larger accounted for 67% of total FPD production equipment sales. From fiscal 2010, Tokyo Electron commenced shipments of PV cell production equipment.

## Electronic Components and Computer Networks\*

### Electronic Components and Computer Networks Sales

(Billions of Yen)



### Overview of FY2010

Sales in Japan account for almost 90% of total sales in this business. Looking at the domestic electronics market, the semiconductor market turned toward a recovery from mid 2009, with the completion of adjustments made in response to the economic slump that occurred in the fall of 2008. Investment in IT and network infrastructure, however, has remained weak despite the signs of economic recovery.

The Division's sales declined 10.3% year on year in fiscal 2010, to ¥84.5 billion. Sales of semiconductors used in consumer electronics products, such as flat-screen TVs and digital home electronics, remained firm from the start of the fiscal year, thanks in part to economic stimulus measures. Sales of semiconductors used in industrial equipment and computers recovered in the latter half of the fiscal year, but sales of storage and other IT infrastructure products remained weak, as corporations held back on new IT investment.

\*Tokyo Electron Device Limited operates this business

### Business Outlook

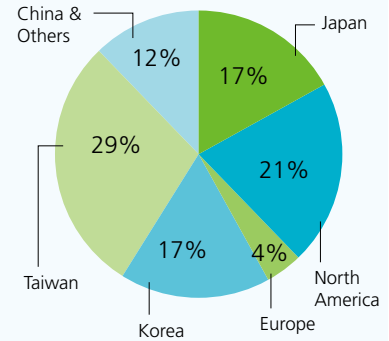
Strong demand for new PCs and “smartphones,” coupled with expansions in network infrastructure are driving a strong recovery in the semiconductor market, and it is expected that investments to increase capacity will become active in 2010.

Initially, the Company will work to rigorously solidify operations in existing product segments. In addition to bolstering operations in segments where it is already strong, Tokyo Electron will further expand its business by introducing strategic new products in areas where there is still strong potential to increase market share, such as etch systems and cleaning systems, and by enhancing collaborations with core customers to develop future technologies.

Meanwhile, new semiconductor-related technologies such as double patterning, chip scaling technology using new materials, 3D memory cell stack and 3D chip stack technologies are advancing efforts to enhance chip density. These trends are supported by core Tokyo Electron technologies, and should allow the Company to make strong inroads into new markets.

The Company expects markets for new, high-end products to expand. Meanwhile, as chipmakers seek to extend the operating life of their equipment through upgrades and refurbishing, the market for post-sales business is likely to grow. For Tokyo Electron, which already has an installed global base of over 50,000 units of semiconductor production equipment, efforts to provide value-added solutions should help the company to attract business from existing customers and elevate earnings.

Sales by Region



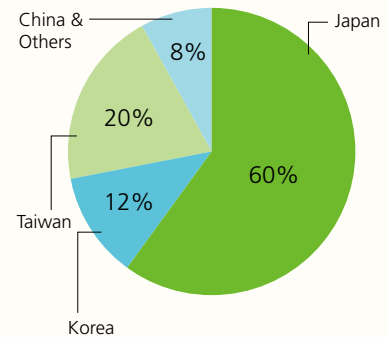
### Business Outlook

China’s policy of promoting the consumer electronics market with subsidies to rural residents has contributed to strong demand for flat-screen TVs, and many manufacturers are expected to invest in new LCD production lines in China to address the demand. In addition to the trend towards larger screen size, technology advances will be needed to make displays more responsive and improve picture definition to higher levels. We aim to introduce differentiated products and technology that customers require from us, while at the same time we will make efforts to reduce costs as the competition is intensifying.

A new generation of display technology is also starting to emerge—Organic Light-Emitting Diode (OLED) displays. Efforts to develop production equipment for manufacturing OLED displays are accelerating, and these will probably reach the market in the near future.

In the market for PV cell production equipment, Tokyo Electron currently focuses on production equipment for thin-film silicon PV cells. As efforts to address global warming intensify, demand for these products is likely to enjoy strong growth over the medium-to-long term. Tokyo Electron currently operates a joint development with Sharp, and serves as the Asian and Oceanian representative for Oerlikon Solar, a Swiss equipment supplier. In addition, the Company is developing its own in-house technology. The Company continues to seek the best business model for the growing PV cell production equipment market, and expects this business to expand into a third core source of income, alongside the semiconductor production equipment and FPD production equipment businesses.

Sales by Region



### Business Outlook

Demand for semiconductors in Japan is expected to continue improving, supported largely by expanding demand from the Asian region. The Company also expects the current freeze in IT investment to thaw slowly. As a semiconductor-related trading company, Tokyo Electron Device will work to strengthen its sales structure and product support capabilities. The Company is also focusing efforts on the development of new in-house products such as the *inrevium*™ product line, and will work to increase sales in Asia to support earnings growth.

Sales by Region

