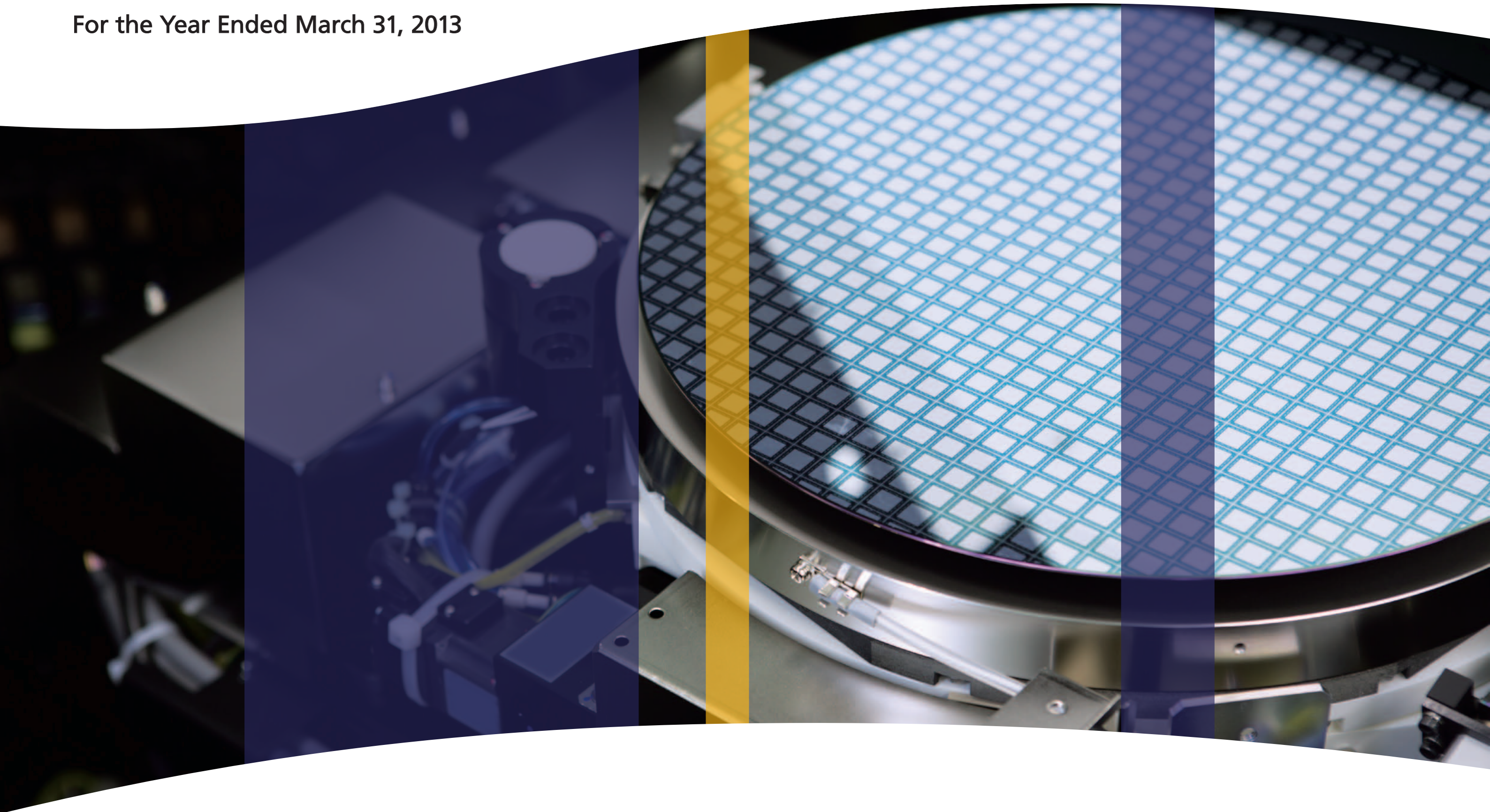


Annual Report 2013

For the Year Ended March 31, 2013



Pursuing Technological Innovation and Customer Satisfaction

50th anniversary

In November 2013, Tokyo Electron (TEL™) will celebrate the 50th anniversary of its founding. Since its founding in 1963, the Company has continually stayed one step ahead of the times through technological innovation, adapting its business model to meet the latest needs of the market. As we enter the mobile and big data era, the electronics market is beginning a new period of growth. Looking ahead to Tokyo Electron's next half century, we will strengthen technological development to further increase corporate value.

Tokyo Electron 50th Anniversary Logo

Tokyo Electron will celebrate its 50th anniversary on November 11, 2013.



A Company with a Dream for the Future

This logo mark was developed as a symbol of our commitment to the future as we celebrate the 50th anniversary of Tokyo Electron. It symbolizes our company's concept: "a future with a dream" through a figure in which "people," "cutting edge technology" and "environment and nature" become one and start moving in one circle. We hope our employees will also come together to make contributions to a future society as a single team, using the logo mark in a variety of TEL communication tools and applications.

Accelerating

technology development

Technological innovation creates value for stakeholders

Founding Era, Roots as a Technology Trading Company

63 64 65 66 67 68 69 70

TEL imports cutting-edge technology products, such as IC testers and electronic components, and exports consumer electronics, such as car radios

1963
TEL is established



A 1960s car radio

1964
TEL enters the semiconductor production equipment import business.



Thermco diffusion furnace

Major Business Transformation, Withdrawal from the Export Business

71 72 73 74 75 76

TEL withdraws from the export of consumer electronics, which accounted for 60% of its sales

TEL focuses business on importing high-value-added semiconductor production equipment, computer-related equipment and electronic components

1968
TEL-Thermco begins Japanese production of diffusion furnaces



Strengthening Manufacturing Capabilities, Establishing Joint Ventures

77 78 79 80 81 82 83 84 85 86

TEL accumulates its own manufacturing technologies through joint ventures with foreign manufacturers and establishes the Central Research Laboratory to reinforce its R&D capabilities

1980
TEL is listed on the second section of the Tokyo Stock Exchange

1981
TEL forms a number of joint ventures with U.S. companies
In addition to its trading company functions, TEL is transformed into a manufacturer possessing cutting-edge technology



In-circuit board tester

Expanding In-house Production, Becoming a Global Leader

87 88 89 90 91 92 93

As a fully-fledged semiconductor production equipment manufacturer, TEL lays the foundation for successful products of the future

1984
TEL is listed on the first section of the Tokyo Stock Exchange



Central Research Laboratory facilities are completed

1986-1987
TEL strengthens its functions as a manufacturer, establishing manufacturing subsidiaries and reorganizing joint ventures



Plasma etch system

Era of Globalization, Establishing Business Locations Globally

94 95 96 97 98 99 00 01 02 03 04 05 06 07 08

TEL creates a global network to develop sales channels and provide technical support overseas

1996
Tokyo Electron America, Inc. establishes new headquarters building and training center.



1990
TEL fully enters FPD production equipment business



Production Reform

09 10 11 12 13

TEL improves productivity through such initiatives as new production systems

2007



Tokyo Electron Kyushu new production building

Striving for New Growth

In addition to in-house development, TEL actively acquires next-generation technologies from outside the Company

2011



Tokyo Electron Miyagi new plant

2012
TEL executes four corporate acquisitions



2002



TEL participates in Albany NanoTech program (U.S.)

2009



TEL Technology Center, Taiwan

2012



Technology Center Tsukuba

2012



TEL Technology Center, Korea

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Disclaimer


Matters discussed in this annual report, including forecasts of future business performance of Tokyo Electron, management strategies, beliefs and other statements are based on Tokyo Electron's assumptions in light of information that is currently available. These forward-looking statements involve known or unknown risks, uncertainties and other factors that could cause actual results to differ materially from those referred to in the forward-looking statements.

Factors that have a direct or indirect impact on Tokyo Electron's future performance include, but are not limited to:


- Economic circumstances in Japan and overseas, consumption trends, and large fluctuations in foreign exchange rates
- Changes in semiconductor/FPD/PV markets
- Changes in the demand for products and services manufactured or offered by Tokyo Electron's customers, such as semiconductor manufacturers, FPD manufacturers, photovoltaic cell manufacturers and electronics makers
- Tokyo Electron's capabilities to continue to develop and provide products and services that respond to rapid technology innovation and changing customer needs in a timely manner

For details, please refer to Business-related and Other Risks on page 22.

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Financial Highlights

Consolidated Financial Highlights

Consolidated Financial Highlights

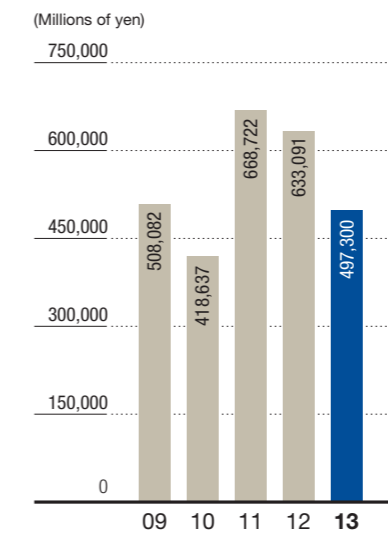
Years ended March 31	Millions of yen					Thousands of U.S. dollars
	2009	2010	2011	2012	2013	2013
For the year:						
Net sales	¥508,082	¥418,637	¥668,722	¥633,091	¥497,300	\$5,287,613
Operating income (loss)	14,711	(2,181)	97,870	60,443	12,549	133,429
Income (loss) before income taxes	9,637	(7,768)	99,579	60,602	17,767	188,910
Net income (loss)	7,543	(9,033)	71,924	36,726	6,076	64,604
Depreciation and amortization	23,068	20,002	17,707	24,198	26,631	283,158
Capital expenditures	18,108	14,919	39,140	39,541	21,774	231,515
R&D expenses	60,988	54,074	70,568	81,506	73,249	778,830
Operating margin	2.9%	(0.5)%	14.6%	9.5%	2.5%	
ROE	1.4%	(1.8)%	13.3%	6.3%	1.0%	

At year-end:	Millions of yen					Thousands of U.S. dollars
	Total assets	¥668,998	¥696,352	¥809,205	¥783,611	¥775,528
Total net assets (Total shareholders' equity)	529,265	523,370	584,802	598,603	605,127	6,434,099

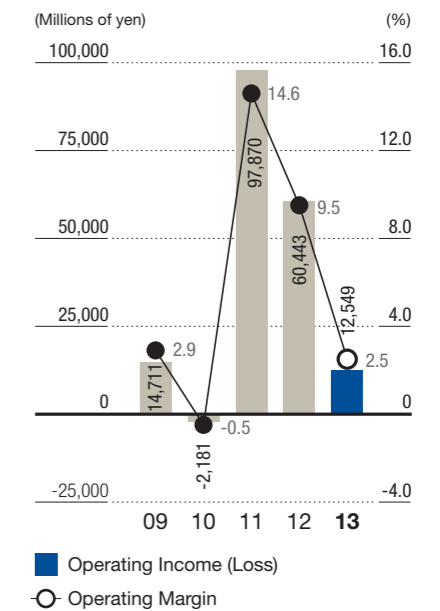
Per share:	Yen					U.S. dollars
	Net income (loss)—Basic	¥ 42.15	¥ (50.47)	¥ 401.73	¥ 205.04	¥ 33.91
Cash dividends	24.00	12.00	114.00	80.00	51.00	0.54

Notes: 1. U.S. dollar amounts are translated from yen, solely for convenience, at the prevailing exchange rate on March 31, 2013 of ¥94.05=U.S.\$1.
2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.

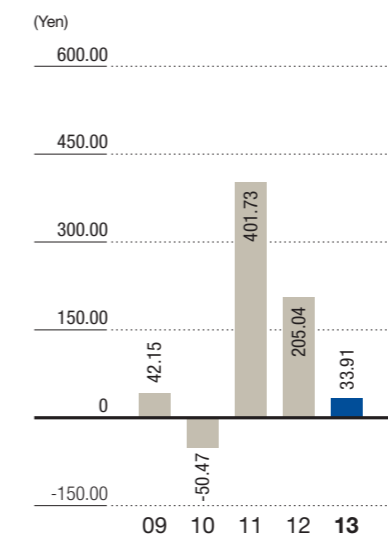
Net Sales



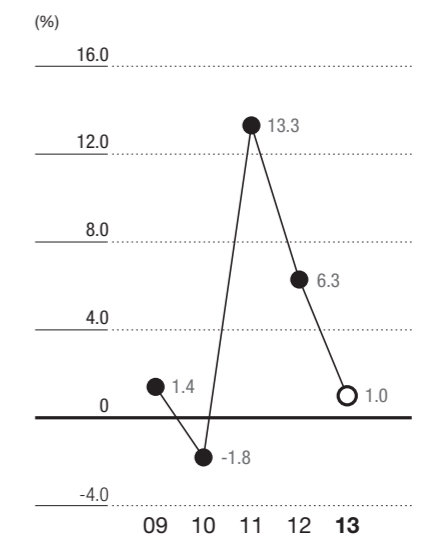
Operating Income (Loss) and Operating Margin



Net Income (Loss) per Share



ROE



Business Overview

SUMMARY OF BUSINESS

MAIN PRODUCTS

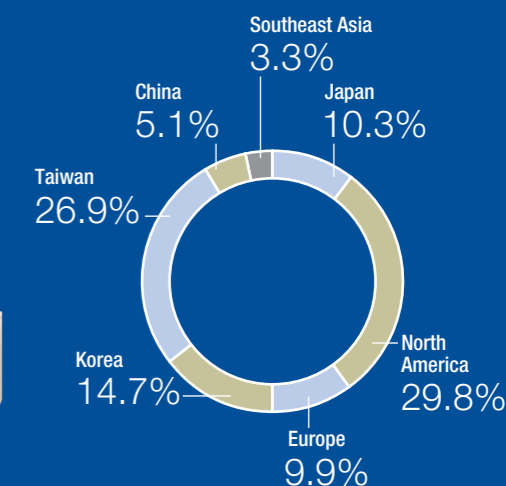
SALES BY REGION

Semiconductor Production Equipment

Semiconductor devices (IC chips) are used in mobile devices such as smartphones and tablets, and in electronics ranging from flat panel TVs and other digital home appliances to cutting-edge medical equipment. Tokyo Electron offers semiconductor production equipment for manufacturing such devices, along with superior technical support and service.

Our product lineup includes coater/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processes, and wafer probers used in the wafer testing process. Tokyo Electron is also expanding its product lineup in a number of new areas. These include technologies used in advanced packaging processes, which have been attracting attention in recent years, such as through-silicon via (TSV) etch systems, electrochemical deposition, and wafer bonders/debonders.

- Coater/Developer
- Plasma Etch System
- Thermal Processing System
- Single Wafer Deposition System
- Cleaning System
- Wafer Prober

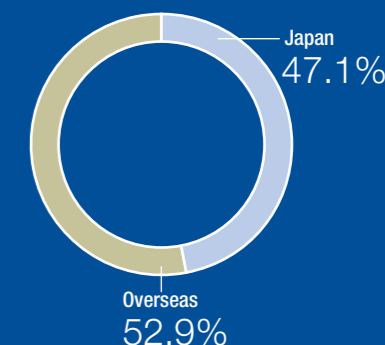
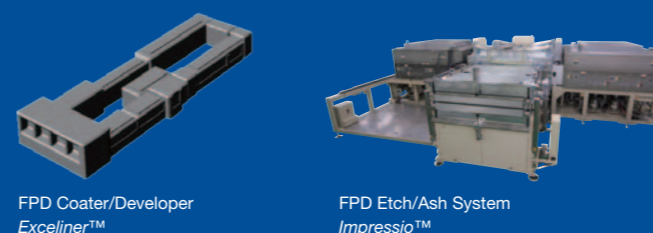


FPD/PV Production Equipment

Flat panel displays (FPDs) are used in a wide variety of applications such as flat panel TVs, mobile devices including smartphones and tablets, and recently even digital signage for advertising. Tokyo Electron supplies FPD coaters/developers and plasma etch/ash systems used to manufacture FPDs, along with solid technical support and service.

Photovoltaic power generation is expected to grow tremendously in the medium to long term. Tokyo Electron has begun to offer end-to-end production lines for thin-film silicon photovoltaic panels, which are highly competitive in hot regions such as Sunbelt countries.

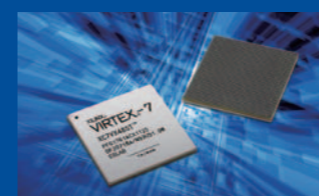
- FPD Coater/Developer
- FPD Etch/Ash System
- Photovoltaic Panel (PV) Production Equipment



Electronic Components and Computer Networks

Tokyo Electron has developed a new type of dual model for this business: the trading business handles sales, in which it acts as a distributor of a wide array of sophisticated electronic components and computer network equipment, while the development business designs and develops products in response to customer needs, as well as our own in-house brand products. Business operations for this segment are handled by Tokyo Electron Device Limited.

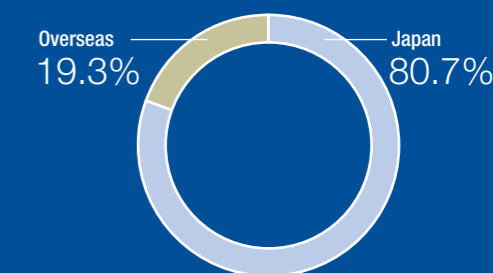
- Semiconductor Products
- Electronic Components
- Computer Networks & Storage
- Middleware



Xilinx, Inc.
FPGA



F5 Networks, Inc.
Load Balancer



To Our Stakeholders



Pursuing technological innovation that drives the evolution of semiconductors

Tokyo Electron will celebrate the 50th anniversary of its founding in November 2013. To begin, I would like to express my deepest gratitude to Tokyo Electron's many stakeholders for their ongoing support over all these years.

During fiscal 2013, the year ended March 31, 2013, we felt the ongoing impact of the global economic slowdown. In the electronics industry, capital investment by semiconductor manufacturers decreased considerably. Amid these circumstances, Tokyo Electron finished fiscal 2013 with net sales of ¥497.3 billion, operating income of ¥12.5 billion and net income of ¥6.1 billion. To recognize the long-standing support shown by our shareholders, we issued annual dividends totaling ¥51, including a commemorative 50 year anniversary dividend of ¥20. Again, I would like to express my deepest thanks.

Since this spring, capital investment by semiconductor manufacturers and flat panel display manufacturers has begun to pick up after a long period of restraint, leading in turn to a rise in orders received. We predict this is the start of a solid upward trajectory. Short-term reasons include the continuing recovery of the global economy and reductions in semiconductor inventories. Over the medium to long term, momentum will be provided by the full arrival of the global network era, the spread of cloud computing, and the global marketing of new IT devices such as smartphones and tablet PCs, even in emerging economies. These trends will cause nothing less than a tectonic shift in information network infrastructure.

The systems that support global networks will need to ceaselessly transmit, receive and store huge amounts of data, including audio and images, leading to volume demand for high performance semiconductors. The more these networks expand and evolve, the greater the need

will be for higher performance, higher productivity semiconductor manufacturing equipment, and in turn the need for advanced technological innovation.

To support the new network era from the ground up as a truly global company, Tokyo Electron will vigorously pursue technological innovation that drives the evolution of semiconductors and fulfills volume-based expansion needs. We will do this from a foundation of financial strength.

In April, I was appointed President and CEO of Tokyo Electron, while continuing to serve as Chairman of the Board. Keeping the following management precepts in mind at all times, I intend to place the Company on a firm growth footing and continuously improve management to meet the expectations of our stakeholders. We will:

1. Remain committed to creating new markets and expanding profit through technological innovation
2. Reinforce technical support and service capabilities on a global level under a policy of placing the customer first
3. Build a dynamic company that is inspired with creativity, eagerness to take on new challenges, passion, and a sense of responsibility from the frontlines to top management.
4. Meet the expectations of all stakeholders by realizing world class profitability and sustained growth.

I welcome your continued support and understanding.

Tetsuro Higashi

Chairman of the Board, President & CEO

Interview with the CEO



Accelerating technology development

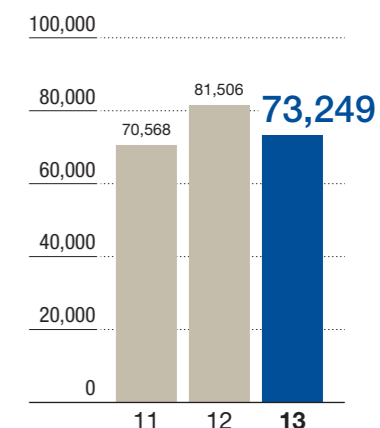
Technological innovation creates value for stakeholders

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.

