

Review of Operations and Business Outlook

SALES BY SEGMENT

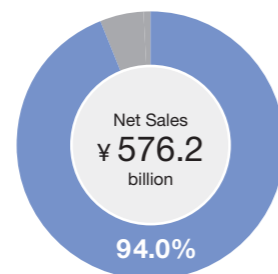
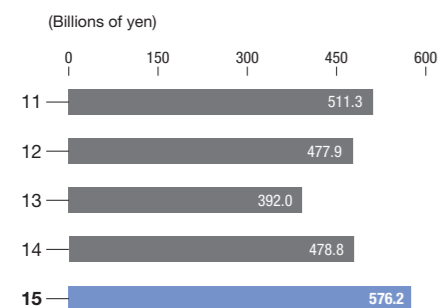
SHARE OF NET SALES

BUSINESS ENVIRONMENT

BUSINESS OVERVIEW

BUSINESS OUTLOOK

Semiconductor Production Equipment



In 2014, global shipment volumes of smart-phones and other mobile devices were robust, up 23% year on year, and demand for data center servers was strong, due to expanding internet data transmission volumes. Supported by these factors, sales in the global semiconductor market grew 8% year on year to a record high of US\$340 billion. Accordingly, investment in additional production capacity for mobile DRAM and NAND flash memory picked up speed. Capital investment in logic semiconductors was also firm, supported by favorable server demand. As a result, global capital investment in wafer fab equipment saw considerable year on year growth, up 16%.

- ▶ Segment net sales grew faster than the wafer fab equipment market, up 20.3% year on year to ¥576.2 billion.
- ▶ Market share in all product categories improved, and overall share of the wafer fab equipment market rose from 10.5% to 13.6%.
- ▶ Market share of cleaning systems reached 25%, its highest level ever.
- ▶ Net sales in the field solutions business (sales of parts and used equipment, modification, maintenance services, etc.) rose more than 35% year on year.

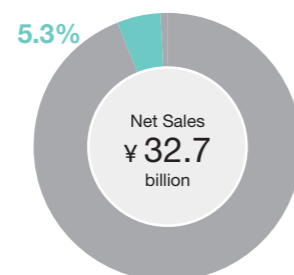
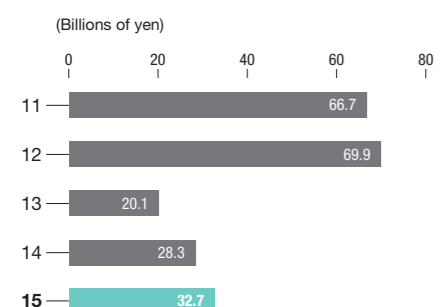
Demand for semiconductors is expected to continue to grow. This growth will be driven by the increase of per-mobile and per-server memory, the arrival of the internet of things (IoT) and more sophisticated use of big data as well as the rapid development of the networks that support these technologies.

For these developments to progress, semiconductor devices must offer even higher performance at lower cost. The role of semiconductor production equipment is thus growing ever more important. Tokyo Electron regards this technological inflection point as an opportunity for growth and is aggressively bringing to market new high performance, high productivity products. In the area of finer patterning, to expand sales, the Company is introducing coater/developers with new defect-reducing features, single wafer cleaning systems that reduce pattern collapse, as well as etch systems and deposition systems, for which demand is expected to grow alongside expansion in multiple patterning processes. Furthermore, in response to the adoption of 3D structure devices and new semiconductor materials, Tokyo Electron aims to increase its market position in such areas as ALD systems, etch systems and dry cleaning systems, which boast advanced thin-film control and processing technologies.

STT-MRAM (spin transfer torque-magnetoresistive random access memory) is a promising candidate for the next-generation of memory device. Tokyo Electron possesses all the products necessary to form STT-MRAM's core memory cells. Using this advantage, the Company aims to establish high-volume manufacturing technology that will help commercialize STT-MRAM for practical use through joint development with business partners, universities and consortia.

In the advanced packaging field, we are working to reduce costs, the greatest obstacle to mass production, through joint research with Singapore's Agency for Science, Technology and Research.

FPD Production Equipment



Overall demand for flat panel displays (FPDs) grew nearly 10% (area basis) in 2014, reflecting shifts toward larger and higher definition smartphone screens and TVs. As a result, capital investment in production equipment for large-sized panels in China grew, and the worldwide market for FPD production equipment saw solid year-on-year growth of 20%.

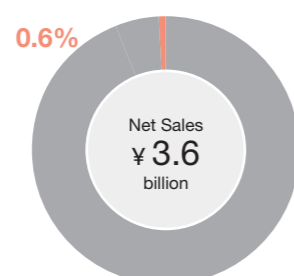
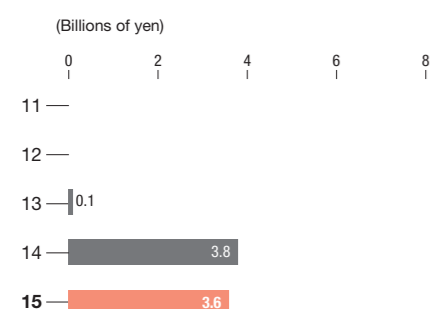
- ▶ Segment net sales rose 15.5% to ¥32.7 billion.
- ▶ Sales in China accounted for over 50% of total sales.
- ▶ Sales of inductively coupled plasma (ICP) etch systems, which have a competitive edge among products for high definition, large-sized panels, were strong.
- ▶ Tokyo Electron's inkjet printing systems for manufacturing OLED panels were adopted in customers' development lines.

Total FPD area demand is forecast to continue expanding, reflecting strong demand for larger televisions and smartphones, the adoption of higher resolutions, including 4K, and expected market growth for displays used in automobiles and wearables.

Accordingly, in 2015, the FPD production equipment market is expected to grow 20% year on year due to continued capital investment in large-sized panels and increasing investment for small- and medium-sized panels for mobile devices.

At the same time, in thin-film transistor (TFT) processes, the use of low-temperature polysilicon (LTPS) and such oxide semiconductors as indium gallium zinc oxide (IGZO) in place of conventional amorphous silicon is growing alongside the shift toward higher definition displays. Tokyo Electron will continue working to increase revenues by expanding sales of technologically superior ICP etch systems that can handle these new materials. The Company furthermore aims to expand the production equipment market for OLED displays, which are hailed as the next generation of display technology, by increasing productivity and reducing costs for customers with inkjet printing systems for use in the manufacture of large-sized OLED panels.

PV Production Equipment



The number of photovoltaic panels (PV) installed globally continues to increase each year, reflecting growing environmental awareness and energy supply problems worldwide. Nevertheless, production equipment remains in oversupply.

- ▶ Segment net sales fell 4.9% year on year to ¥3.6 billion.
- ▶ Business withdrawal proceeded as planned.

Aiming to break into the thin-film silicon PV production equipment market, Tokyo Electron became the exclusive sales representative of Switzerland-based Oerlikon Solar in 2009. In 2012, the Company acquired Oerlikon Solar with the aim of generating growth. However, having determined that it could not expect a reasonable return on investment going forward, Tokyo Electron ended all research and development, manufacturing and sales operations in the PV production equipment business at the end of March 31, 2014.

Going forward, the Company will continue only support operations for delivered units, and expects to further reduce losses in this segment.

From fiscal 2011 to fiscal 2012, PV production equipment sales are included in FPD production equipment sales.