Interview with the CEO

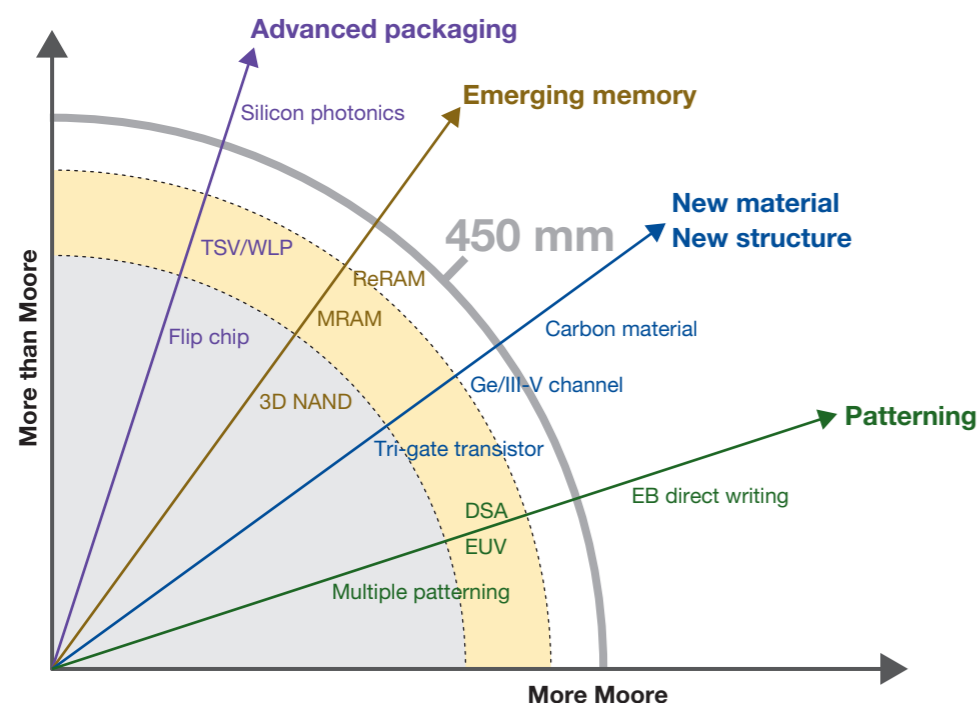
Demand for semiconductors is forecast to continue expanding due to the full-fledged spread of such mobile devices as smartphones and tablets and the rapid development of cloud computing, which enables enormous data traffic. In tandem with volume expansion, technological demand is constantly growing for 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.

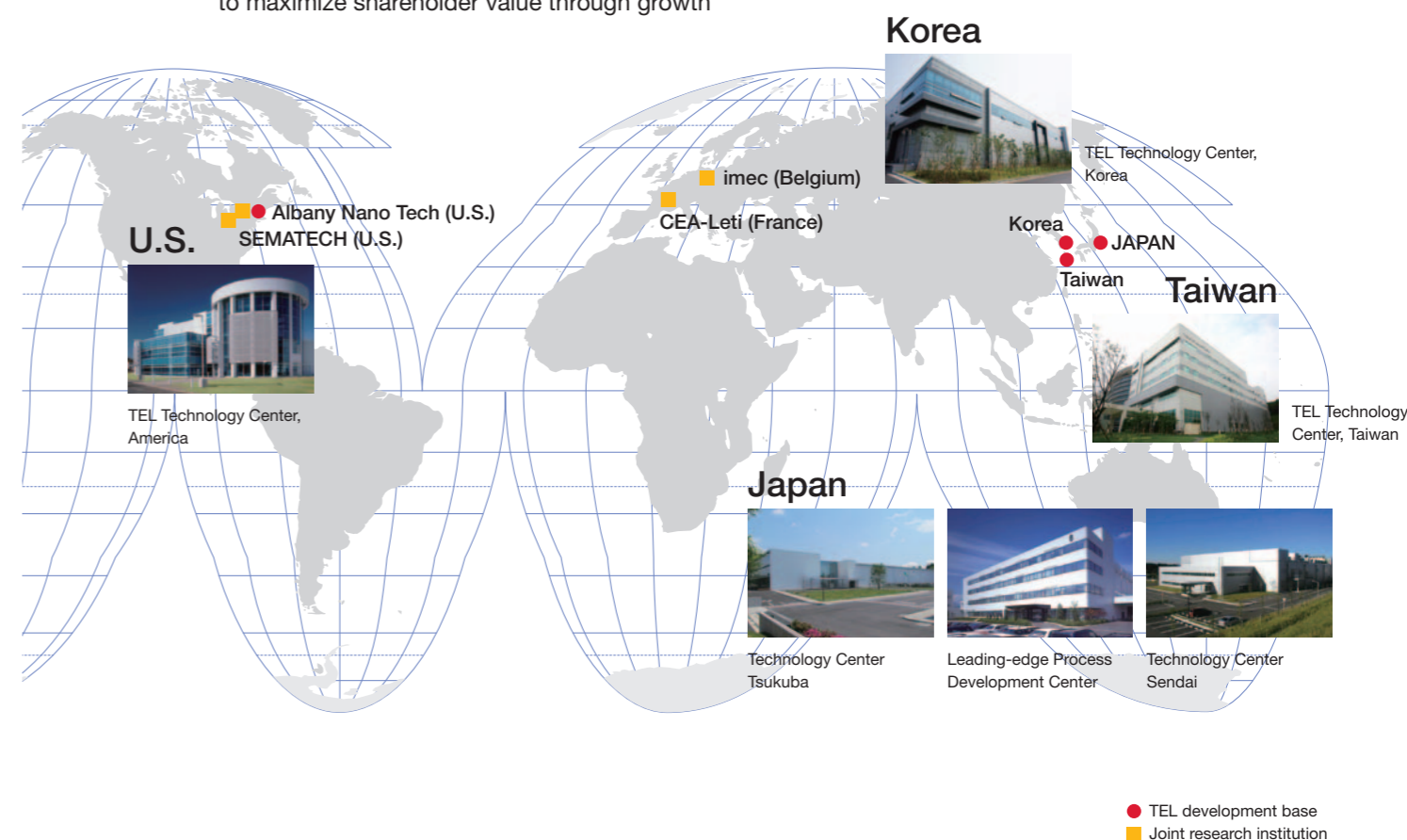
In fiscal 2013, as we entered Tokyo Electron's 50th year, we issued annual dividends of ¥51, including a commemorative anniversary dividend of ¥20, to express

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



Features: Technological Innovation in Pursuit of Growth

Semiconductor technology moves forward ceaselessly, at a breakneck pace. Semiconductor production equipment supports this rapid progress. Tokyo Electron is pursuing technological innovation through not only the development of its own proprietary technologies for next-generation semiconductor devices, but also through the integration of superior outside technologies, as well as joint development with universities and international R&D consortia based on cutting-edge theory.

TEL Technology Center, Korea

In addition to centers in Japan, the U.S. and Taiwan, Tokyo Electron has established a process development center in South Korea, further enhancing its global development framework. Through development in close contact with customers, Tokyo Electron will speedily introduce new products that customers need.

**Technology Center Tsukuba**

Technology Center Tsukuba, established in April 2012, focuses on the research and development of photovoltaic power generation and new semiconductor materials. Furthermore, work at the center cultivates new seeds of technology, some of which will ultimately bear Tokyo Electron into the future.

**Corporate Acquisitions**

In fiscal 2013, Tokyo Electron conducted four corporate acquisitions: NEXX Systems, FSI International, Magnetic Solutions and Oerlikon Solar. By acquiring powerful companies and businesses overseas, Tokyo Electron seeks to develop new business strengths that make use of not only its semiconductor production equipment technologies, but all of its technologies, creating new growth drivers.

**Manufacturing at Tokyo Electron**

Building in quality from the design and development stage is the heart of manufacturing. Tokyo Electron is raising the bar of quality and productivity through new production methods and a framework that is integrated from development to manufacturing.



Features: Technological Innovation in Pursuit of Growth

Feature 1: Product Development

Increasing Business Opportunities through Production Equipment Innovation



Hikaru Ito
Corporate Director,
Executive V.P., SPE,
Senior General Manager,
SPE Sales Division &
General Manager, ESBU

Until recently, PCs drove the semiconductor market, but in the past year mobile devices such as smartphones and tablets have come to the fore. Their considerable growth is also expected to trigger demand for servers and storage for the cloud services. The year was a historic turning point that changed the future course of the industry.

The higher speed and lower power consumption demanded of semiconductor devices have become more important than ever. Development is advancing in an extremely wide variety of semiconductor process technologies, including patterning technology centered on conventional lithography, 3D structures, materials and packaging. In close collaboration with its customers, Tokyo Electron is conducting advanced technological development in these and other core areas.

Demand is rising for equipment that realizes low damage and high selectivity, especially in 3D structure devices, which are gaining momentum as they shrink below 20nm. Tokyo Electron is meeting these needs with proprietary *RLSA™* etching technology, dry cleaning technology, and wet cleaning technology acquired with FSI International last year that eliminates the need for ashing. These are garnering high levels of interest and tool evaluations

from customers. In memory chips, 3D structures are expected to be employed in NAND flash memory. In these structures, Tokyo Electron is attracting attention for its deep silicon etch technology, used in DRAM trench processes. Also garnering interest is our wafer bonding technology used in bonders/debonders, in the area of advanced packaging technologies.

Improving equipment productivity is an important task as the number of wafer process steps increases. Tokyo Electron's new *NT333™* ALD system, *CLEAN TRACK™ LITHIUS Pro™ Z* coater/developer, *CELLESTA™ -i* single wafer cleaning system and nearly all of the Company's products used in wafer processes feature productivity that is 1.5 to 2 times higher than previous generations. Furthermore, we are advancing development of new products for the 450mm wafer generation.

Moving forward, the product cycle of advanced electronics will continue to shorten, and speed will be increasingly important in the development of production equipment. Tokyo Electron will meet the needs of the era through alliances with customers, consortia and universities, and by offering production equipment for next-generation technology before anyone else.

Aiming for sales expansion through product development in response to new technologies



ALD System
NT333™

Semi-batch ALD system employing a concept different from existing ALD processes, realizing high-quality nano-scale deposition while maintaining high productivity.



Coater/Developer
CLEAN TRACK™ LITHIUS Pro™ Z

The latest coater/developer model, with increased through-put and enhanced defect reduction for further miniaturization



Plasma Etch System
Tactras™ RLSA™ Etch

Silicon plasma etch system characterized by low damage and high selectivity, with excellent 3D structure transistor formation process performance

Feature 2: Research and Development

Boldly Advancing Innovative Technological Development

The semiconductor technology is facing two serious bottlenecks: miniaturization and power consumption. To realize continuous growth, we must create innovative technologies that overcome these bottlenecks.

In order to continue scaling semiconductors, Tokyo Electron is developing technologies for EUV* lithography, a promising next-generation technology, with consortia around the world. Also, Tokyo Electron has superior multiple patterning technology using etching combined with unique film deposition, achieving 11nm line patterns. Single digit nm lines are now in sight. In addition, Tokyo Electron is developing DSA** technology which makes circuit patterns by using chemical reactions, without exposure and development. Through these efforts, Tokyo Electron is pursuing a full range of technological development aimed at further miniaturization.

Technologies that solve the problem of power consumption will make use of new semiconductor materials to reduce operating voltage and to reduce standby power by introducing nonvolatile memory to replace DRAM and SRAM.

Research into germanium (Ge) and indium gallium arsenide (InGaAs) as new semiconductor materials with high carrier mobility is advancing. Integrating these different types of semiconductors on silicon substrates will mean a great upheaval, equivalent to restarting the development of silicon semiconductor device production processes. To face this change, Tokyo Electron is developing manufacturing technology based on bold ideas that transcend conventional wisdom.

MRAM is currently the only candidate

for nonvolatile memory to replace today's standard forms of working memory. The key to realizing highly integrated magnetic memory lies in magnetic materials and production technology to integrate them. In order to pursue development of manufacturing technology optimized for these materials, we are accelerating development via joint research with world leader Tohoku University.

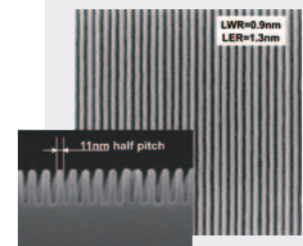
Tokyo Electron is also tackling environmental and energy-related problems in order to realize a more sustainable society. The Company is actively engaging in development of thin-film silicon photovoltaic panels to provide green energy and OLED panel production technology, which is expected to achieve commercial viability and promises high luminosity and low power consumption.

In these and other areas, Tokyo Electron continues to boldly advance innovative technological development of rapidly changing, cutting edge technology.

* EUV: extreme ultraviolet
** DSA: directed self-assembly



Shigetoshi Hosaka
Senior Vice President,
General Manager,
Corporate Development Division



11nm line pattern realized with multiple patterning technology



Tohoku University Center for Innovative Integrated Electronic Systems, Research and Development Building, completed April 2013

Tokyo Electron is taking part in the research and development program conducted by Tohoku University Center for Innovative Integrated Electronic Systems, with the aim of quickly establishing production equipment technology for MRAM (magnetoresistive random access memory), which is attracting attention as a next-generation memory device.

■ Feature 3: Technology Acquisitions

Features: Technological Innovation in Pursuit of Growth

Feature 3: Technology Acquisitions

Timely Acquisitions to Seize Opportunities for Growth



Kenji Washino
Corporate Director,
Executive V.P.,
Corporate Development Division,
ATS/FPD/IPVE

Tokyo Electron conducted four acquisitions in 2012, each with distinct growth objectives.

We acquired U.S.-based FSI International to strengthen existing businesses. This addition will quickly improve the competitiveness of Tokyo Electron's cleaning systems, one of the most important areas of our core semiconductor production equipment business, which we are targeting for expansion. The synergy of this acquisition has already begun to show.

The acquisition of U.S.-based NEXX Systems expands Tokyo Electron's lineup of wafer level packaging

products, helping us provide a wide range of solutions to meet the increasingly complex needs of our customers.

Tokyo Electron secured next-generation core technologies through the acquisition of Irish venture company Magnetic Solutions, obtaining magnetic field annealing technologies necessary for the production of a promising new memory.

We acquired the Swiss company Oerlikon Solar to expand our field of operations. With this acquisition, Tokyo Electron made a full-fledged entry into the photovoltaic panel production equipment business, with plans to grow

it into a core business over the medium and long term.

As planned, Tokyo Electron is advancing the integration of new resources acquired via M&A with Tokyo Electron's own proprietary technology,

global network and sales support capabilities. Technological innovation moves at a rapid pace in the markets that Tokyo Electron operates in, and it is imperative to be the leader in developing and commercializing superior, differ-

entiated technologies. Going forward, we will flexibly consider a wide range of collaboration, extending to M&A, with other companies in order to achieve a profitable growth.

FY2013: Corporate acquisitions for further growth

Objectives	Technologies acquired	Completion of acquisition
Strengthening SPE business	<p>Cleaning technology</p> <ul style="list-style-type: none"> Single wafer cleaning systems <p>Advanced packaging technology</p> <ul style="list-style-type: none"> Electrochemical deposition systems Sputtering systems 	<p>FSI International, Inc. (now TEL FSI, Inc.)</p> <p>October 2012</p> <p>NEXX Systems Inc. (now TEL NEXX, Inc.)</p> <p>May 2012</p>
Obtaining next-generation core technology in SPE business	<p>MRAM manufacturing technology</p> <ul style="list-style-type: none"> Magnetic annealing systems 	<p>Magnetic Solutions Ltd. (now TEL Magnetic Solutions Ltd.)</p> <p>December 2012</p>
Entering new business areas	<p>Photovoltaic panel manufacturing technology</p> <ul style="list-style-type: none"> Thin-film silicon photovoltaic panel production equipment 	<p>Oerlikon Solar AG (now TEL Solar AG)</p> <p>November 2012</p>

Acquisition of FSI International

Expanding Tokyo Electron's cleaning system business with new complementary single wafer cleaning technology

Acquisition of NEXX Systems

Strengthening the lineup of advanced packaging products, a future growth driver

Existing TEL Systems

Batch cleaning



Single water cleaning



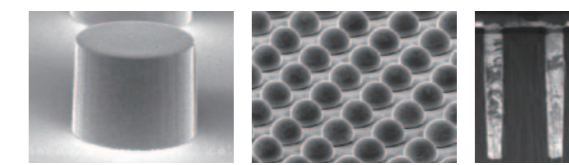
Dry cleaning



Physical cleaning



Stratus, Electrochemical Deposition System



Cu pillar Micro bump TSV Cu filling

By acquiring NEXX Systems, Tokyo Electron expanded its lineup of TSV 3DI packaging technology with NEXX's electrochemical deposition and sputtering systems for advanced packaging.

TSV: through-silicon via

Tokyo Electron will increase its competitiveness in single wafer cleaning systems through the acquisition of FSI International. FSI International boasts high-dosed resist stripping technology with high temperature SPM process, an increasingly important technology.

■ Feature 4: Manufacturing

Features: Technological Innovation in Pursuit of Growth

Feature 4: Manufacturing

Manufacturing that Maximizes Customer Value

Tokyo Electron continuously aspires to realize manufacturing that maximizes customer value. Two years ago we began operations at the new Tokyo Electron Miyagi plant, which deals in etch systems from development to production. Then, last year, in China, the principal market for the flat panel display (FPD) production equipment business, we began operations at a new plant manufacturing FPD etch systems and carrying out a repair business for their key components.

Tokyo Electron's basic stance with regard to manufacturing is to build quality, cost performance and production processes from the development

and design stage to realize manufacturing that is continuously responsive to market demands. The broader definition of quality includes functionality, safety, environmental soundness, reliability, maintainability and cost effectiveness. Manufacturing begins with marketing: precisely understanding each customer's desires and problems.

The most sought-after technological innovations in semiconductors are low power consumption, high-speed processing and low cost. These qualities can be realized through miniaturization, the use of new materials and new device structures, larger wafers, and total cost reduction. It is our job to cre-

ate production equipment that has the functions that make these possible.

To realize those functions it is first and foremost essential to quickly create differentiated technologies through combinations of cutting-edge and conventional technologies (value creation). We then need the manufacturing technology to consistently produce the products we have designed at the lowest cost (maximizing value).

Furthermore, in realizing these functions, it is important that they be backed by core, foundational technologies in order to build a competitive advantage that can be sustained into the future (the source of value).

Our customers also have high expectations for Tokyo Electron's production equipment. They most often seek clearly specified conditions for producing non-defective products, ease of set-up, reliably stable performance, predictability of variations in performance, and ease of repair. Again, these attributes must be built in from the design stage to achieve the desired level of quality.

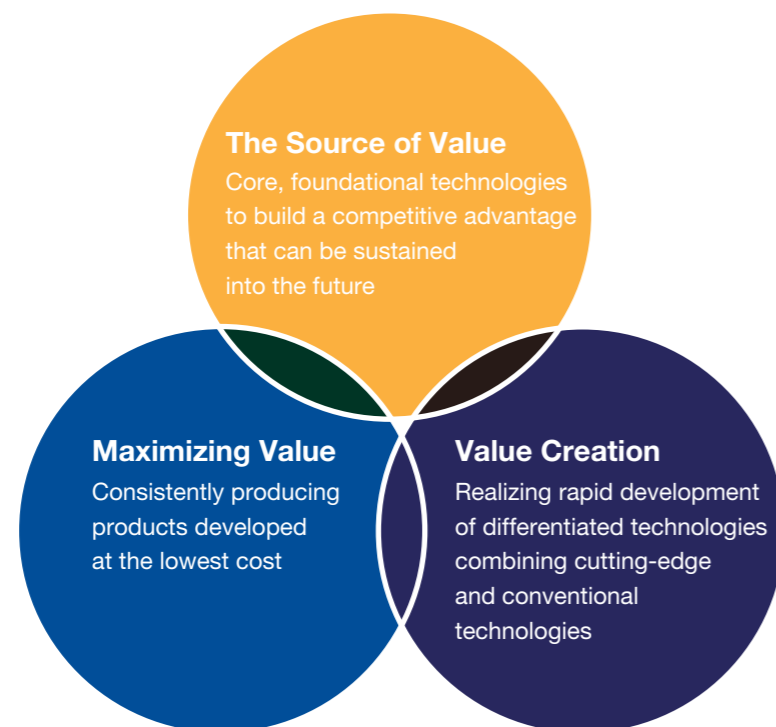
To reiterate, manufacturing begins with marketing. Quality must be built in from the development and design stage. Furthermore, in order to quickly bring new products to market, concurrent engineering* is also necessary.

Throughout all stages of operations, beginning with marketing, the thorough implementation of waste elimination via TPM** and prevention of defective products is indispensable.

Tokyo Electron will mark its 50th anniversary this year. Looking toward the next 50 years, we will spare no effort to advance manufacturing and continue to grow as a manufacturer.

* Concurrent engineering: a product development methodology in which all steps of design and production planning, including concept design, detailed design, production design and pre-production, are performed in parallel.

** TPM: Total productive management coordinates all activities throughout an organization to prevent loss and improve efficiency.



Hirofumi Kitayama
 Representative Director,
 Senior Executive V.P., Business Ethics,
 Production and Technology,
 System Development Division, IT,
 General Manager, Production Division
 (Quality)

Manufacturing operations of FPD etch systems begun at new Kunshan plant in China



Tokyo Electron (Kunshan) Limited

Tokyo Electron (Kunshan) Limited has begun manufacturing operations of FPD etch systems in China, the main market for FPD production equipment, to improve responsiveness to customers and reduce costs.

Review of Operations and Business Outlook

SALES BY SEGMENT

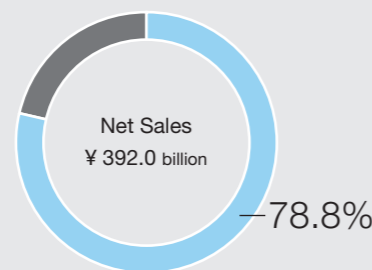
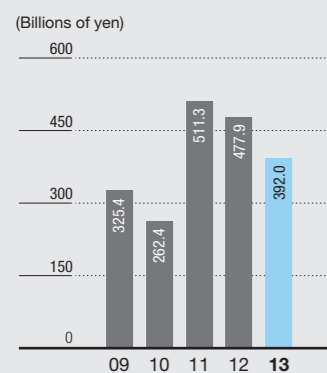
SHARE OF NET SALES

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.

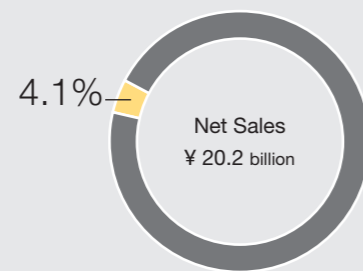
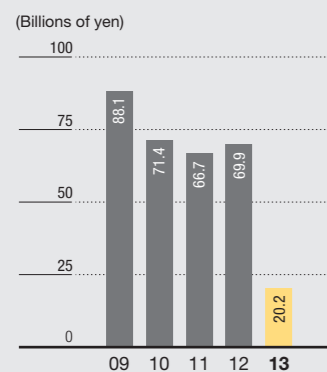
- Segment net sales were down 18.0% year on year to ¥392.0 billion.
- Sales fell 51% in Japan and 47% in South Korea due to weak memory-related investment.
- Sales rose 40% in Taiwan and 2% in the U.S. on the back of solid logic-related investment.
- Tokyo Electron achieved a record high 89% market share 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.

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.

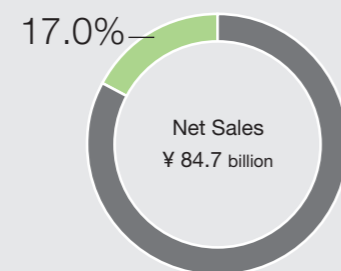
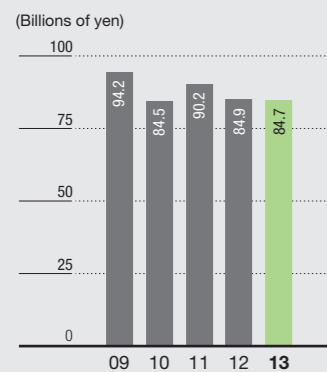
- Segment net sales were down 71.2% year on year to ¥20.2 billion (of which sales of FPD production equipment accounted for nearly 100%).
- Sales by region were 47% domestic and 53% overseas.
- Around 85% of FPD production equipment sales came from sales of equipment for generation six (Gen6) or below 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.

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.

Corporate Governance

Against a backdrop of ongoing business globalization, Tokyo Electron maintains a management philosophy that puts emphasis on improving corporate value for its shareholders and all other stakeholders. To this end, the Company considers it important to strengthen corporate governance. In line with the following three basic principles, the Company is building a highly effective, optimized corporate governance structure, and upgrading and strengthening its internal control systems and risk management system.

Tokyo Electron's Basic Principles of Corporate Governance

1. Ensure the transparency and soundness of business operations
2. Facilitate quick decision-making and the efficient execution of business operations
3. Disclose information in a timely and suitable manner

■The Corporate Governance Framework

Tokyo Electron uses the audit & supervisory board system based on the Companies Act, and furthermore has established its own Compensation Committee* and Nomination Committee** to increase the transparency and objectivity of management. The members of these committees are directors and audit & supervisory board members, excluding the representative directors. Also, to more clearly define the roles of the Board of Directors and the executive body and to facilitate quick decision-making, Tokyo Electron has adopted the executive officer system since 2003. Moreover, Tokyo Electron has been disclosing the individual remuneration of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

* Compensation Committee: This committee makes recommendations to the Board of Directors on the director remuneration system, as well as representative director remuneration itself.

** Nomination Committee: This committee nominates director- and CEO-candidates, and submits them to the Board of Directors for approval.

The Board of Directors

The Board of Directors consists of 11 directors, two of whom are outside directors. In principle, the Board of Directors meets once a month. During fiscal 2013, the Board of Directors met on 12 occasions. In order to ensure that the Company can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year.

The Audit & Supervisory Board

The Company has five audit & supervisory board members, three of whom are outside audit & supervisory board members. The audit & supervisory board members not only attend meetings of the Board of Directors, the Top Management Conference and other important business meetings, but also conduct operations audits and accounting audits, evaluate risk management, and audit the performance of

duties by directors. During fiscal 2013, the audit & supervisory board met seven times.

Outside Directors and Outside Audit & Supervisory Board Members

From the viewpoint of objectively ensuring the effectiveness of the decision-making of the Board of Directors, Tokyo Electron has appointed two outside directors to the Board: Mr. Hiroshi Inoue, who is Chairman of the Board, Tokyo Broadcasting System Holdings, Inc., and Mr. Masahiro Sakane, who is Councilor & Senior Advisor, Komatsu Ltd. Additionally, to objectively ensure the reasonableness of the audits, Tokyo Electron has appointed three outside audit & supervisory board members: Mr. Mikio Akaishi, Mr. Takatoshi Yamamoto and Mr. Ryuji Sakai, who is an attorney at law of Nagashima Ohno & Tsunematsu. Mr. Mikio Akaishi conducts audits of the Tokyo Electron Group as a full-time audit & supervisory board member.

Compensation for Corporate Directors and Audit & Supervisory Board Members

Tokyo Electron has adopted the following executive compensation program with the intention of tying compensation more closely to financial results and shareholder value, raising corporate competitiveness, and enhancing management transparency.

1. The compensation for corporate directors consists of a monthly fixed remuneration and a performance-linked compensation.
2. The performance-linked compensation system for corporate directors is designed to align compensation more clearly with financial results and increases in shareholder value. It takes into account consolidated net income and consolidated return on equity (ROE), two performance indicators of consolidated business results. Necessary adjustments are then made when there are special factors that should be taken into account, such as principal performance indicators for the term under review, including profits and losses, and so on. In principle, performance-linked compensation comprises cash bonuses and stock-based compensation. Performance-linked compensation is limited to five times the fixed yearly remuneration. The ratio of cash bonuses to stock-based compensation has generally been one to one. Stock-based compensation consists of granting share subscription rights with a set strike price of one yen per share and a three-year vesting period before the granted stock options may be exercised.
3. The performance-linked compensation of outside directors does not include stock-based compensation.
4. The compensation for audit & supervisory board members consists only of a monthly fixed remuneration, to maintain independence from management.
5. Retirement allowance systems for corporate directors and audit & supervisory board members have been abolished in and after the end of fiscal 2005, as part of the revisions to Tokyo Electron's executive compensation program.

■Internal Control and Risk Management System

In order to enhance corporate value and ensure that all business activities are carried out responsibly and in the interests of all stakeholders, Tokyo Electron is taking steps to strengthen its internal control systems and make them more effective. The Company is implementing practical measures in line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group decided by the Board of Directors. The Company is also implementing measures for the Internal Controls Over Financial Reporting, based on the Financial Instruments and Exchange Act.

Internal Control Systems

To more effectively strengthen the internal control and risk management systems of the entire Tokyo Electron Group, Tokyo Electron appointed a Chief Internal Control Director and a Compliance & Internal Control Executive Officer. Under them, the Company established a dedicated risk management and internal control function within the General Affairs Department, which evaluates and analyzes the risks which could affect the Group, and works to reduce these risks by promoting the necessary measures. Tokyo Electron has also established the Information Security Committee and the Export Trade Control Committee to further strengthen the management of confidential information and the export compliance system.

Internal Audit Department (Global Audit Center)

The Global Audit Center oversees the internal auditing activities of the entire Tokyo Electron Group. The Center is responsible for auditing the business activities of the Group's domestic and overseas bases, as well as their compliance and systems, and evaluating the

effectiveness of internal control systems. As necessary, the Global Audit Center also provides guidance to operating divisions.

Coordination Between Audit & Supervisory Board Members and Internal Audit Department

The audit & supervisory board members coordinate with the Global Audit Center, a department responsible for internal auditing activities, primarily by attending its report meetings.

Coordination Between Audit & Supervisory Board Members and Independent Auditors

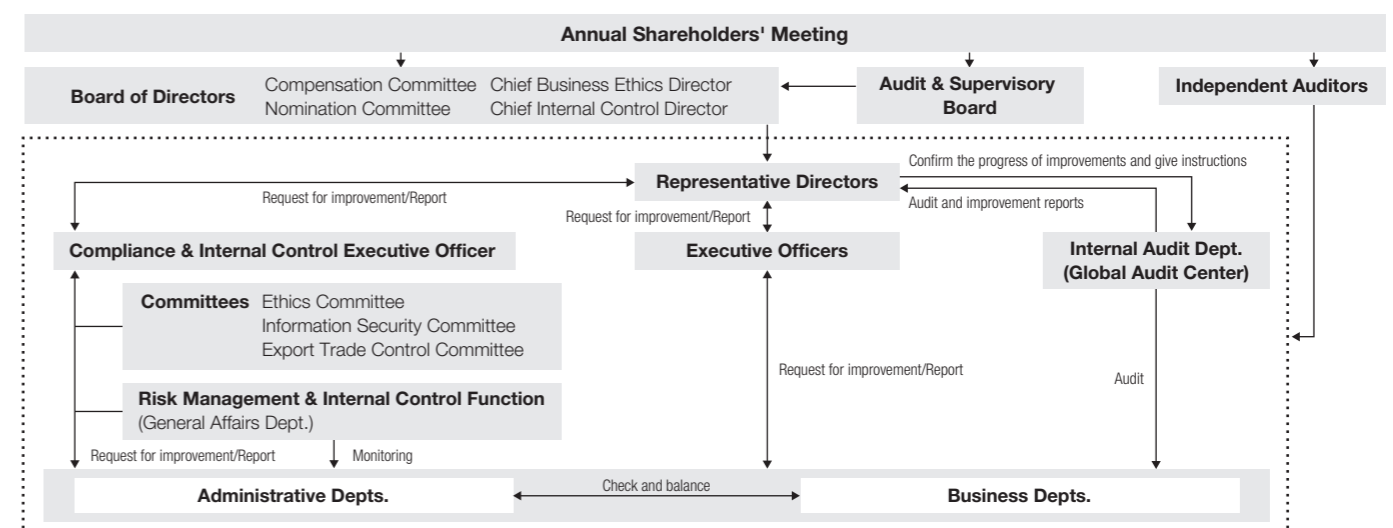
The audit & supervisory board members receive audit plans for the fiscal year from the independent auditors, as well as explanations regarding auditing methods and particular areas of focus, among other matters. The independent auditors audit the year-end financial statements and review the quarterly financial statements, and report the results of their audits to the audit & supervisory board members.

The Company provides KPMG AZSA LLC, its independent auditors, with all necessary information and data to ensure that it can conduct its audits during the fiscal year promptly and correctly.

■Compliance

Stakeholder trust is the cornerstone of business activities. In order to maintain trust, it is necessary to continuously act in rigorous conformity to business ethics and compliance. In line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group, all Group executives and employees are required to maintain high standards of ethics and to act with a clear awareness of compliance.

Diagram of the Corporate Governance Framework, Internal Control System and Risk Management System



Corporate Governance

Code of Ethics, Chief Business Ethics Director and Ethics Committee

In 1998, Tokyo Electron formulated the "Code of Ethics of the Tokyo Electron Group" to establish uniform standards to govern all of its global business activities. In the same year, the Company appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the Group. The Code and its Q&A section are published in Japanese, English, Korean and Chinese editions, and the Company distributes it to all Group executives and employees, including those overseas. Moreover, the Code is appropriately reviewed and revised in response to changes in the environment and societal demands. The most recent revision of the Code and Q&A was in April 2011.

Compliance & Internal Control Executive Officer

Tokyo Electron has appointed a Compliance & Internal Control Executive Officer from among the executive officers to raise awareness of compliance across the Group, and further improve its implementation.

Framework for Thorough Implementation of Compliance

Tokyo Electron has drawn up the Compliance Regulations setting out basic compliance-related requirements in line with the Code. The Compliance Regulations are intended to ensure that all individuals who take part in business activities for the Group clearly understand the pertinent laws, regulations, international standards and internal company rules, and continuously apply them in all of their activities. The Company also conducts web-based training programs for employees, makes information on compliance issues available to employees via the Company intranet, and takes other steps to promote broad awareness of compliance throughout the Company.

Internal Reporting System

In the event that an employee becomes aware of any activity which may violate laws, regulations or principles of business ethics, the Group operates an internal reporting system that employees can use to report their concerns. The entire Group has established an ethics hotline and a compliance hotline, and this reporting system is also in place at each overseas base. In all cases, this system ensures that strict confidentiality is maintained to protect the whistleblower and ensure that they are not subject to any disadvantage or repercussions.

Shareholder's Meeting

Tokyo Electron mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting, as one of its measures to vitalize these meetings and to promote smooth and efficient voting.

It also sets the date of the Company's meeting to avoid days on which many such meetings are concentrated. In addition, shareholders are free to cast their votes via the Internet. Moreover, Tokyo Electron participates in the web-based voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ). To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries notices, resolutions and voting results of shareholders' meetings.

Constituent of the FTSE4Good Global Index



Tokyo Electron has been a constituent of the FTSE4Good Global Index since September 2003. The FTSE4Good Global Index is a social responsibility investment (SRI) index provided by the FTSE Group, a world-leading index firm wholly owned by the London Stock Exchange.

Does Tokyo Electron have these major components of corporate governance?

Compensation Committee	Yes	Composed of directors, excluding representative directors, or audit & supervisory board members
Nomination Committee	Yes	Composed of directors, excluding representative directors, or audit & supervisory board members
Outside directors	Yes	Two of the 11 directors are outside directors
Outside audit & supervisory board members	Yes	Three of the five audit & supervisory board members are outside audit & supervisory board members
Executive officer system	Yes	
Disclosure of individual remunerations of representative directors	Yes	Disclosed since 1999
Performance-linked compensation system	Yes	
Stock options system	Yes	Does not apply to outside directors and audit & supervisory board members
Retirement allowance system for executives	No	
Anti-takeover measures	No	

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2013)

Directors



Tetsuro Higashi
Representative Director
Chairman of the Board,
President & CEO



Tetsuo Tsuneishi
Vice Chairman of the Board



Hirofumi Kitayama
Representative Director
Senior Executive Vice President
Business Ethics



Kiyoshi Sato
Corporate Director



Kenji Washino
Corporate Director



Hikaru Ito
Corporate Director



Takaaki Matsuoka
Corporate Director
Technology and Development



Yoshiteru Harada
Corporate Director
Internal Control



Tetsuro Hori
Corporate Director



Hiroshi Inoue*
Corporate Director/
Chairman & Representative
Director, Tokyo Broadcasting
System Holdings, Inc.



Masahiro Sakane*
Corporate Director/
Councilor & Senior Adviser,
Komatsu Ltd.

Audit & Supervisory Board Members



Mitsutaka Yoshida
Audit & Supervisory Board
Member



Shojiro Mori
Audit & Supervisory Board
Member



Mikio Akaishi*
Audit & Supervisory Board
Member



Takatoshi Yamamoto*
Audit & Supervisory Board
Member



Ryuji Sakai*
Audit & Supervisory Board
Member/
Attorney at law, Nagashima
Ohno & Tsunematsu

* Outside Director, Outside Audit & Supervisory Board Member

Executive Officers

Tetsuro Higashi
Chairman of the Board, President & CEO

Tetsuo Tsuneishi
Vice Chairman of the Board,
Assistant to the CEO,
Corporate Strategy, IR

Hirofumi Kitayama
Senior Executive Vice President,
Production and Technology,
System Development Division, IT, General
Manager, Production Division (Quality)

Kenji Washino
Executive Vice President, Corporate
Development Division, ATS/FPD/PVE

Hikaru Ito
Executive Vice President, SPE, Senior
General Manager, SPE Sales Division &
General Manager, ESBU

Takashi Ito
Senior Vice President, General Manager,
PVE

Chiaki Yamaguchi
Senior Vice President, General Manager,
SPE Sales Division

Gishi Chung
Senior Vice President, General Manager,
SPE Marketing & Process Development
Division

Shigetoshi Hosaka
Senior Vice President, General Manager,
Corporate Development Division

Yoshiteru Harada
Vice President & General Manager,
Corporate Administration Division,
Compliance/Internal Control
HR/General Affairs/Accounting/Export and
Logistics Control

Tetsuro Hori
Vice President & Deputy General Manager,
Corporate Administration Division,
Corporate Strategic Planning/Finance/
Legal/Intellectual Property

Tatsuya Nagakubo
Vice President & General Manager, HR/
Human Resources Development Center/
Corporate Branding Promotion/CSR
Promotion

Keisuke Koizumi
Vice President & General Manager, IT

Seisu Ikeda (Yoh)
Vice President & General Manager, CTBU

Toshiki Kawai
Vice President & General Manager, SPSBU

Yoshinobu Mitano
Vice President & Deputy General Manager,
ESBU

Shingo Tada
Vice President & General Manager, TPSBU

Takeshi Okubo
Vice President & General Manager, SDBU

Kiyoshi Sunohara
Vice President & General Manager, FSBU

Yuichi Abe
Vice President & General Manager, ATSBU

Tsuguhiko Matsuura
Vice President & General Manager, FPDBU

Shinichi Sasahara
Vice President & General Manager, FPD Sales

Kazushi Tahara
Vice President & General Manager, System
Development Division

Satoru Kawakami
Vice President & Deputy General Manager,
SPE Marketing & Process Development
Division,
TEL Technology Center Sendai

*BU stands for "business unit"

Environmental, Safety and Health Activities

Tokyo Electron positions environmental, safety and health activities as one of its most important management issues to achieve both sustained corporate growth and a sustainable society. The Group is committed to reducing the environmental impact of all its activities, and to ensuring absolute safety in the Company's facilities and in those of its customers.

■ Environmental Activities

Tokyo Electron's New Environment Vision

The Tokyo Electron Group has pursued activities at customers' factories, as well as within the Group itself, with the aim of reducing environmental impacts by 50% over the baseline year of fiscal 2008 by the end of fiscal 2015. Because this goal was forecast to be achieved ahead of schedule, in September 2012, we established a new Environment Vision and set new environmental goals to expand our scope of activities by making our efforts more multifaceted.

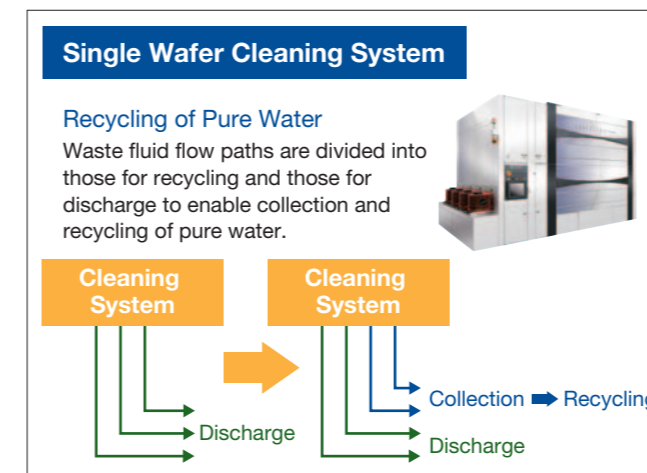
New Goals based on the New Environment Vision

With the adoption of the new Environment Vision, we have set new environmental goals in the four areas of products, plants and offices, procurement and logistics, and environmental management. In products, we are aiming to reduce the power consumption of major models of each business unit by 50% and promote the environmental compliance of products. In plants and offices, we aim to reduce energy and water consumption, and promote the recycling of waste.

In procurement and logistics, we are promoting green procurement and modal shifts. In environmental management, we will continue to obtain ISO 14001 certification for the Group's plants, implement environmental education, and begin activities to protect biodiversity, among other environmental activities.



Example of efforts to reduce products' environmental impact



Results of the Fiscal 2013 Environmental Goals

The results of the first year under the new Environment Vision and environmental goals are as follows.

I. Products

- Reducing environmental impact
Against the goal of reducing power consumption of the major models in each SPE business unit by 50% from the fiscal 2008 levels by the end of fiscal 2015, a 30% reduction in power consumption was achieved for all such models.
- Product environmental compliance
In addition to activities to reduce the use of hazardous substances*, Tokyo Electron continued to assure compliance with environmental regulations.

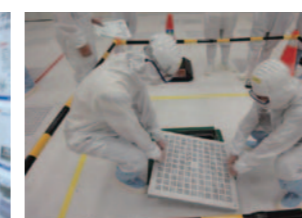
*In Japan, substances regulated in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., the Industrial Safety and Health Act, and the Poisonous and Deleterious Substances Control Act. Outside Japan, substances regulated by RoHS, REACH, etc.

II. Plants and Offices

- Reducing energy use by 1% on a per-unit basis in each area
Of the six domestic plants and offices that set goals for crude oil equivalent energy use reduction, five achieved their goals. The overall amount of energy used was reduced by 6% from the previous year.
The Company's CO₂ emissions as defined by scope 1 and scope 2 of the GHG Protocol were 141,007 tons.
- Reducing water use (maintain a per-unit basis in each area)
Of the six categories of goals (city water, industrial water, etc.)



Technology Symposium



Practical safety training in a clean room

set by the six domestic plants and offices, the goals of five categories were achieved. The overall amount of water used was reduced by 6.4% from the previous year.

- Recycling of waste
Domestic plants and offices achieved the goal of recycling 97% or more of waste.

III. Other

- Tokyo Electron revised green procurement guidelines, conducted web-based environmental training, and established guidelines concerning biodiversity.

In fiscal 2014, these activities will be expanded to Group companies overseas to continuously promote improvement activities.

■ Safety and Health Activities

Tokyo Electron gives top priority to the safety and health not only to our employees but also our customers and partner companies and conducts various safety activities. The Company promotes safety and health in all of its operations, including designing products with an emphasis on safety and factories with consideration for the environment.

In fiscal 2013, Tokyo Electron reduced the number of workplace accidents by 20% compared with the previous year. Tokyo Electron also carried out activities in line with its important goal of preventing accidents that could lead to serious injuries. As a result, the number of such accidents was maintained at the same low level as fiscal 2012, half that of fiscal 2011. The Company tenaciously continued to implement accident prevention measures such as prior checks of clean rooms before installing equipment, on-site risk prediction activities, safety patrols, and safety education for workers based on accident case studies.

In 2013, Tokyo Electron will mark the 50th year of its founding. The Company will take this chance to once again return to the starting point of Group's "Safety First" policy, working to foster safety culture, with the entire Company united in preventing workplace accidents and disasters.

For further details, see the "Tokyo Electron Environmental and Social Report 2013" (to be published in September 2013).

Tokyo Electron's Environmental Activities
<http://www.tel.com/environment/enviro/product/index.htm>

Tokyo Electron's Safety and Health Activities
http://www.tel.com/environment/stakeholder/health_safety/index.htm



	Action	Medium- to long-term goals
Products	Reduction of environmental impact	Reduce power consumption of major models of each SPE business unit by 50% from the fiscal 2008 levels by the end of fiscal 2015
	Compatibility with Chinese RoHS	Continue to ensure product compatibility with the Chinese labeling standard
	Compliance with environmental regulations of each country	Continue to ensure product compliance with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) framework as well as with labeling requirements based on the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) and battery regulations of each country
	Voluntary standard based on the EU's RoHS	Continue to ensure that major models of each SPE business unit contain 98.5% or more parts that meet the EU's Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS)
Plants and offices	Promotion of energy conservation	Reduce energy use by 1% on a per-unit basis from the fiscal 2012 level (Evaluate in a comprehensive manner based on a per-unit standard appropriate to the situation of each plant and office)
	Reduction of water consumption	Maintain the fiscal 2012 level (Evaluate in a comprehensive manner based on a per-unit standard appropriate to the situation of each plant)
	Recycling of waste	<ul style="list-style-type: none"> • Maintain a recycling rate of 97% or more • Continue to achieve zero emissions
Procurement and logistics	Green procurement	<ul style="list-style-type: none"> • Continue to implement strict control over the use of chemical substances in equipment • Strengthen the link with suppliers' environmental management systems
	Reduction of environmental impact of logistics	<ul style="list-style-type: none"> • Promote a modal shift • Continue monitoring
Environmental management	Environmental management system	Continue to obtain ISO 14001 certification for the Group's plants
	Environmental education	Implement throughout the Group
	Environmental communication	Continue to publish and enhance Environmental and Social Reports
	Biodiversity	Start activities from fiscal 2014 upon investigation and examination

Intellectual Property

■Policy for Intellectual Property Activities

A fundamental tenet of the Tokyo Electron policy for intellectual property (IP) is to protect the Company's intellectual assets and help increase corporate revenue by supporting Tokyo Electron's business activities in both existing and new market sectors. To do this, our IP strategy must be closely integrated with our technological and product strategies. Our IP strategy must also prioritize the differentiation of Tokyo Electron's products and bolster the Company's competitive advantage with strong IP rights. In addition, the evolution of a strong, diverse IP portfolio generates income from licensing.

The advancing technological complexity of our business sectors significantly increases the risk of becoming involved in IP disputes during the development of new products. Given the increasingly competitive environment, we strive to minimize the risk of potential disputes by actively monitoring IP developments, fully respecting the IP of other companies, and taking appropriate measures, such as licensing, when necessary.

■Growth of Intellectual Property Portfolio

With the aim of growing our businesses and increasing revenue, Tokyo Electron aggressively pursued new technologies in fiscal 2013, including the acquisition through M&A of:

- TEL NEXX, Inc., which provides opportunities in the advanced packaging market, in May 2012.
- TEL FSI, Inc., which expands opportunities in single wafer cleaning systems, in October 2012.
- TEL Solar AG, which provides entry into the thin film silicon photovoltaic (PV) market, in November 2012.
- TEL Magnetic Solutions Ltd., which offers entry into magnetic annealing technology including MRAM device fabrication, in December 2012.

Note: Post-acquisition names of the rebranded companies are used above.

With these acquisitions, we are working to fulfill our responsibility of absorbing each respective IP portfolio and integrating these new members of the Tokyo Electron community in accordance with our aforementioned principles.

■Operation of Intellectual Property Activities

Tokyo Electron continues aggressive R&D activities to satisfy and exceed the requests of our customers, and further enable new market opportunities. In order to maintain the competitiveness of

our R&D achievements, it is necessary to protect these by steadily obtaining IP rights. To facilitate this process, we cooperate closely with our R&D operations, and we locate IP personnel nearby and often within our product development centers and manufacturing facilities. Furthermore, we have IP personnel based overseas in the U.S. and other countries to address our increasing global R&D activities.

Flexibly responding to dramatically changing markets and technological trends is essential for effective IP activities. To ensure the rapid exchange of information on market and technological trends, our IP personnel in charge of monitoring and external affairs are assigned to corporate headquarters, where they are near the sales and marketing divisions. In addition, we periodically convene IP committees for each business/R&D area in order to make informed decisions based upon market and technological trends. These committees are comprised of IP personnel, sales/marketing management, and R&D management who are tasked with assessing IP, discussing IP strategy, and deciding upon cost-effective avenues to grow IP. As noted previously, Tokyo Electron acquired several companies in fiscal 2013. IP personnel are advancing the integration of these new members of the Tokyo Electron community and establishing consistent policies/procedures for IP activities, including IP committees, in all of the acquired companies.

■Status of Intellectual Property Rights

To establish an elevated entry barrier around our business, Tokyo Electron vigorously constructs an IP portfolio encompassing our core technologies, and protects our future technological growth. The graphs in this section show the number of patent applications^{*1} and patents^{*2} of Tokyo Electron in each region. During fiscal 2013, the patents we acquired through M&A strengthened our IP portfolio.

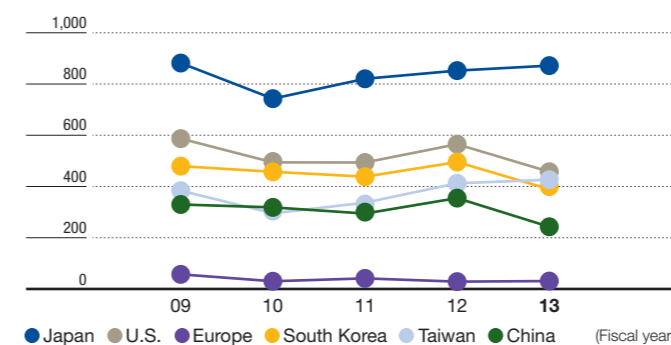
The IP committees periodically revise policies for filing and holding patents in light of evolving perspectives including technological trends, market conditions, competition and cost-effectiveness. We have maintained a global application ratio of approximately 70%^{*3} in recent years while strategically adjusting the regional distribution of these.

^{*1} Applications of acquired companies are included only after acquisition.

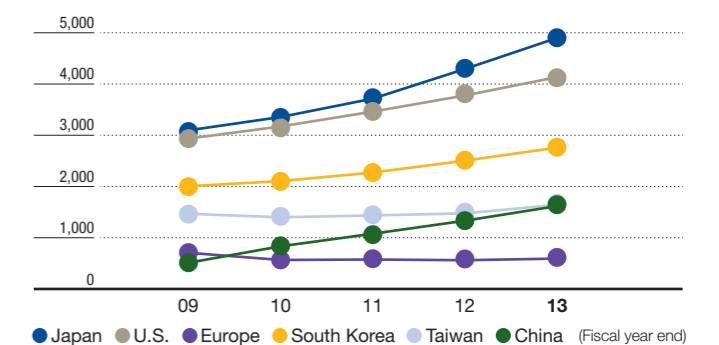
^{*2} Includes all patents of acquired companies. By region, these acquired patents consisted of Japan (38), the U.S. (132), Europe (102), South Korea (30), Taiwan (18) and China (38).

^{*3} The percentage of our patents filed with the Japan Patent Office that were also filed overseas. The average among Japanese companies is about 25%.

Number of Patent Applications



Number of Patent Held



■ Financial Review

Financial Review

Sales and Income

Operating Environment

During fiscal 2013, there was widespread unease about the state of the world economy due to extended financial problems in Europe and financial issues in the United States as well as slowing growth in emerging countries including China. Near the end of the period, economic conditions staged a gradual recovery. The Japanese economy received a boost from the rapid depreciation of the yen in the latter half of the fiscal year. Against the backdrop of the long-term effects of the high yen and concern over the slowing of the worldwide economy, however, the broader domestic economy was restrained during the fiscal year, with recovery remaining slow.

In the electronics industry, in which Tokyo Electron operates, the spread of smartphones gathered momentum, helping to drive the industry. However, sales of PCs and TVs were slow. This worsened the supply-demand balance of memory chips and LCD panels, leading to restrained capital investment by Tokyo Electron's semiconductor and flat panel display (FPD) manufacturing customers.

Corporate Acquisitions

Tokyo Electron made four corporate acquisitions in fiscal 2013: TEL NEXX, Inc. (formerly NEXX Systems, Inc.), TEL FSI, Inc. (formerly FSI International, Inc.), TEL Solar Holding AG (formerly Oerlikon Solar Holding AG), and TEL Magnetic Solutions Ltd. (formerly Magnetic Solutions Ltd.). TEL Solar Holding AG is reflected only in the consolidated balance sheet for fiscal 2013, and will be fully included in all other consolidated financial statements beginning in fiscal 2014. The influence of the other three corporate acquisitions conducted in fiscal 2013 on the financial results of the year under review was minimal.

For additional information concerning these acquisitions, see Note 20 to Consolidated Financial Statements, Business Combinations, on pages 31 to 33.

Sales

Net sales in fiscal 2013 decreased 21.4% year on year to ¥497.3 billion. This was mainly due to significantly reduced sales in mainstay semiconductor production equipment and FPD production equipment, reflecting the influence of the stagnant business environment.

Domestic sales fell 30.8% year on year to ¥118.5 billion, while overseas sales fell 18.0% to ¥378.8 billion. Overseas sales as a share of total consolidated sales came to 76.2%, up 3.3 percentage points from 72.9% in fiscal 2012.

Orders received during the fiscal year under review decreased by 16.7% compared to the previous year, to ¥450.6 billion. The order backlog at the end of March 2013 was ¥180.8 billion, down 16.5% year on year.

Gross Profit, SG&A Expenses and Operating Income

Cost of sales for the period under review decreased 19.7% year on year to ¥338.5 billion, only partially compensating for the decrease in net sales, leading to a cost of sales ratio of 68.1%, a full 1.5 percentage points worse than in fiscal 2012.

As a result, gross profit was down 24.9% year on year to ¥158.8 billion, with the gross profit margin falling to 31.9% from 33.4% in fiscal 2012.

SG&A expenses fell 3.2% year on year to ¥146.2 billion. However, the ratio of SG&A expenses to consolidated net sales increased to 29.4% from 23.9% in fiscal 2012. Meanwhile, in the year under review, group-wide measures were taken to reduce fixed costs by approximately ¥16.0 billion to improve profitability.

Consequently, operating income decreased by 79.2% year on year to ¥12.5 billion, and the operating margin declined from 9.5% to 2.5%.

Research & Development

R&D expenses were down 10.1% year on year to ¥73.2 billion. As Tokyo Electron continues to view R&D as a source of growth, the Company aggressively invested not only in strengthening existing business areas, but also in new areas that are expected to support future growth. As a percentage of net sales, R&D expenses rose from 12.9% to 14.7%.

R&D investment in semiconductor production equipment strengthened new product development in each product category to respond to diversifying technologies. The Company focused on the development of process technology and equipment needed for such next-generation devices as 3D structure devices, advanced packaging technology and low-power-consumption technology responding to demand for lower energy use and environmental friendliness. Other areas of R&D investment included next-generation memory manufacturing technology and development of equipment for next-generation 450mm wafers.

R&D investments in FPD/PV production equipment were concentrated on development of OLED production equipment and further improving the conversion efficiency of thin-film silicon photovoltaic panel production equipment.

In fundamental R&D, development focused on various core technologies aimed at achieving differentiation, including process technologies for further miniaturization and new materials.

Other Income (Expenses) and Net Income

During fiscal 2013, Tokyo Electron posted interest and dividend income of ¥1.7 billion and revenue from grants of ¥2.7 billion, but also incurred a net foreign exchange loss of ¥1.5 billion. After including lesser items, other income (expenses), net amounted to an income of ¥5.2 billion.

This contributed to ¥17.8 billion in net income before taxes and minority interests, down 70.7% from the previous fiscal year. Net income totaled ¥6.1 billion, down 83.5%. Net income per share was ¥33.91, compared with ¥205.04 in fiscal 2012.

Comprehensive Income

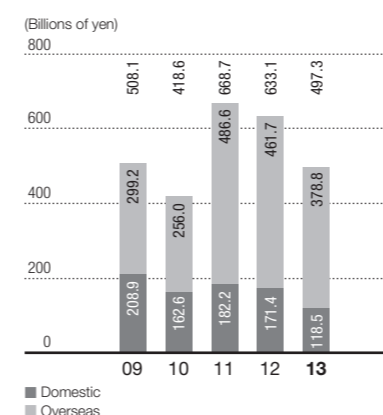
In fiscal 2013, Tokyo Electron posted comprehensive income of ¥15.8 billion, a 57.2% year-on-year decrease. The decrease was due to a significant year-on-year drop in net income, despite an ¥8.8 billion gain on foreign currency translation adjustments due to the yen's rapid depreciation late in the period.

Dividend Policy and Dividends

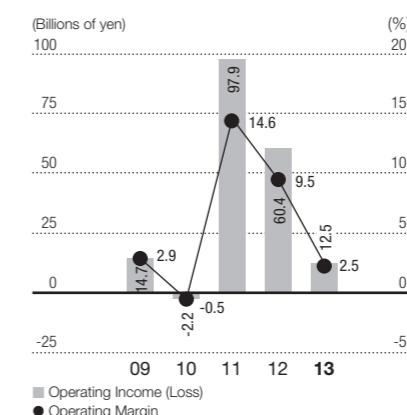
It is the policy of Tokyo Electron to pay dividends on the basis of business performance and earnings results. The dividend payout ratio has been set at approximately 35% of consolidated net income. In fiscal 2013, as Tokyo Electron entered its 50th year, the Company paid annual dividends of ¥51, including a commemorative dividend of ¥20, for a combined ratio of 150.4%.

	Millions of yen				
Sales and Income	2009	2010	2011	2012	2013
Net sales	¥508,082	¥418,637	¥668,722	¥633,091	¥497,300
Gross profit	137,408	108,316	234,758	211,445	158,755
Gross profit margin	27.0%	25.9%	35.1%	33.4%	31.9%
Selling, general and administrative expenses	122,697	110,497	136,888	151,002	146,206
Operating income (loss)	14,711	(2,181)	97,870	60,443	12,549
Operating margin	2.9%	(0.5)%	14.6%	9.5%	2.5%
Income (loss) before income taxes and minority interests	9,637	(7,768)	99,579	60,602	17,767
Net income (loss)	7,543	(9,033)	71,924	36,726	6,076

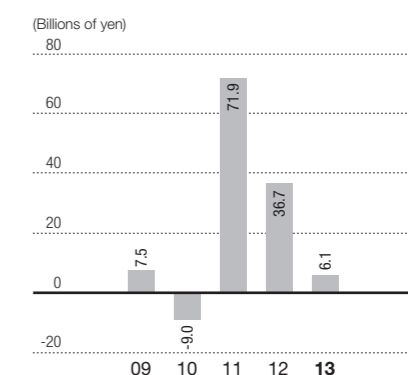
Domestic and Overseas Sales



Operating Income (Loss) and Operating Margin



Net Income (Loss)



Financial Review

Financial Review

Performance by Segment

Semiconductor Production Equipment

Driven by advanced mobile devices such as smartphones and tablets, logic-related semiconductor capital investment was relatively firm. However, against a backdrop of slow PC shipments, memory-related semiconductor capital investment continued to shrink in the fiscal year under review.

Segment net sales to external customers decreased 18.0% year on year to ¥392.0 billion. Segment net sales including intersegment sales or transfers were down 18.0% to ¥392.1 billion.

Segment profit fell 45.4% compared to fiscal 2012, to ¥48.6 billion, and the segment profit margin fell from 18.6% in fiscal 2012 to 12.4%.

Orders in this segment dropped 21.7% to ¥342.5 billion. The order backlog as of March 31, 2013 was down 24.9% year on year, to ¥141.6 billion.

For a business overview of this segment, please see page 13.

FPD/PV (Flat Panel Display and Photovoltaic Panel)

Production Equipment

Capital investment in small- and medium-sized FPD panels for mobile devices was firm. However, as demand for flat panel TVs in developed countries settled down, capital investment was pushed out, and the FPD production equipment market contracted considerably.

Segment net sales to external customers decreased 71.2% year on year to ¥20.2 billion. Segment net sales including intersegment sales or transfers also decreased 71.2% to ¥20.2 billion. Segment loss totaled ¥6.4 billion, compared with segment profit of ¥2.3 billion in fiscal 2012. FPD production equipment sales made up nearly 100% of segment sales.

Orders in this segment increased 18.1% year on year to ¥22.0 billion. The order backlog as of March 31, 2013 was up 72.0% to ¥24.4 billion.

For a business overview of this segment, please see page 13.

Electronic Components and Computer Networks

In fiscal 2013, demand was weak in the domestic electronic components market for both consumer and industrial electronics. However, the cloud computing market, including data centers, showed underlying notes of expansion.

Segment net sales to external customers decreased 0.2% year on year to ¥84.7 billion. Segment net sales including intersegment sales or transfers were down 1.0% to ¥85.5 billion. Segment profit fell 44.5% compared to fiscal 2012, to ¥1.3 billion, and the segment profit margin fell from 2.7% in fiscal 2012 to 1.5%.

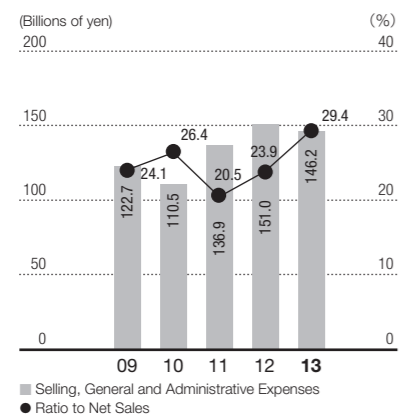
For a business overview of this segment, please see page 13.

Other

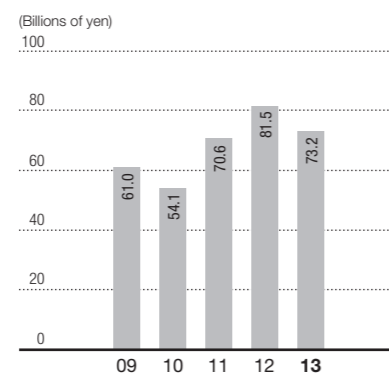
Other sales mainly include group-wide logistics services, facility maintenance and insurance. Net sales to external customers amounted to ¥0.4 billion, almost unchanged from the previous fiscal year.

Segment Information	Reportable Segment				Total	Eliminations and Corporate	Consolidated
	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks	Other			
2013:							
Net sales							
Sales to external customers	¥392,027	¥20,160	¥84,665	¥ 448	¥497,300	¥ —	¥497,300
Intersegment sales or transfers	43	—	813	10,613	11,469	(11,469)	—
Total	392,070	20,160	85,478	11,061	508,769	(11,469)	497,300
Segment profit (loss)	48,600	(6,355)	1,283	1,321	44,849	(27,082)	17,767
Segment assets	223,956	49,489	47,557	1,550	322,552	452,976	775,528
Depreciation and amortization	12,330	462	448	78	13,318	13,313	26,631
Amortization of goodwill	1,038	—	103	—	1,141	—	1,141
Capital expenditures, including intangible and other assets	13,464	1,661	482	54	15,661	9,834	25,495

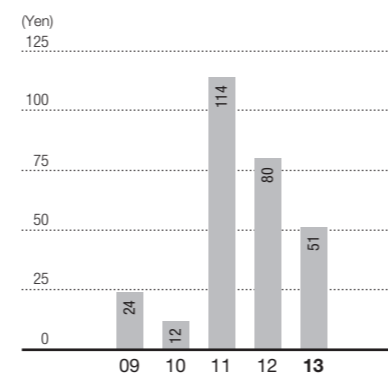
Selling, General and Administrative Expenses and Ratio to Net Sales



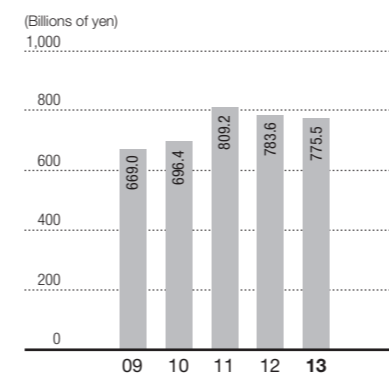
R&D Expenses



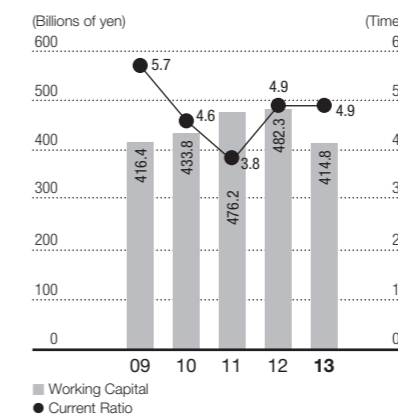
Cash Dividends per Share



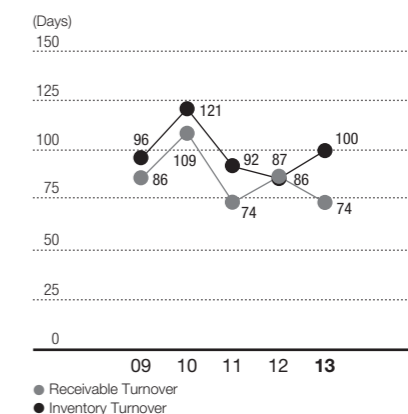
Total Assets



Working Capital and Current Ratio



Receivable Turnover and Inventory Turnover



Financial Review

Financial Review

Financial Position and Cash Flows

Assets, Liabilities and Net Assets

Assets

Current assets decreased by ¥85.5 billion from the end of the previous fiscal year, to ¥521.5 billion, reflecting decreases of ¥49.8 billion in trade notes and accounts receivable, ¥13.8 billion in inventories, and ¥7.5 billion in liquidity on hand (cash, cash equivalents and short-term investments). The turnover period for trade notes and accounts receivable decreased from 87 days in fiscal 2012 to 74 days in fiscal 2013, and the inventory turnover period increased from 86 days in fiscal 2012, to 100 days in fiscal 2013.

Net property, plant and equipment increased by ¥8.8 billion year on year, to ¥135.7 billion, due in part to ¥21.8 billion in fixed asset acquisitions and ¥26.6 billion in depreciation and amortization.

Investments and other assets increased ¥68.7 billion to ¥118.3 billion, mainly due to an increase of ¥38.4 billion in goodwill and an increase of ¥16.8 billion in intangible assets resulting from the acquisition of four overseas companies. As a result, total assets as of March 31, 2013 stood at ¥775.5 billion, down ¥8.1 billion year on year.

Liabilities and Net Assets

Current liabilities decreased by ¥18.1 billion from the end of fiscal 2012, to ¥106.7 billion. This reflected decreases of ¥10.7 billion in trade notes and accounts payable and ¥7.4 billion in customer advances. The balance of interest-bearing debt as of March 31, 2013 was ¥3.8 billion, compared with ¥4.4 billion at the end of the previous fiscal year. The debt/equity ratio declined to 0.6%, 0.2 percentage points lower than at the end of March 2012.

Non-current liabilities increased ¥3.5 billion year-on-year to ¥63.7 billion, mainly as a result of a ¥2.0 billion increase in accrued pension and severance costs. Total liabilities stood at ¥170.4 billion, down ¥14.6 billion compared with the end of fiscal 2012.

Net assets came to ¥605.1 billion, up ¥6.5 billion from the end of fiscal 2012. This was mainly because of the ¥9.3 billion in dividends paid, exceeding net income of ¥6.1 billion and resulting in a ¥3.3 billion decrease in retained earnings, as well as an ¥8.7 billion decrease in loss on foreign currency translation adjustments due to the devaluation of the yen. As a result, the equity ratio rose 1.6 percentage points from 74.9% at the end of March 2012 to 76.5% at the end of March 2013. ROE dropped to 1.0% from 6.3% in fiscal 2012.

Capital Expenditures¹ and Depreciation and Amortization²

Capital expenditures were ¥21.8 billion in fiscal 2013, a 44.9% year-on-year decrease, as a number of investments for future development and manufacturing site expansions were completed in fiscal 2012.

Tokyo Electron purchased evaluation equipment, mainly for areas of high growth potential in the semiconductor production equipment and FPD/PV production equipment businesses. The Company also invested in development and evaluation equipment for its new research and development sites that began operations in fiscal 2013, Technology Center Tsukuba, and the process development center in Hwaseong, South Korea.

Depreciation and amortization increased 10.1% to ¥26.6 billion.

1. Capital expenditures represent only the gross increase in property, plant and equipment.
2. Depreciation and amortization does not include amortization of goodwill or losses on impairment.

Cash Flows

Cash flows from operating activities totaled ¥84.3 billion, up ¥54.6 billion from fiscal 2012. Major contributors were ¥17.8 billion in income before income taxes and minority interests, a ¥57.5 billion decrease in trade notes and accounts receivable, ¥26.6 billion in depreciation and amortization, and a ¥20.3 billion decrease in inventories. Major negative factors included a ¥15.5 billion decrease in notes and accounts payable and a ¥12.5 billion decrease in customer advances.

Net cash used in investing activities was ¥141.8 billion, a considerable increase from ¥8.4 billion in the previous fiscal year. This included ¥66.1 billion outflow from a net increase in short-term investments; ¥19.0 billion used in the payment for purchase of property, plant and equipment; and ¥55.1 billion used in four corporate acquisitions by cash.

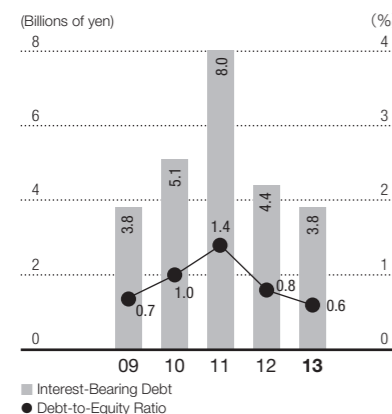
Cash used in financing activities came to ¥10.6 billion, compared with ¥27.3 billion in fiscal 2012, due mainly to ¥9.3 billion in dividends paid.

The balance of cash and cash equivalents at the end of March 2013 stood at ¥85.3 billion, a decrease of ¥73.5 billion from the end of fiscal 2012. Total liquidity on hand, which consists of cash, cash equivalents and short-term investments, decreased by ¥7.5 billion year on year, to ¥240.1 billion at the end of March 2013.

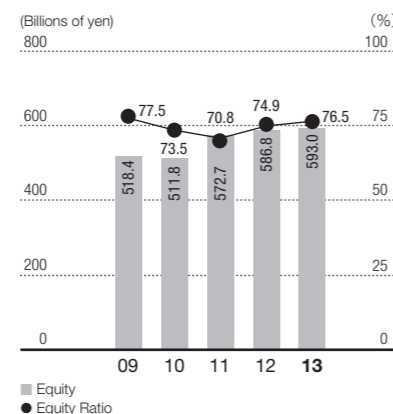
Financial Position	Millions of yen				
	2009	2010	2011	2012	2013
Total current assets	¥505,687	¥552,939	¥644,231	¥607,051	¥521,501
Net property, plant and equipment	99,906	92,128	112,552	126,885	135,698
Total investments and other assets	63,405	51,285	52,422	49,675	118,329
Total assets	668,998	696,352	809,205	783,611	775,528
Total current liabilities	89,272	119,162	168,038	124,794	106,670
Total liabilities	139,733	172,982	224,403	185,008	170,401
Total net assets (Total shareholders' equity)	529,265	523,370	584,802	598,603	605,127

Cash Flows	Millions of yen				
	2009	2010	2011	2012	2013
Cash flows from operating activities	¥ 81,030	¥ 48,285	¥ 83,239	¥ 29,712	¥ 84,267
Cash flows from investing activities	(160,622)	9,613	(35,882)	(8,352)	(141,769)
Cash flows from financing activities	(46,016)	(288)	(5,237)	(27,335)	(10,625)
Cash and cash equivalents at end of year	65,883	123,940	165,051	158,776	85,314

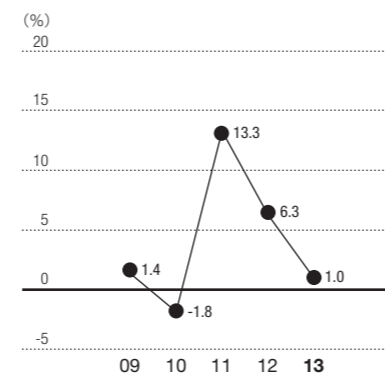
Interest-Bearing Debt, D/E Ratio



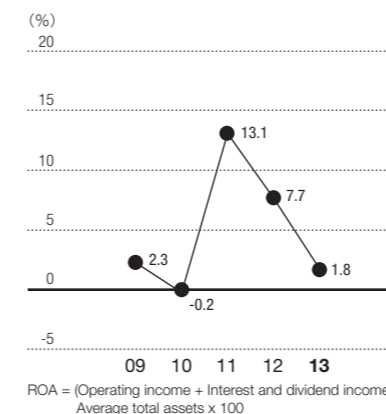
Equity and Equity Ratio



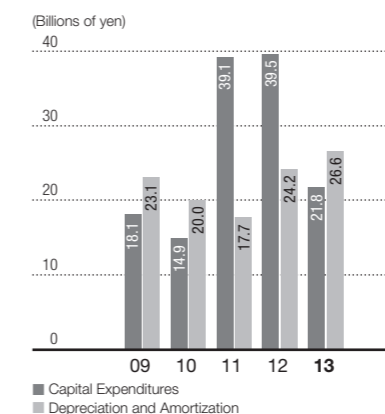
ROE



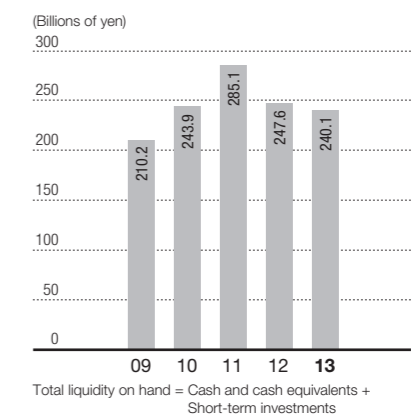
ROA



Capital Expenditures and Depreciation and Amortization



Total Liquidity on Hand



■ Financial Review

Financial Review

BUSINESS-RELATED AND OTHER RISKS

The following risks may have a material impact on Tokyo Electron's business performance, stock price, or financial position.

(1) Impact From Changes in the Semiconductor Market

Tokyo Electron has achieved a high profit margin by concentrating resources in high-tech fields, including semiconductor production equipment, where technological innovation is rapid but Tokyo Electron can effectively use its strengths. Although technological change is responsible for the semiconductor market's rapid growth, Tokyo Electron has actively undertaken structural reforms to be able to generate profits under any circumstances, including when the market contracts temporarily due to imbalance of supply and demand. However, order cancellations, excess capacity and personnel and increased inventories resulting from an unexpectedly large market contraction, losses from bad debts resulting from the worsening of a customer's financial position, and supply shortages resulting from the worsening of a supplier's management situation, could adversely affect Tokyo Electron's business performance considerably.

(2) Impact From Concentration of Transactions on Particular Customers

Tokyo Electron has been successful at increasing transactions with the leading semiconductor manufacturers worldwide, including those in Japan, through the provision of products featuring outstanding, cutting-edge technology and of services offering a high level of customer satisfaction. However, Tokyo Electron's sales may from time to time be temporarily concentrated on particular customers due to the timing of large capital investments of major semiconductor manufacturers. The resulting escalation in sales competition could adversely affect Tokyo Electron's business performance.

(3) Impact From Research and Development

Through ongoing and proactive R&D investment and activities in cutting-edge technologies—miniaturization, vacuum, plasma, thermal processing, coating/developing, cleaning, wafer-transfer and clean technologies—Tokyo Electron has created advanced technologies. At the same time, by quickly bringing to market new products incorporating these technologies, Tokyo Electron has successfully captured a high market share in each of the product fields it has entered and generated a high profit margin. However, delays in the launch of new products and other factors could adversely affect Tokyo Electron's business performance.

(4) Safety-related Impact

Tokyo Electron's basic philosophy is to always bear in mind safety and health in the execution of business activities, including development, manufacturing, sales, services and management. In accordance with this philosophy, Tokyo Electron works actively and continuously to improve the safety of its products and to eliminate any harmful impact on health. However, harm to customers, order cancellations or other circumstances resulting from safety or other problems related to Tokyo Electron's products could adversely affect Tokyo Electron's business performance.

(5) Impact From Quality Issues

Tokyo Electron actively develops outstanding, cutting-edge technologies for incorporation in new products that are brought quickly to market. At the same time, Tokyo Electron works to establish a quality assurance system, efforts that include obtaining ISO 9001 certification, as well as to establish a world-class service system. These actions have resulted in a large number of customers adopting Tokyo Electron's products. However, because Tokyo Electron's products are based on cutting-edge technologies, and due to other factors, many of the technologies developed are in unfamiliar fields. The occurrence of unforeseen defects or other issues could adversely affect Tokyo Electron's business performance.

(6) Impact of Intellectual Property Rights

In order to distinguish its products and make them more competitive, Tokyo Electron has promoted its R&D strategy for the early development of cutting-edge technologies together with its business and intellectual property strategies. This approach has enabled Tokyo Electron to obtain sole possession of many proprietary technologies that have been instrumental to the Company's ability to capture a high market share and generate high profit margins in each of its product fields. Tokyo Electron's products incorporate and optimize many of these proprietary cutting-edge technologies. There may be cases in which, by avoiding the use of third-party technologies and intellectual property rights, Tokyo Electron's business performance could be adversely affected.

(7) Impact of Fluctuating Foreign Exchange Rates

Success in the development of overseas operations has increased the share of sales generated overseas. As a rule, Tokyo Electron conducts export transactions on a yen basis to avert exposure to foreign currency risks. However, some exports are denominated in foreign currencies. In these cases, Tokyo Electron hedges foreign currency risk by using a forward foreign exchange contract when an order is received or by other means. However, foreign exchange rate risks can arise from fluctuations in prices due to sudden foreign exchange movements, which could have an indirect adverse effect on Tokyo Electron's business performance.

(8) Influence of Corporate Acquisitions

As part of its business strategy, Tokyo Electron conducts corporate acquisitions in order to expand into new business areas, secure new technologies and business platforms, and strengthen the competitiveness of existing businesses. The Company conducts due diligence and carefully deliberates each specific acquisition. However, in the event that the results following an acquisition do not meet expectations, Tokyo Electron's business performance could be adversely affected.

(9) Other Risks

Tokyo Electron is actively engaged in reforming its corporate structure so that it can generate profits even when markets contract. These reforms have entailed creating new high-growth and high-return businesses and pursuing higher earnings from existing businesses. At the same time, Tokyo Electron has promoted activities to preserve the environment and worked to restructure its compliance, risk management and information security management systems. However, as long as it conducts business activities, as with peer companies or companies in different industries, Tokyo Electron is subject to the effect of many other factors. These include the world and regional economic environments, natural disasters, war, terrorism, infectious diseases and other unavoidable occurrences, financial or stock markets, government or other regulations, supply chains, market conditions for products and real estate, the ability to recruit personnel in Japan and overseas, competition over standardization, and loss of key personnel. Any of these factors could adversely affect Tokyo Electron's business performance.

Consolidated Eleven-Year Summary

Consolidated Eleven-Year Summary

Tokyo Electron Limited and Subsidiaries
As of and for the years ended March 31

	Thousands of U.S. dollars		Millions of yen									
	2013	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales ¹	\$5,287,613	¥ 497,300	¥ 633,091	¥ 668,722	¥ 418,637	¥ 508,082	¥ 906,092	¥ 851,975	¥ 673,686	¥ 635,710	¥ 529,654	¥ 460,580
Semiconductor production equipment	4,168,283	392,027	477,873	511,332	262,392	325,383	726,440	642,625	486,883	457,191	425,747	364,689
FPD/PV production equipment ²	214,354	20,160	69,889	66,721	71,361	88,107	68,016	100,766	81,176	75,038	—	—
Computer networks	—	—	—	—	—	—	—	19,169	17,497	15,966	18,448	17,193
Electronic components and computer networks	900,213	84,665	84,868	90,216	84,473	94,207	111,181	88,294	86,881	86,249	84,229	77,380
Other	4,763	448	461	453	411	385	455	1,121	1,249	1,266	1,230	1,318
Operating income (loss)	133,429	12,549	60,443	97,870	(2,181)	14,711	168,498	143,979	75,703	63,983	22,280	1,119
Income (loss) before income taxes	188,910	17,767	60,602	99,579	(7,768)	9,637	169,220	144,414	75,328	55,775	14,936	(23,010)
Net income (loss)	64,604	6,076	36,726	71,924	(9,033)	7,543	106,271	91,263	48,006	61,601	8,297	(41,554)
Comprehensive income (loss) ³	168,272	15,826	36,954	69,598	(4,751)	—	—	—	—	—	—	—
Domestic sales	1,260,011	118,504	171,364	182,165	162,609	208,871	323,946	313,816	262,532	232,678	242,318	190,513
Overseas sales	4,027,602	378,796	461,727	486,557	256,028	299,211	582,146	538,159	411,154	403,032	287,336	270,067
Depreciation and amortization ⁴	283,158	26,631	24,198	17,707	20,002	23,068	21,413	18,820	19,170	21,463	24,963	27,374
Capital expenditures ⁵	231,515	21,774	39,541	39,140	14,919	18,108	22,703	27,129	13,335	9,876	11,007	12,359
R&D expenses	778,830	73,249	81,506	70,568	54,074	60,988	66,073	56,962	49,182	43,889	44,150	50,123
Total assets	8,245,912	775,528	783,611	809,205	696,352	668,998	792,818	770,514	663,243	644,320	561,632	524,901
Total net assets (Total shareholders' equity) ⁶	6,434,099	605,127	598,603	584,802	523,370	529,265	545,245	469,811	376,900	332,165	275,800	252,904
Number of employees		12,201	10,684	10,343	10,068	10,391	10,429	9,528	8,901	8,864	8,870	10,053
	U.S. dollars						Yen					
Net income (loss) per share of common stock: ⁷												
Basic	\$ 0.36	¥ 33.91	¥ 205.04	¥ 401.73	¥ (50.47)	¥ 42.15	¥ 594.01	¥ 511.27	¥ 267.61	¥ 343.63	¥ 46.37	¥ (238.57)
Diluted ⁸	0.36	33.85	204.72	401.10	—	42.07	592.71	509.84	267.32	343.54	45.78	—
Net assets per share of common stock	35.19	3,309.58	3,275.14	3,198.66	2,859.37	2,896.55	2,989.70	2,573.72	2,112.30	1,863.28	1,543.73	1,456.23
Cash dividends per share of common stock	0.54	51.00	80.00	114.00	12.00	24.00	125.00	103.00	55.00	45.00	10.00	8.00
Number of shares outstanding (thousands)		180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611	180,611	175,698
Number of shareholders		41,287	42,414	44,896	39,285	42,509	43,324	41,289	46,272	60,857	60,873	49,259
							Percent					
ROE		1.0	6.3	13.3	(1.8)	1.4	21.4	21.8	13.5	20.3	3.1	(14.8)
Operating margin		2.5	9.5	14.6	(0.5)	2.9	18.6	16.9	11.2	10.1	4.2	0.2
Equity ratio		76.5	74.9	70.8	73.5	77.5	67.5	59.7	56.8	51.6	49.1	48.2
Asset turnover (times)		0.64	0.79	0.89	0.61	0.70	1.16	1.19	1.03	1.05	0.97	0.85
	U.S. dollars						Thousands of yen					
Net sales per employee	\$ 433,376	¥ 40,759	¥ 59,256	¥ 64,655	¥ 41,581	¥ 48,896	¥ 86,882	¥ 89,418	¥ 75,687	¥ 71,718	¥ 59,713	¥ 45,815

1 Until fiscal 2004, the FPD (Flat Panel Display) division was included in Semiconductor production equipment. From fiscal 2008, Computer networks is included in Electronic components and computer networks.

2 From fiscal 2009, the FPD division was changed to the FPD/PV production equipment division. Photovoltaic panel (PV) production equipment is included in FPD/PV production equipment.

3 From fiscal 2011, the Company applied "Accounting Standards for Presentation of Comprehensive Income" (Statement No. 25) released by the Accounting Standards Board of Japan (ASBJ). Accordingly, comprehensive income (loss) have been disclosed from fiscal 2010.

4 Depreciation and amortization does not include amortization and loss on impairment of goodwill.

5 Capital expenditures only represent the gross increase in property, plant and equipment.

6 From fiscal 2007, "Total net assets" has been disclosed in accordance with "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8) released by the Accounting Standards Board of Japan (ASBJ). "Total net assets" through fiscal 2006 represents "Total shareholders' equity" under the former accounting standards.

7 From fiscal 2003, the Company applied "Accounting Standards Regarding Net Income per Share (Business Accounting Standards No. 2)" and "Practical Guidelines for Applying Accounting Standards Regarding Net Income per Share (Practical Guidelines for Applying Accounting Standards No. 4)" released by the Accounting Standards Board of Japan (ASBJ).

8 From fiscal 2011, the Company calculated net income per share of common stock (diluted) in accordance with "Accounting Standard for Earnings Per Share" (Statement No. 2 issued as of June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (Guidance No. 4 issued as of June 30, 2010) released by the Accounting Standards Board of Japan (ASBJ).

9 Effective from fiscal 2005, Tokyo Electron changed its method of revenue recognition to receipt of customer confirmation of product set-up and testing of products for Semiconductor and FPD production equipment. The effect of this change decreased net sales, operating income and income before income taxes by ¥80,956 million, ¥20,541 million and ¥20,563 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.

10 Effective from fiscal 2005, Tokyo Electron changed its method to account for after-sale repair expenses by recording accrued warranty expenses for Semiconductor and FPD production equipment. The effect of this change decreased operating income and income before income taxes by ¥635 million and ¥13,106 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.

■ Consolidated Balance Sheets

Consolidated Balance Sheets

Tokyo Electron Limited and Subsidiaries
As of March 31, 2013 and 2012

ASSETS	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets:			
Cash and cash equivalents	¥ 85,314	¥158,776	\$ 907,113
Short-term investments	154,816	88,849	1,646,103
Trade notes and accounts receivable	100,501	150,306	1,068,591
Allowance for doubtful accounts	(1,180)	(1,376)	(12,546)
Inventories	135,698	149,470	1,442,828
Deferred income taxes	15,669	23,546	166,603
Prepaid expenses and other current assets	30,683	37,480	326,242
Total current assets	521,501	607,051	5,544,934
Property, plant and equipment:			
Land	25,030	26,260	266,135
Buildings	163,857	143,462	1,742,233
Machinery and equipment	140,066	115,834	1,489,271
Construction in progress	6,076	9,515	64,604
Total property, plant and equipment	335,029	295,071	3,562,243
Less: Accumulated depreciation	199,331	168,186	2,119,415
Net property, plant and equipment	135,698	126,885	1,442,828
Investments and other assets:			
Investment securities	18,669	16,082	198,501
Deferred income taxes	23,206	17,585	246,741
Goodwill	38,373	—	408,006
Intangible assets	21,545	4,704	229,080
Other assets	18,648	15,152	198,278
Allowance for doubtful accounts	(2,112)	(3,848)	(22,456)
Total investments and other assets	118,329	49,675	1,258,150
Total assets	¥775,528	¥783,611	\$8,245,912

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current liabilities:			
Trade notes and accounts payable	¥ 36,261	¥ 46,987	\$ 385,550
Customer advances	18,985	26,373	201,861
Accrued warranty expenses	8,345	8,904	88,729
Accrued expenses and other current liabilities	43,079	42,530	458,044
Total current liabilities	106,670	124,794	1,134,184
Accrued pension and severance costs	57,225	55,266	608,453
Other liabilities	6,506	4,948	69,176
Total liabilities	170,401	185,008	1,811,813
Net assets:			
Shareholders' equity			
Common stock			
Authorized: 300,000,000 shares	54,961	54,961	584,381
Issued: 180,610,911 shares as of March 31, 2013 and 2012	78,023	78,023	829,591
Capital surplus	78,023	78,023	829,591
Retained earnings	467,921	471,186	4,975,237
Treasury stock, at cost			
1,424,203 and 1,446,079 shares	(9,589)	(9,748)	(101,956)
as of March 31, 2013 and 2012, respectively			
Accumulated other comprehensive income			
Net unrealized gains on investment securities	4,214	3,576	44,805
Net deferred losses on hedging instruments	(15)	(51)	(159)
Foreign currency translation adjustments	(2,484)	(11,158)	(26,412)
Share subscription rights	1,375	1,157	14,620
Minority interests	10,721	10,657	113,992
Total net assets	605,127	598,603	6,434,099
Total liabilities and net assets	¥775,528	¥783,611	\$8,245,912

Consolidated Statements of Income

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net sales	¥497,300	¥633,091	\$5,287,613
Cost of sales	338,545	421,646	3,599,628
Gross profit	158,755	211,445	1,687,985
Selling, general and administrative expenses	146,206	151,002	1,554,556
Operating income	12,549	60,443	133,429
Other income (expenses):			
Interest and dividend income	1,659	1,010	17,640
Revenue from grants	2,672	1,740	28,410
Provision of allowance for doubtful accounts	—	(1,848)	—
Reversal of allowance for doubtful accounts	558	—	5,933
Gain on sale of property, plant and equipment	943	566	10,027
Loss on sale and disposal of property, plant and equipment	(153)	(406)	(1,627)
Gain on collection of written-off receivables	—	1,437	—
Foreign exchange loss, net	(1,520)	(32)	(16,162)
Loss on liquidation of subsidiaries and affiliates	(134)	—	(1,425)
Reorganization costs	(132)	—	(1,403)
Loss on business restructuring	—	(849)	—
Loss on devaluation of investment securities, net	(44)	(817)	(468)
Loss from natural disasters	—	(936)	—
Other, net	1,369	294	14,556
Income before income taxes and minority interests	17,767	60,602	188,910
Income taxes:			
Current	6,255	15,023	66,507
Prior years	2,195	—	23,339
Deferred	2,959	8,400	31,462
Income before minority interests	6,358	37,179	67,602
Minority interests	282	453	2,998
Net income	¥ 6,076	¥ 36,726	\$ 64,604

	Yen	U.S. dollars
Per share of common stock:		
Net income — basic	¥ 33.91	\$ 0.36
Net income — diluted	33.85	0.36
Net assets	3,309.58	35.19
Cash dividends	51.00	0.54

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income before minority interests	¥ 6,358	¥37,179	\$ 67,602
Other comprehensive income (loss):			
Changes in fair value of investment securities	652	769	6,933
Changes in deferred gains (losses) on hedging instruments	56	(69)	595
Foreign currency translation adjustments	8,760	(925)	93,142
Total other comprehensive income (loss)	9,468	(225)	100,670
Comprehensive income	15,826	36,954	168,272
Total comprehensive income attributable to:			
Owners of the Company	15,426	36,532	164,019
Minority interests	400	422	4,253

See accompanying Notes to Consolidated Financial Statements.

■ Consolidated Statements of Changes in Net Assets ■ Consolidated Statements of Cash Flows

Consolidated Statements of Changes in Net Assets

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen									
	Shareholders' equity				Accumulated other comprehensive income			Share subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred losses on hedging instruments	Foreign currency translation adjustments			
Balance as of April 1, 2011	¥54,961	¥78,046	¥457,658	¥(10,484)	¥2,807	¥(12)	¥(10,234)	¥1,499	¥10,561	¥584,802
Cash dividends	—	—	(23,102)	—	—	—	—	—	—	(23,102)
Net income	—	—	36,726	—	—	—	—	—	—	36,726
Repurchase of treasury stock	—	—	—	(12)	—	—	—	—	—	(12)
Disposal of treasury stock	—	(23)	(96)	748	—	—	—	—	—	629
Other, net	—	—	—	—	769	(39)	(924)	(342)	96	(440)
Balance as of March 31, 2012	¥54,961	¥78,023	¥471,186	¥ (9,748)	¥3,576	¥(51)	¥(11,158)	¥1,157	¥10,657	¥598,603
Cash dividends	—	—	(9,317)	—	—	—	—	—	—	(9,317)
Net income	—	—	6,076	—	—	—	—	—	—	6,076
Repurchase of treasury stock	—	—	—	(15)	—	—	—	—	—	(15)
Disposal of treasury stock	—	—	(24)	174	—	—	—	—	—	150
Other, net	—	—	—	—	638	36	8,674	218	64	9,630
Balance as of March 31, 2013	¥54,961	¥78,023	¥467,921	¥ (9,589)	¥4,214	¥(15)	¥ (2,484)	¥1,375	¥10,721	¥605,127

	Thousands of U.S. dollars									
	Shareholders' equity				Accumulated other comprehensive income			Share subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred losses on hedging instruments	Foreign currency translation adjustments			
Balance as of March 31, 2012	\$584,381	\$829,591	\$5,009,952	\$(103,647)	\$38,022	\$(542)	\$(118,639)	\$12,302	\$113,312	\$6,364,732
Cash dividends	—	—	(99,064)	—	—	—	—	—	—	(99,064)
Net income	—	—	64,604	—	—	—	—	—	—	64,604
Repurchase of treasury stock	—	—	—	(159)	—	—	—	—	—	(159)
Disposal of treasury stock	—	—	(255)	1,850	—	—	—	—	—	1,595
Other, net	—	—	—	—	6,783	383	92,227	2,318	680	102,391
Balance as of March 31, 2013	\$584,381	\$829,591	\$4,975,237	\$(101,956)	\$44,805	\$(159)	\$ (26,412)	\$14,620	\$113,992	\$6,434,099

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 17,767	¥ 60,602	\$ 188,910
Depreciation and amortization	26,631	24,198	283,158
Amortization of goodwill	1,141	—	12,132
Increase in accrued pension and severance costs	1,825	2,446	19,405
Increase (decrease) in allowance for doubtful accounts	(2,167)	2,111	(23,041)
Decrease in accrued employees' bonuses	(2,750)	(2,506)	(29,240)
Increase (decrease) in accrued warranty expenses	(2,918)	1,343	(31,026)
Interest and dividend income	(1,659)	(1,010)	(17,640)
(Increase) decrease in trade notes and accounts receivable	57,549	(15,540)	611,898
Decrease in inventories	20,279	16,023	215,619
Decrease in prepaid consumption tax	2,862	1,508	30,431
Increase (decrease) in accrued consumption tax	596	(2,417)	6,337
Decrease in trade notes and accounts payable	(15,482)	(5,807)	(164,615)
Decrease in customer advances	(12,456)	(4,567)	(132,440)
(Increase) decrease in specific doubtful receivables	1,928	(1,890)	20,500
Other, net	(2,726)	1,912	(28,984)
Subtotal	90,420	76,406	961,404
Receipts from interest and dividends	1,587	978	16,874
Interest paid	(68)	(43)	(723)
Income taxes paid	(7,672)	(47,629)	(81,574)
Net cash provided by operating activities	84,267	29,712	895,981
Cash flows from investing activities:			
Payment for purchases of short-term investments	(192,057)	(284,500)	(2,042,073)
Proceeds from maturities of short-term investments	126,000	315,500	1,339,713
Payment for purchase of property, plant and equipment	(19,012)	(36,010)	(202,148)
Proceeds from sale of property, plant and equipment	3,630	1,102	38,596
Payment for acquisition of intangible assets	(1,234)	(2,140)	(13,121)
Payment for acquisition of investments in newly consolidated subsidiaries	(55,079)	(348)	(585,635)
Payments for transfer of business	(1,097)	—	(11,664)
Other, net	(2,920)	(1,956)	(31,047)
Net cash used in investing activities	(141,769)	(8,352)	(1,507,379)
Cash flows from financing activities:			
Decrease in short-term borrowings	(646)	(3,594)	(6,869)
Increase in treasury stock, net	(15)	(12)	(159)
Dividends paid	(9,317)	(23,102)	(99,064)
Other, net	(647)	(627)	(6,880)
Net cash used in financing activities	(10,625)	(27,335)	(112,972)
Effect of exchange rate changes on cash and cash equivalents	(5,335)	(300)	(56,725)
Net decrease in cash and cash equivalents	(73,462)	(6,275)	(781,095)
Cash and cash equivalents at beginning of year	158,776	165,051	1,688,208
Cash and cash equivalents at end of year	¥ 85,314	¥158,776	\$ 907,113

See accompanying Notes to Consolidated Financial Statements.

■ Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2013 and 2012

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited (hereinafter "the Company") and its subsidiaries (hereinafter collectively referred to as "Tokyo Electron") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The Company uses financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards or U.S. generally accepted accounting principles for the preparation of the consolidated financial statements, together with adjustment for certain items which are required to be adjusted in the consolidation process.

The accompanying consolidated financial statements have been restructured and translated into English from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥94.05 to \$1.00, the approximate rate as of March 31, 2013. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 58 and 30 subsidiaries for the years ended March 31, 2013 and 2012, respectively.

All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated through consolidation procedures.

The fiscal year-end of all entities is March 31, except for 19 consolidated foreign subsidiaries. Financial statements for the fiscal year ending December 31 are used for 14 subsidiaries. Significant differences in inter-company transactions and accounts arising from consolidating financial statements of different fiscal year-ends have been adjusted through consolidation procedures. Financial statements for the provisionally closed financial period ending March 31 are used for five subsidiaries.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates, except for

those hedged by forward exchange contracts, which are translated at the contracted rates. Resulting exchange gains and losses are included in earnings for the year.

Revenue and expense items are translated at the rates that approximate those prevailing at the time of the transactions.

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of accumulated other comprehensive income and minority interests in the consolidated balance sheets.

(c) Cash equivalents

Tokyo Electron considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

(d) Short-term investments

Short-term investments consist of short term deposits and low-risk financial instruments with original maturities of more than three months.

(e) Investment securities

Tokyo Electron examines the intent of holding each security and classifies those securities as trading securities, held-to-maturity debt securities or other securities. Tokyo Electron has no trading securities. Held-to-maturity debt securities are stated mainly at amortized cost. Other securities with market prices are valued at fair market value prevailing at the balance sheet date. The differences between the book and market prices of other securities, net of applicable income taxes, are presented in net assets as a component of accumulated other comprehensive income. Other securities without market value are valued at cost using the weighted-average method.

The cost of sold securities is calculated using the weighted-average method.

(f) Inventories

Inventories other than raw materials are stated at the lower of cost, determined by the specific identification method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Raw materials are stated at the lower of cost, determined principally by the moving-average method, or net realizable value.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment of the Company and its domestic subsidiaries is computed using the declining balance method, except for buildings acquired subsequent to March 31, 1998 which are depreciated using the straight-line method, based on the estimated useful lives of assets. Foreign subsidiaries mainly apply the straight-line method over the estimated useful lives of assets.

Estimated useful lives of property, plant and equipment are as follows:

Buildings	2 to 60 years
Machinery and equipment	2 to 17 years

Changes in accounting policies with amendment of respective law or regulation which are difficult to distinguish from changes in accounting estimates

Effective from the year ended March 31, 2013, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, in accordance with the revision of the Corporation Tax Act. The changes had no significant impact on the consolidated financial statements.

(h) Intangible assets

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(i) Goodwill

Goodwill is evaluated on an individual basis and amortized by the straight-line method over a period not exceeding 20 years.

(j) Impairment of fixed assets

Tokyo Electron evaluates the carrying value of fixed assets held for use in the business.

If the carrying value of a fixed asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount, being the higher of the net selling price or the value in use of the assets. Net selling price is determined using the fair value less disposal costs and value in use is based on the total amount of discounted cash flows estimated to be generated from the continuing use of the individual assets or the asset group and the disposal of the assets.

(k) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(l) Accrued pension and severance costs

The Company and its domestic subsidiaries provide an accrual for defined benefit employees' pension and severance costs based on the projected benefit obligation and the fair value of pension assets. Prior service costs are charged to earnings on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to earnings on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

The provision for accrued pension and severance costs for directors and audit & supervisory board members of the Company and its domestic subsidiaries is calculated in accordance with internal regulations.

The Company and certain domestic subsidiaries decided to discontinue the payment of severance pay for directors and audit & supervisory board members after April 1, 2005, and at the general shareholders' meeting in June 2005, it was resolved that the severance pay for directors and audit & supervisory board members until March 31, 2005 would be paid at the termination of their service and the decision regarding the payment amount for each director and audit & supervisory board member was delegated to the board of directors and audit & supervisory board members. As discussed in note 11, the accruals for severance costs for directors and audit & supervisory board members are included in accrued pension and severance costs in the consolidated balance sheets.

(m) Accrued warranty expenses

Tokyo Electron's products are generally subject to warranty, and Tokyo Electron accrues such estimated costs when product revenue is recognized. To prepare for future repairs during warranty periods, estimated after-sale repair expenses over warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

(n) Leases

Until the year ended March 31, 2008, non-cancelable leases of the Company and its domestic subsidiaries had been primarily accounted for as operating leases (whether such leases were classified as operating or finance leases), except for leases that transfer ownership to the lessee at the end of the lease, which had been accounted for as finance leases.

Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions." As a result, the Company and its domestic subsidiaries capitalized leased assets under finance leases commencing after March 31, 2008 and such leased assets are depreciated using the straight-line method over the period of the lease contract with zero residual value.

(o) Derivatives and hedge accounting

The Company and a domestic subsidiary make use of derivatives in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The amount of derivatives is limited to the extent of foreign currency assets, liabilities and actual orders, and the Company and the domestic subsidiary do not trade in derivatives for speculative purposes.

Derivatives are carried at fair value in the consolidated balance sheet with changes in unrealized gain or loss charged or credited to earnings, except for those which meet the criteria for hedge accounting. Unrealized gains or losses on hedging derivatives, net of taxes, are reported in net assets as a component of accumulated other comprehensive income. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(p) Income taxes

Tokyo Electron records deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for

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income tax purposes, which are measured using the enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse.

(q) Revenue recognition

Revenue from Semiconductor and FPD (Flat Panel Display)/PV (Photovoltaic panel) production equipment is principally recognized at the time of the customer confirmation of set-up and testing of products. Revenue from such equipment not requiring substantial installation is recognized at the time of shipment. Revenue from other products, such as electronic components, is recognized at the time of shipment. Service revenue from maintenance is recognized ratably over the term of the maintenance contract.

(r) Per share information

Net income per share and net assets per share are computed based on the weighted-average number of shares of common stock outstanding during each year.

Dividends per share has been presented on an accruals basis and include, in each fiscal year ended March 31, dividends approved or to be approved after March 31 but applicable to the year then ended.

(s) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥73,249 million (\$778,830 thousand) and ¥81,506 million for the years ended March 31, 2013 and 2012, respectively.

(t) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2013.

3. Change in Accounting Policies and Adoption of New Accounting Standards**(a) Accounting standards for earnings per share**

Effective from April 1, 2011, the Company adopted "Accounting Standard for Earnings Per Share" (Statement No. 2 issued as of June 30, 2010 by the Accounting Standards Board of Japan) and "Guidance on Accounting Standards for Earnings Per Share" (Guidance No. 4 issued as of June 30, 2010 by the Accounting Standards Board of Japan). Based on these new standards, the Company has changed its method of calculating diluted net income per share. Under the new method, for share option rights which vest after a specified period of service, the fair value amount of the share options for service expected to be provided in the future is included in the proceeds assumed to be received when options are exercised.

(b) Accounting standard for accounting changes and error corrections

Effective from April 1, 2011, the Company and its domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Statement No. 24 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Guidance No. 24, issued by the Accounting

Standards Board of Japan) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011. The adoption of this standard had no significant impact on the consolidated financial statements.

4. Accounting Standards issued but not yet adopted

"Accounting Standard for Retirement Benefits (Statement No. 26 issued as of May 17, 2012 by the Accounting Standards Board of Japan)"

"Guidance on Accounting Standard for Retirement Benefits (Guidance No. 25 issued as of May 17, 2012 by the Accounting Standards Board of Japan)"

These accounting standards have been revised to mainly change the treatment of unrecognized actuarial differences and unrecognized past service, to change the calculation formula for projected benefit obligations and current service cost, and to enhance disclosures.

These standards are effective from the year ending March 31, 2014, except for amendments relating to determination of retirement benefit obligations and current service costs, which are effective from the year ending March 31, 2015.

The Company and its domestic subsidiaries are currently in the process of determining the effects of these revised standards on the consolidated financial statements.

5. Supplemental Information on the Consolidated Statements of Cash Flows

Information of assets and liabilities of newly consolidated subsidiaries by acquisition of shares as of the beginning of consolidation, and the relationship between acquisition cost of shares and net payment for the acquisitions for the year ended March 31, 2013 is as follows:

	Thousands of U.S. dollars	
	2013	2013
Current assets	¥21,811	\$231,909
Noncurrent assets	31,585	335,832
Goodwill	35,110	373,312
Current liabilities	(16,860)	(179,266)
Noncurrent liabilities	(30,544)	(324,764)
Acquisition cost of shares	41,102	437,023
Payment in prior year	(348)	(3,700)
Cash and cash equivalents of acquired companies	(9,552)	(101,563)
Loans as of the date of business combination	23,877	253,875
Net payment for acquisition of investments in newly consolidated subsidiaries	¥55,079	\$585,635

6. Securities

Other securities as of March 31, 2013 and 2012 are as follows:

2013:	Millions of yen	
	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥10,218	¥16,631
Securities without market prices		
Unlisted stock	793	897
Other	1,141	1,141
Total	¥12,152	¥18,669

2012:	Millions of yen	
	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥ 9,212	¥14,699
Securities without market prices		
Unlisted stock	485	473
Other	910	910
Total	¥10,607	¥16,082

2013:	Thousands of U.S. dollars	
	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	\$108,644	\$176,831
Securities without market prices		
Unlisted stock	8,432	9,538
Other	12,132	12,132
Total	\$129,208	\$198,501

Held-to-maturity securities classified as current assets are ¥190,498 million (\$2,025,497 thousand) and ¥211,790 million as of March 31, 2013 and 2012, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2013 and 2012 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	
Held-to-maturity (current)	¥190,498	¥211,790	\$2,025,497
Deposits and low-risk financial instruments with original maturities of three months or less	(45,498)	(132,790)	(483,764)
Deposits with original maturities of more than three months	9,816	9,849	104,370
Short-term investments	¥154,816	¥ 88,849	\$1,646,103

Net loss on devaluation of investment securities was ¥44 million (\$468 thousand) and ¥817 million for the years ended March 31, 2013 and 2012, respectively.

Net gain on sale of investment securities was nil and ¥38 million for the years ended March 31, 2013 and 2012, respectively.

7. Inventories

Inventories as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	
Finished products	¥ 87,398	¥101,790	\$ 929,272
Work in process, raw materials and supplies	48,300	47,680	513,556
Total	¥135,698	¥149,470	\$1,442,828

The amounts of change in inventory provision included in cost of sales in the consolidated statements of income for the years ended March 31, 2013 and 2012 were an increase of ¥1,162 million (\$12,355 thousand) and ¥1,115 million, respectively.

8. Impairment of Property, Plant and Equipment and Intangible Assets

For assessing fixed asset impairment, the Company generally groups fixed assets used for normal operations at a business unit level for which profits are reasonably controllable. Also, the Company assesses the recoverability of individual assets not used in normal operations or that are idle.

No significant impairment losses of property, plant and equipment and intangible assets were recognized for the years ended March 31, 2013 and 2012.

9. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2013 and 2012.

10. Short-term Borrowings

Short-term borrowings classified as current liabilities are ¥3,756 million (\$39,936 thousand) and ¥4,403 million as of March 31, 2013 and 2012, respectively. These borrowings are from banks and bore interest at an average annual rate of 0.50% and 0.40% as of March 31, 2013 and 2012, respectively.

As of March 31, 2013, Tokyo Electron has unused lines of credit amounting to ¥151,885 million (\$1,614,939 thousand).

11. Accrued Pension and Severance Costs

The Company and its domestic subsidiaries have defined benefit plans (cash balance plan and noncontributory retirement and severance benefit plans) covering substantially all their employees who meet eligibility requirements. The benefits under the plans are based on length of service and certain other factors.

The cash balance plan provides for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Under the cash

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balance plan, each participant has an account which is credited yearly based on the current rate of pay and market-related interest rate. The noncontributory plans provide for lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Certain foreign subsidiaries have noncontributory retirement and severance benefit plans that provide for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Benefit obligation	¥(106,972)	¥(94,369)	\$(1,137,395)
Fair value of plan assets	52,152	45,139	554,514
Funded status	(54,820)	(49,230)	(582,881)
Unrecognized actuarial difference	1,150	(1,809)	12,227
Net amount recognized	(53,670)	(51,039)	(570,654)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension and severance costs (Note 1)	2,974	3,607	31,621
Accrued pension and severance costs (Note 2)	(56,644)	(54,646)	(602,275)
Net amount recognized	¥ (53,670)	¥(51,039)	\$ (570,654)

Notes: 1. The prepaid pension and severance costs as of March 31, 2013 and 2012 is included in other assets in the consolidated balance sheets.

2. The provision for accrued pension and severance costs for directors and audit & supervisory board members (¥581 million (\$6,178 thousand) as of March 31, 2013 and ¥620 million as of March 31, 2012) is not included.

Net periodic pension cost of the plans is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥5,513	¥5,597	\$58,618
Interest cost	1,864	1,768	19,819
Expected return on plan assets	(887)	(814)	(9,431)
Amortization of actuarial difference	(501)	401	(5,327)
Amortization of prior service cost	—	25	—
Net pension cost	¥5,989	¥6,977	\$63,679

Significant assumptions of domestic pension plans used to determine the above amounts are as follows:

	2013	2012
Allocation method of benefit obligation	Straight-line method	Straight-line method
Discount rate	1.40%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
Amortization period of actuarial difference	4 years	4 years
Amortization period of prior service cost	4 years	4 years

12. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets			
Accrued pension and severance costs	¥20,326	¥19,538	\$216,119
Net operating loss carryforwards	15,864	1,609	168,676
Tax credit for research and development	6,811	12,564	72,419
Devaluation of inventories	4,666	4,749	49,612
Elimination of unrealized profit in inventories	2,967	9,161	31,547
Accrued employees' bonuses	2,202	2,954	23,413
Accrued warranty expenses	1,875	2,971	19,936
Other	8,593	8,029	91,367
Total gross deferred tax assets	63,304	61,575	673,089
Less valuation allowance	(13,352)	(15,134)	(141,967)
Total deferred tax assets	49,952	46,441	531,122
Deferred tax liabilities			
Intangible assets identified through business combination	(6,110)	—	(64,966)
Undistributed earnings of foreign subsidiaries	(4,789)	(3,760)	(50,920)
Net unrealized gains on investment securities	(2,341)	(1,981)	(24,891)
Reserves under Special Taxation Measures Law	(1,058)	(1,084)	(11,249)
Prepaid pension and severance costs	(1,051)	(1,200)	(11,175)
Other	(547)	(748)	(5,816)
Total deferred tax liabilities	(15,896)	(8,773)	(169,017)
Net deferred tax assets	¥34,056	¥37,668	\$(362,105)

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2013 and 2012 as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets	¥15,669	¥23,546	\$166,603
Investments and other assets	23,206	17,585	246,741
Other current liabilities	(2)	(1)	(21)
Other liabilities	(4,817)	(3,462)	(51,218)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which temporary differences become deductible. For assessment of the realizability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, future estimated taxable income, tax planning strategies and level of net operating loss carryforwards, if any, in accordance with accounting principles generally accepted in Japan.

Based on the level of historical taxable income and future estimated taxable income over the periods which the temporary differences are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2013 and 2012.

The Company and its wholly-owned domestic subsidiaries apply a consolidated tax filing system for corporate tax purposes.

The Company is subject to corporate tax, inhabitants' tax and a deductible enterprise tax, which in the aggregate resulted in a statutory income tax rate of approximately 38.01% and 40.69% for the years ended March 31, 2013 and 2012, respectively. On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company has been reduced to 38.01% for years beginning on or after April 1, 2012 and 35.64% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2013 to March 31, 2015 and on or after April 1, 2015 are 38.01% and 35.64%, respectively, as of March 31, 2013.

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Statutory tax rate in Japan	38.01%	40.69%
Adjustments:		
Effect of elimination of unrealized profit in inventories	16.70	(0.16)
Prior years income taxes from transfer pricing adjustment	12.35	—
Difference in statutory tax rates of subsidiaries	(7.12)	(4.04)
Change in deferred tax liabilities for undistributed earnings of foreign subsidiaries	5.63	0.87
Tax credit for research and development	(3.65)	(5.20)
Change in valuation allowance	(2.44)	0.38
Amortization of goodwill	2.14	—
Expenses not deductible for tax purposes	1.14	0.82
Effect of enacted changes in Japanese tax rates on net deferred tax assets	—	5.92
Others, net	1.45	(0.63)
Effective tax rate	64.21%	38.65%

The Company received a notice of correction pursuant to transfer pricing taxation from the Tokyo Regional Taxation Bureau on July 4, 2012 based on the determination that income arising from transactions with the Company's consolidated subsidiaries in the United States of America and South Korea during the six years beginning from the year ended March 31, 2006 to the year ended March 31, 2011 was insufficiently allocated to the Company.

The Company filed its objections with the tax authorities, and to eliminate double taxation, filed a request for inter-governmental consultations (Mutual Agreement Procedures) to be performed pursuant to the tax treaties ratified by Japan, the United States of America and South Korea on March 29, 2013. The Company also filed for Advance Pricing Agreement (APA) with the tax authorities for future fiscal periods.

The Company believes that it will be able to eliminate the double taxation by agreement achieved through consultations, and accordingly, has reported the total tax expense of ¥2,195 million (\$23,339 thousand) for the fiscal year ended March 31, 2013, as the difference in amounts resulting from the different corporate tax rates between Japan, the United States of America and South Korea and the additional amount in conjunction with the imposition of additional taxes.

13. Net Assets

Net assets comprises four subsections, which are shareholders' equity, accumulated other comprehensive income, share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. All additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The Company adopted the restriction of dividends, which restricts the amount of dividends to retained earnings on a consolidated basis.

The Company's articles allow for the distribution of earnings to shareholders on dates other than the mid-term and year-end, by a resolution of the board of directors in accordance with Japanese laws and regulations.

At the board of directors' meeting held on May 15, 2013, the distribution of cash dividends amounting to ¥4,659 million (\$49,537 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013 since they are recognized in the period in which they are resolved at the board of directors' meeting.

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14. Other Comprehensive Income (loss)

Other comprehensive income (loss) for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains on investment securities			
Unrealized gains arising during the year	¥1,011	¥ 302	\$ 10,750
Reclassification adjustments	—	531	—
Sub-total, before tax	1,011	833	10,750
Tax expense	(359)	(64)	(3,817)
Sub-total, net of tax	652	769	6,933
Net deferred losses on hedging instruments			
Deferred losses arising during the year	(339)	(9)	(3,604)
Reclassification adjustments	431	(101)	4,582
Sub-total, before tax	92	(110)	978
Tax benefit	(36)	41	(383)
Sub-total, net of tax	56	(69)	595
Foreign currency translation adjustments			
Adjustments during the year	8,760	(925)	93,142
Reclassification adjustments	—	—	—
Sub-total, before tax	8,760	(925)	93,142
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	8,760	(925)	93,142
Total other comprehensive income (loss)	¥9,468	¥(225)	\$100,670

15. Share Subscription Rights

Stock option plan

The Company's shareholders have approved annual stock option plans for directors and selected employees since the year ended March 31, 1999. The options under the plans vest immediately with restriction on exercise up to two or three years after the date of grant, and have an exercise period of eight to twenty years from the date of grant.

Options to purchase 130,700 and 234,200 shares of the Company were authorized and granted at an exercise price of ¥1

A summary of stock options outstanding and exercisable as of March 31, 2013 and 2012 is as follows:

Tokyo Electron Limited	2013			2012	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		
Outstanding at the beginning of year	833,300	¥3,139	\$33.38	1,296,800	¥5,086
Granted	130,700	1	0.01	234,200	1
Exercised	25,800	1	0.01	111,100	1
Expired (forfeited)	381,300	5,894	62.67	586,600	6,786
Outstanding at the end of year	556,900	661	7.03	833,300	3,139
Exercisable at the end of year	192,000	1,914	20.35	599,100	4,365

for the year ended March 31, 2013 and 2012, respectively. The options under the plans with restriction on exercise up to three years after the date of grant, and have an exercise period of twenty years from the date of grant.

Shareholders of Tokyo Electron Device Limited, a domestic listed subsidiary, have approved annual stock option plans for directors and selected employees since the year ended March 31, 2005.

Tokyo Electron Device Limited	2013			2012	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		
Outstanding at the beginning of year	650	¥308,698	\$3,282.28	650	¥308,698
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	650	308,698	3,282.28	650	308,698
Exercisable at the end of year	650	308,698	3,282.28	650	308,698

16. Leases

As mentioned in note 2 (n), effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions." As permitted under the standards, finance leases which commenced on or before March 31, 2008 continue to be accounted for as operating leases. Pro forma information of leased property acquired on or before March 31, 2008 including acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expense of finance leases that do not transfer ownership of leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2013 and 2012, is as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Acquisition cost	¥286	¥286	\$3,041
Accumulated depreciation	264	216	2,807
Net leased property	¥ 22	¥ 70	\$ 234

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥22	¥48	\$234
Due over one year	—	22	—
Total	¥22	¥70	\$234

Lease payments relating to finance leases accounted for as operating leases amounted to ¥48 million (\$510 thousand) and ¥97 million, which approximated the corresponding depreciation on the respective leased property computed by the straight-line method over the lease terms, for the years ended March 31, 2013 and 2012, respectively.

Future minimum lease payments on non-cancelable operating leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥1,628	¥2,013	\$17,310
Due over one year	2,834	2,905	30,133
Total	¥4,462	¥4,918	\$47,443

17. Fair Value of Financial Instruments

Policy for Financial Instruments

Tokyo Electron limits its fund management to short-term bank deposits and low-risk financial instruments, and obtains funds by utilizing bank-loans or liquidating trade-receivables.

Trade receivables, which consist of notes and accounts receivable, are exposed to credit risk in the event of non-performance by the counterparties. Execution and management of credit risk, maturity and receivable balance are conducted pursuant to the internal management rules for credit control. Credit risk of major customers is assessed on a regular basis.

Short-term investments consist of time deposits and low risk financial instruments and Tokyo Electron trade with highly-rated financial institutions to mitigate credit risks.

Investment securities consist of mainly equity interests in listed companies exposed to equity market risks. Conditions, including market prices, for these investment securities are monitored on a regular basis.

Trade payables, which consist of notes and accounts payable, mainly mature within one year. Trade payables are exposed to liquidity risks which are managed through activities such as implementing cash management plans.

See note 18 for detailed discussion on derivative financial instruments.

Fair Value of Financial Instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2013 and 2012, are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 6).

	Millions of yen	
	Carrying value	Estimated fair value ¹
2013:		
Assets		
Cash and cash equivalents	¥ 85,314	¥ 85,314
Short-term investments	154,816	154,811
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,180 million)	99,321	99,321
Investment securities	16,631	16,631
Liabilities		
Trade notes and accounts payable	36,261	36,261
Derivatives (see note 18)		
Hedge accounting not applied	(3,325)	(3,325)
Hedge accounting applied	(62)	(62)

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2012:	Millions of yen	
	Carrying value	Estimated fair value ¹
Assets		
Cash and cash equivalents	¥158,776	¥158,776
Short-term investments	88,849	88,638
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,376 million)	148,930	148,930
Investment securities	14,699	14,699
Liabilities		
Trade notes and accounts payable	46,987	46,987
Derivatives (see note 18)		
Hedge accounting not applied	(400)	(400)
Hedge accounting applied	(153)	(153)

2013:	Thousands of U.S. dollars	
	Carrying value	Estimated fair value ¹
Assets		
Cash and cash equivalents	\$ 907,113	\$ 907,113
Short-term investments	1,646,103	1,646,050
Trade notes and accounts receivable, net of allowance for doubtful accounts (\$12,546 thousand)	1,056,045	1,056,045
Investment securities	176,831	176,831
Liabilities		
Trade notes and accounts payable	385,550	385,550
Derivatives (see note 18)		
Hedge accounting not applied	(35,354)	(35,354)
Hedge accounting applied	(659)	(659)

Receivables and payables derived from derivative transactions are stated on a net basis. The figures in parentheses represent net payables.

Notes: 1. Fair value calculation of financial instruments

Cash and cash equivalents, short-term investments, trade notes and accounts receivable and trade notes and accounts payable

The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities

The fair values of marketable securities are based on quoted market prices.

See note 6 for further information by classification of investment securities.

Derivatives

See note 18 for detailed discussion on derivative financial instruments.

2. Maturities of financial assets and securities are as follows:

2013:	Millions of yen	
	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥ 85,314	¥—
Short-term investments	154,816	—
Trade notes and accounts receivable	100,501	—

2012:	Millions of yen	
	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥158,776	¥—
Short-term investments	88,849	—
Trade notes and accounts receivable	150,306	—

2013:	Thousands of U.S. dollars	
	Within 1 year	After 1 through 5 years
Cash and cash equivalents	\$ 907,113	\$—
Short-term investments	1,646,103	—
Trade notes and accounts receivable	1,068,591	—

18. Derivative Financial Instruments

Tokyo Electron is subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Company and its listed domestic subsidiary enter into forward foreign exchange contracts in order to hedge such risks, but do not enter into such transactions for speculative purposes. The Company and its domestic subsidiary implement a ratio analysis of the total cumulative cash flow fluctuations to assess effectiveness of hedging for all derivative transactions, except for transactions where the critical terms of the hedging instrument and hedged item match and the Company could conclude that changes in fair value or cash flows are expected to completely offset. Execution and management of all derivative transactions in charge of finance department are conducted pursuant to the internal management rule.

The estimated fair values of the derivative financial instruments as of March 31, 2013 and 2012 are as follows:

1. Derivative financial instruments not designated as hedging instruments

2013:	Millions of yen		
	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥50,652	¥(3,021)	¥(3,021)
Sell Swiss francs	25,787	(50)	(50)
Sell Korean won	1,068	(295)	(295)
Sell Singapore dollars	50	(3)	(3)
Buy U.S. dollars	4,368	44	44
Total	¥81,925	¥(3,325)	¥(3,325)

2012:	Millions of yen		
	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥ 9,874	¥(464)	¥(464)
Sell Korean won	701	23	23
Buy U.S. dollars	5,804	41	41
Total	¥16,379	¥(400)	¥(400)

2013:	Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	\$538,564	\$(32,121)	\$(32,121)
Sell Swiss francs	274,184	(532)	(532)
Sell Korean won	11,356	(3,137)	(3,137)
Sell Singapore dollars	532	(32)	(32)
Buy U.S. dollars	46,443	468	468
Total	\$871,079	\$(35,354)	\$(35,354)

Note: The fair values are based on the quoted forward foreign exchange rates.

2. Derivative financial instruments designated as hedging instruments

2013: Hedge accounting	Millions of yen		Thousands of U.S. dollars	
	Contract amount	Fair value	Contract amount	Fair value
Sell U.S. dollars	¥ 5,872	¥(90)	\$ 62,435	\$(957)
Sell Chinese yuan	290	(3)	3,083	(32)
Sell Korean won	157	(42)	1,669	(447)
Sell Swiss francs	60	1	638	11
Sell EURO	22	(2)	234	(21)
Buy U.S. dollars	6,180	33	65,710	351
Buy EURO	769	41	8,177	436
Total	¥13,350	¥(62)	\$141,946	\$(659)

2012: Hedge accounting	Millions of yen	
	Contract amount	Fair value
Sell U.S. dollars	¥6,879	¥(181)
Sell Korean won	85	(7)
Sell Chinese yuan	192	1
Buy U.S. dollars	4,325	17
Buy EURO	195	17
Total	¥11,676	¥(153)

The contract amounts of forward foreign exchange contracts, entered into to hedge receivables and payables denominated in foreign currencies that have been translated by the corresponding contracted rates, are as follows:

	Contract amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Sell Chinese yuan	¥ 9,760	¥9,854	\$103,775
Sell U.S. dollars	404	58	4,295
Buy U.S. dollars	74	65	787
Total	¥10,238	¥9,977	\$108,857

Note: The fair value of these derivative financial instruments, which is based on the quoted foreign exchange rates, is included in the carrying value of hedged assets and liabilities.

19. Other Income (Expenses)

Loss from natural disasters of ¥936 million for the year ended March 31, 2012, represents losses relating to the Great East Japan Earthquake which occurred on March 11, 2011, which mainly consists of repair costs for damaged facilities.

Loss on business restructuring of ¥849 million for the year ended March 31, 2012 consists of devaluation of inventories, loss on impairment of property, plant and equipment and loss on disposal of inventories and property, plant and equipment.

20. Business Combinations

Business combinations by acquisition

(A) Acquisition of shares of NEXX Systems, Inc.

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: NEXX Systems, Inc.

Business description: Advanced deposition equipment for wafer level packaging, electrochemical deposition (ECD) and physical vapor deposition (PVD) systems

(b) Primary reasons for business combination

Tokyo Electron aims to broaden its business portfolio by securing the advanced packaging application of NEXX Systems, Inc. and to strengthen the semiconductor production equipment business.

(c) Date of business combination

May 1, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL NEXX, Inc.

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by Tokyo Electron U.S. Holdings, Inc., the Company's consolidated subsidiary

(2) Period of acquired company's financial results included in the consolidated financial statements

From May 1, 2012 to March 31, 2013

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥15,961	\$169,708
Acquisition cost	¥15,961	\$169,708

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized
¥8,379 million (\$89,091 thousand)

(b) Basis for recognition of goodwill

Goodwill was recognized based on future increase in profitability expected from the future business development.

(c) Amortization method and period

Straight-line method over 10 years

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,183	\$ 23,211
Noncurrent assets	10,702	11,791
Total assets	¥12,885	\$137,002

■ Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥1,659	\$17,640
Noncurrent liabilities	3,644	38,745
Total liabilities	¥5,303	\$56,385

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥415	\$4,413
Operating income (loss)	(259)	(2,754)
Income (loss) before income taxes and minority interests	(303)	(3,222)

Method of estimate calculation

The estimated impact is calculated as the difference between the net sales and income of the acquired company assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statement of income. This estimate includes the equivalent of goodwill and other intangible assets amortization from the beginning of the fiscal year until the date of business combination.

The estimated impact has not been audited.

(B) Acquisition of shares of FSI International, Inc.

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: FSI International, Inc.

Business description: Development and manufacture of semiconductor production equipment (surface preparation equipment)

(b) Primary reasons for business combination

Tokyo Electron aims to expand its business portfolio and strengthen the business for the surface preparation equipment by including product lineup of FSI, Inc.

(c) Date of business combination

October 11, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL FSI, Inc.

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by Tokyo Electron U.S. Holdings, Inc., the Company's consolidated subsidiary

(2) Period of acquired company's financial results included in the consolidated financial statements

From October 11, 2012 to March 31, 2013

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥19,772	\$210,229
Acquisition cost	¥19,772	\$210,229

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized

¥3,856 million (\$40,999 thousand)

Amount of goodwill is calculated on a provisional basis as the allocation of acquisition cost is yet to be completed.

(b) Basis for recognition of goodwill

Goodwill was recognized for the difference between the acquisition cost and the assets acquired and liabilities assumed.

(c) Amortization method and period

Goodwill is amortized by the straight-line method over the estimated period expected to yield benefits.

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,446	\$ 89,803
Noncurrent assets	12,461	132,494
Total assets	¥20,907	\$222,297

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥2,457	\$26,125
Noncurrent liabilities	2,534	26,943
Total liabilities	¥4,991	\$53,068

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥6,697	\$71,207
Operating income	70	744
Income before income taxes and minority interests	21	223

Method of estimate calculation

The estimated impact is calculated as the difference between the net sales and income of the acquired company assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statement of income. This estimate includes the equivalent of goodwill and other intangible assets amortization from the beginning of the fiscal year until the date of business combination.

The estimated impact has not been audited.

(C) Acquisition of shares of Magnetic Solutions Ltd.

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: Magnetic Solutions Ltd.

Business description: Development and manufacture of magnetic field annealing systems

(b) Primary reasons for business combination

Tokyo Electron acquired the magnetic field annealing technologies of Magnetic Solutions Ltd. to accelerate the development of the thermal processing systems for processes used in the manufacturing of magneto-resistive random-access memory (MRAM), which is increasingly attracting attention as a key device for the future.

Additionally, Tokyo Electron aims to strengthen its thermal processing system business by combining the acquired technologies with its technologies.

(c) Date of business combination

December 3, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL Magnetic Solutions Ltd.

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by Tokyo Electron Europe Ltd., the Company's consolidated subsidiary

(2) Period of acquired company's financial results included in the consolidated financial statements

From December 3, 2012 to March 31, 2013

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥2,065	\$21,956
Acquisition cost	¥2,065	\$21,956

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized

¥1,089 million (\$11,579 thousand)

(b) Basis for recognition of goodwill

Goodwill was recognized based on future increase in profitability expected from the future business development.

(c) Amortization method and period

Straight-line method over 10 years

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 560	\$ 5,954
Noncurrent assets	971	10,325
Total assets	¥1,531	\$16,279

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥555	\$5,901
Noncurrent liabilities	—	—
Total liabilities	¥555	\$5,901

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥1,068	\$11,356
Operating income	93	989
Income before income taxes and minority interests	89	946

Method of estimate calculation

The estimated impact is calculated as the difference between the net sales and income of the acquired company assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statement of income. This estimate includes the equivalent of goodwill and other intangible assets amortization from the beginning of the fiscal year until the date of business combination.

The estimated impact has not been audited.

(D) Acquisition of shares of Oerlikon Solar Holding AG

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: Oerlikon Solar Holding AG

Business description: Development and manufacture of thin-film silicon photovoltaic panel production equipment

(b) Primary reasons for business combination

The Company acquired Oerlikon Solar Holding AG which has a track record in thin-film silicon solar photovoltaic panel production equipment to achieve growth in the photovoltaic panel production equipment business. Additionally Tokyo Electron aims to strengthen the business by integrating the thin film deposition technologies of Oerlikon Solar Holding AG with the production equipment technologies developed by Tokyo Electron.

(c) Date of business combination

November 26, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL Solar Holding AG

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by the Company

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(2) Period of acquired company's financial results included in the consolidated financial statements

Financial results of the acquired company are not included in the consolidated statements of income according to generally accepted accounting principles in Japan, as the financial year end of the acquired company and the deemed acquisition date are December 31, 2012, which does not exceed three months prior to the consolidated balance sheet date.

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥2,837	\$30,165
Expenses directly related to the acquisition	468	4,976
Acquisition cost	¥3,305	\$35,141

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized

¥21,787 million (\$231,653 thousand)

Amount of goodwill is calculated by the provisional basis as the allocation of acquisition cost is yet to be completed.

(b) Basis for recognition of goodwill

Goodwill was recognized for the difference between the acquisition cost and the assets acquired and liabilities assumed.

(c) Amortization method and period

Goodwill is amortized by the straight-line method over the estimated period expected to yield benefits.

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥10,622	\$112,940
Noncurrent assets	7,451	79,224
Total assets	¥18,073	\$192,164

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥12,189	\$129,601
Noncurrent liabilities	24,366	259,075
Total liabilities	¥36,555	\$388,676

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 6,358	\$ 67,602
Operating income (loss)	(12,280)	(130,569)
Income (loss) before income taxes and minority interests	(13,208)	(140,436)

Method of estimate calculation

The estimated impact is calculated based on sales and income of the acquired company from January 1, 2012 to December 31, 2012, including the amortization of goodwill.

The estimated impact has not been audited.

21. Segment Information

General information about reportable segments

A reportable segment is a component or an aggregated component of Tokyo Electron. For each of the components, discrete financial information is available and the operating result is regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

The operation of Tokyo Electron consists of segments by products and services based on business units (BUs), and Tokyo Electron identifies as a reportable segment, "Semiconductor Production Equipment (SPE)," "Flat Panel Display and Photovoltaic panel (FPD/PV) Production Equipment," and "Electronic Components and Computer Networks."

Products of the SPE segment consist of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells and distributes such products.

Products of the FPD/PV Production Equipment segment consist of coaters/developers, plasma etch/ash system used in the manufacture of flat panel displays, and photovoltaic panel production equipment used in the manufacture of thin film silicon photovoltaic panels. The FPD/PV segment principally develops, manufactures, sells and distributes such products.

The Electronic Components and Computer Networks segment principally designs, develops, procures, and distributes semiconductor products centering on integrated circuits (IC), other electronic components, computer networks and software.

Basis of measurement of reportable segment net sales, segment profit (loss), segment assets and other items

The accounting policies applied in each reportable segment are generally consistent with those applied for the preparation of the consolidated financial statements. Intersegment sales or transfers are determined based on current market prices. Assets in common use have not been allocated to each reportable segment, while costs associated with those assets have been allocated to reportable segments on a systematic basis.

Information about reportable segment net sales, segment profit (loss), segment assets and other items

Reportable segment information as of and for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen						
	Reportable Segment			Other	Total	Eliminations and Corporate	Consolidated
Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks					
2013:							
Net sales							
Sales to external customers	¥392,027	¥20,160	¥84,665	¥ 448	¥497,300	¥ —	¥497,300
Intersegment sales or transfers	43	—	813	10,613	11,469	(11,469)	—
Total	392,070	20,160	85,478	11,061	508,769	(11,469)	497,300
Segment profit (loss)	48,600	(6,355)	1,283	1,321	44,849	(27,082)	17,767
Segment assets	223,956	49,489	47,557	1,550	322,552	452,976	775,528
Depreciation and amortization	12,330	462	448	78	13,318	13,313	26,631
Amortization of goodwill	1,038	—	103	—	1,141	—	1,141
Capital expenditures, including intangible and other assets	13,464	1,661	482	54	15,661	9,834	25,495

	Millions of yen						
	Reportable Segment			Other	Total	Eliminations and Corporate	Consolidated
Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks					
2012:							
Net sales							
Sales to external customers	¥477,873	¥69,889	¥84,868	¥ 461	¥633,091	¥ —	¥633,091
Intersegment sales or transfers	—	—	1,432	14,565	15,997	(15,997)	—
Total	477,873	69,889	86,300	15,026	649,088	(15,997)	633,091
Segment profit	89,020	2,271	2,312	1,827	95,430	(34,828)	60,602
Segment assets	262,789	21,295	46,391	1,927	332,402	451,209	783,611
Depreciation and amortization	11,282	687	570	170	12,709	11,489	24,198
Capital expenditures, including intangible and other assets	13,518	672	407	36	14,633	28,572	43,205

	Thousands of U.S. dollars						
	Reportable Segment			Other	Total	Eliminations and Corporate	Consolidated
Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks					
2013:							
Net sales							
Sales to external customers	\$4,168,283	\$214,354	\$900,213	\$ 4,763	\$5,287,613	\$ —	\$5,287,613
Intersegment sales or transfers	457	—	8,644	112,845	121,946	(121,946)	—
Total	4,168,740	214,354	908,857	117,608	5,409,559	(121,946)	5,287,613
Segment profit (loss)	516,746	(67,571)	13,642	14,046	476,863	(287,953)	188,910
Segment assets	2,381,244	526,199	505,656	16,481	3,429,580	4,816,332	8,254,912
Depreciation and amortization	131,101	4,912	4,764	829	141,606	141,552	283,158
Amortization of goodwill	11,037	—	1,095	—	12,132	—	12,132
Capital expenditures, including intangible and other assets	143,158	17,661	5,125	574	166,518	104,561	271,079

- Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, facility maintenance and insurance.
2. (1) "Eliminations and Corporate" segment profit (loss) totaling ¥27,082 million (\$287,953 thousand) and ¥34,828 million for the years ended March 31, 2013 and 2012, respectively, includes corporate expenses not allocated to any reportable segments. The corporate expenses mainly consist of research and development costs of ¥20,359 million (\$216,470 thousand) and ¥26,071 million for the years ended March 31, 2013 and 2012, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments.
- (2) "Eliminations and Corporate" segment assets totaling ¥452,976 million (\$4,816,332 thousand) and ¥451,209 million as of March 31, 2013 and 2012, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
3. "Eliminations and Corporate" capital expenditures totaling ¥9,834 million (\$104,561 thousand) for the year ended March 31, 2013 consist mainly of capital expenditures for buildings, machinery and equipment, and ¥28,572 million for the year ended March 31, 2012 consist mainly of capital expenditures for buildings not allocated to any of the reportable segments.
4. Reported segment profit (loss) is reconciled to Income before income taxes and minority interests in the consolidated statements of income.

■ Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Other Information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2013 and 2012 are as follows:

Net sales	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥118,504	¥171,364	\$1,260,011
U.S.A.	117,194	114,951	1,246,082
Taiwan	107,734	86,882	1,145,497
Korea	59,376	114,218	631,324
Other	94,492	145,676	1,004,699
Total	¥497,300	¥633,091	\$5,287,613

Note: Sales are classified in countries or regions based on location of customers.

(2) Net property, plant and equipment by location as of March 31, 2013 and 2012 are as follows:

2013:	Millions of yen			
	Japan	U.S.A.	Other	Total
Property, plant and equipment	¥99,888	¥14,549	¥21,261	¥135,698

2012:	Millions of yen		
	Japan	Other	Total
Property, plant and equipment	¥107,874	¥19,011	¥126,885

2013:	Thousands of U.S. dollars			
	Japan	U.S.A.	Other	Total
Property, plant and equipment	\$1,062,073	\$154,694	\$226,061	\$1,442,828

(3) Major customer information

Net sales to external customers that represent 10 percent or more of net sales are as follows:

Name of customer	Related reportable segment	Millions of yen	Thousands of U.S. dollars
		2013	2013
Intel Corporation	Semiconductor production equipment	¥73,955	\$786,337
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	68,769	731,196
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD/PV production equipment	60,374	641,935

Name of customer	Related reportable segment	Millions of yen
		2012
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD/PV production equipment	¥116,919
Intel Corporation	Semiconductor production equipment	90,399

Note: The amounts include sales to the customer and its subsidiaries.

Information about reportable segment goodwill

Reportable segment information about amortization of goodwill for the year ended March 31, 2013 and unamortized balances as of March 31, 2013 is as follows:

2013:	Millions of yen			
	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	¥ 1,038	¥ —	¥103	¥ 1,141
Goodwill	14,565	23,397	411	38,373

2013:	Thousands of U.S. dollars			
	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	\$ 11,037	\$ —	\$1,095	\$ 12,132
Goodwill	154,864	248,772	4,370	408,006

Independent Auditor's Report



To the Board of Directors
of Tokyo Electron Limited:

We have audited the accompanying consolidated financial statements of Tokyo Electron Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tokyo Electron Limited and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 21, 2013

Tokyo, Japan

Consolidated Subsidiaries (As of March 31, 2013)

■ JAPAN

- Tokyo Electron Yamanashi Limited
- Tokyo Electron Kyushu Limited
- Tokyo Electron Tohoku Limited
- Tokyo Electron Miyagi Limited
- Tokyo Electron TS Limited
- Tokyo Electron FE Limited
- Tokyo Electron Device Limited
- Tokyo Electron BP Limited
- Tokyo Electron Agency Limited

■ U.S.A.

- Tokyo Electron U.S. Holdings, Inc.
- Tokyo Electron America, Inc.
- TEL Technology Center, America, LLC
- TEL Venture Capital, Inc.
- TEL Epion Inc.
- TEL NEXX, Inc.
- TEL FSI, Inc.

■ EUROPE

- Tokyo Electron Europe Limited
- Tokyo Electron Israel Limited
- TEL Magnetic Solutions Limited
- TEL Solar AG

■ ASIA

- Tokyo Electron Korea Limited
- Tokyo Electron Taiwan Limited
- Tokyo Electron (Shanghai) Limited
- Tokyo Electron (Kunshan) Limited
- Tokyo Electron Singapore Pte. Limited

Investor Information (As of March 31, 2013)

Corporate Name and Head Office:

Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan

Established:

November 11, 1963

Annual General Meeting of Shareholders:

June

Common Stock:

Stock trading unit 100 shares
Authorized 300,000,000 shares
Issued and outstanding 180,610,911 shares
Number of shareholders 41,287

Common Stock Listed on:

The Tokyo Stock Exchange 1st Section
(Stock code: 8035)

Independent Auditors:

KPMG AZSA LLC

Administrator of Shareholders' Register:

Sumitomo Mitsui Trust Bank, Limited
8-4 Izumi 2-chome, Suginami-ku,
Tokyo 168-0063, Japan
Tel (toll free): 0120-782-031 (available only in Japan)

For Further Information, Contact:

Investor Relations
Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan
Tel: +81-3-5561-7000

URL:

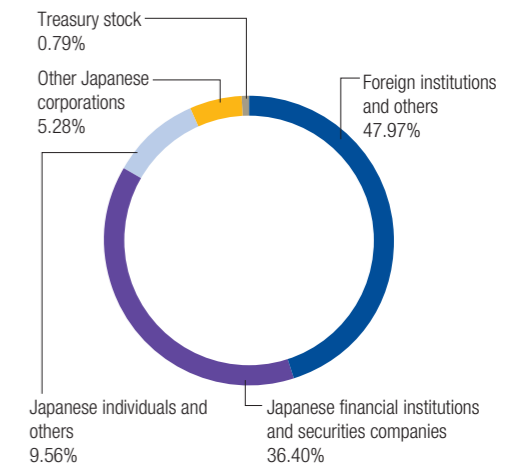
<http://www.tel.com/>

Principal Shareholders:

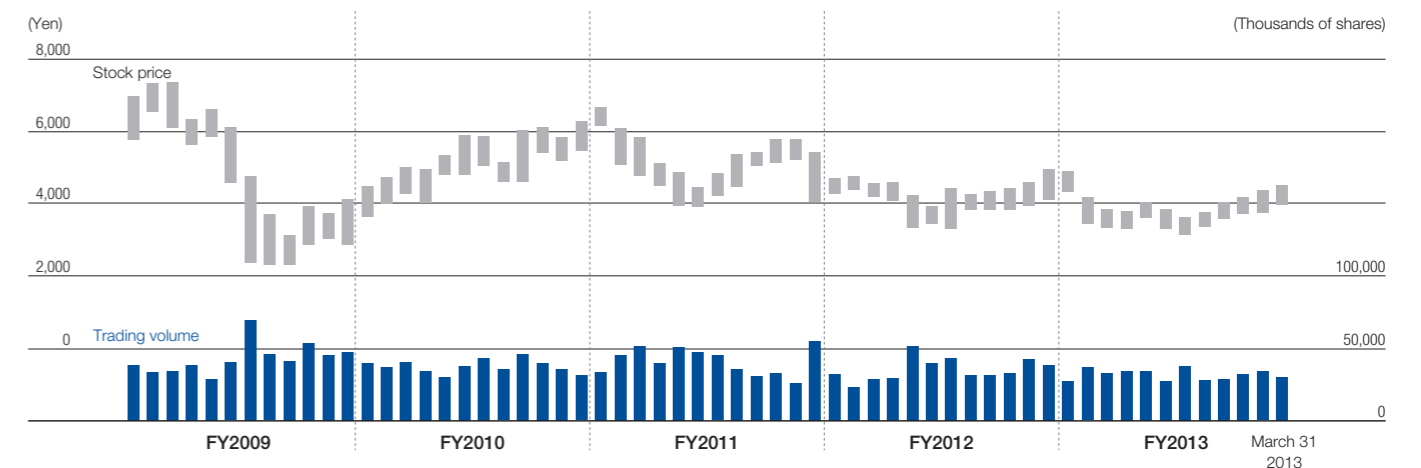
	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	19,146	10.68
Japan Trustee Services Bank, Ltd. (trust account)	13,824	7.71
Tokyo Broadcasting System Holdings, Inc.	7,727	4.31
Mellon Bank Treaty Clients Omnibus	5,247	2.92
State Street Bank and Trust Company 505225	4,389	2.44
SSBT OD05 Omnibus Account - Treaty Clients	3,744	2.08
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	3,623	2.02
The Bank of New York - JASDEC Treaty Account	3,465	1.93
Northern Trust Co. (AVFC) Sub Account American Clients	2,697	1.50
State Street Bank and Trust Company 505017	2,650	1.47

Shares of less than one thousand have been rounded down in the "Number of shares held."
Voting share ratio is calculated by the number of shares held excluding treasury stock (1,424,203 shares).

Distribution of Ownership Among Shareholders:



Stock Price and Trading Volume



58 consolidated subsidiaries in total, including the above 25 companies