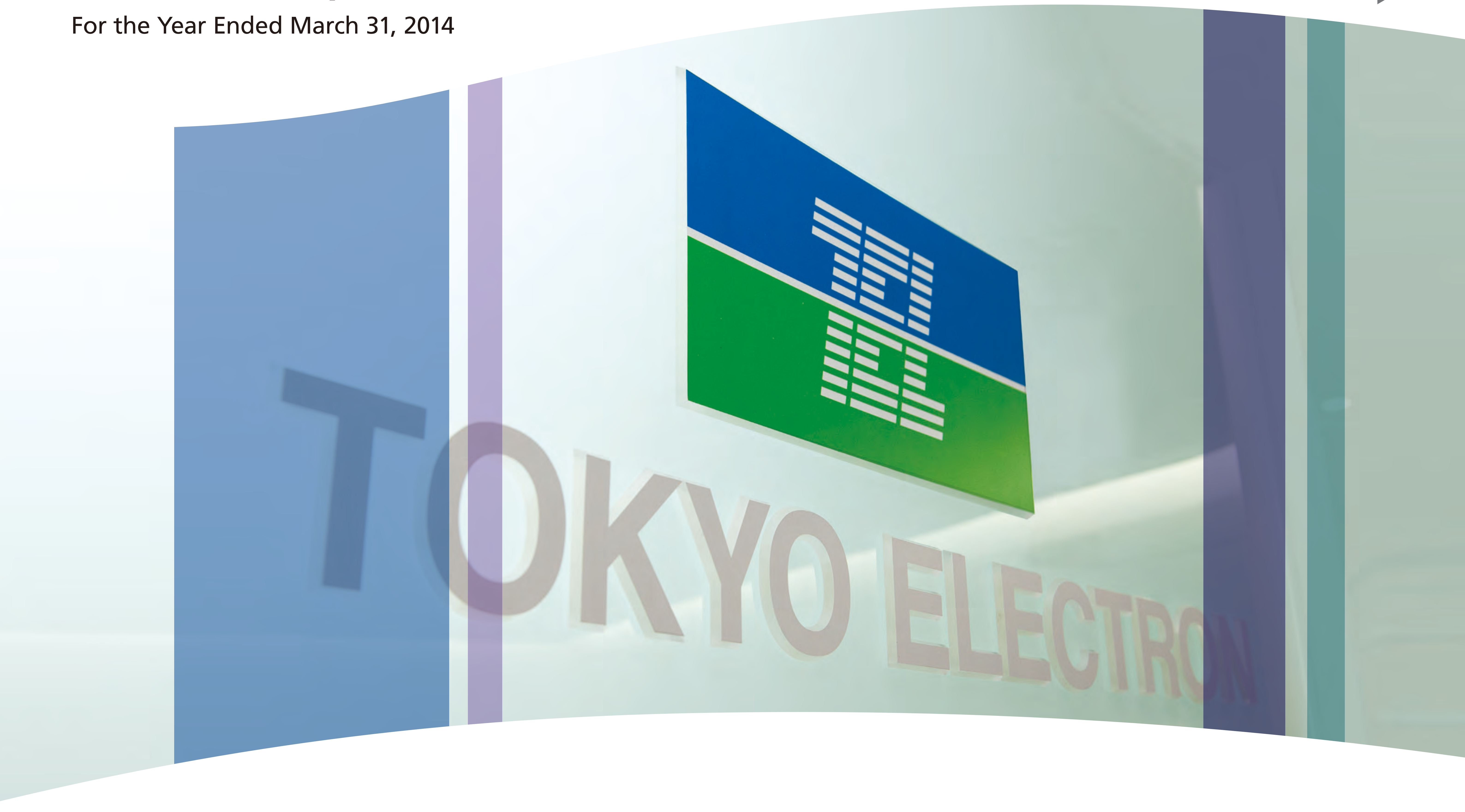
TOKYO ELECTRON

50 Years

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

Annual Report 2014

For the Year Ended March 31, 2014



Contents

Profile Tokyo Electron Limited (TEL™) is a world-leading supplier of semiconductor production equipment (SPE) and flat panel display (FPD) production equipment. We provide a broad lineup of products that offer superior process performance and high productivity and related services to semiconductor and LCD panel manufacturers around the world.

An unwavering commitment to customer satisfaction that dates back to our founding in 1963 has cemented our position as a market leader. Our competitive strength lies in our capability to proactively and precisely identify real customer needs and respond to them with cutting-edge technology and products.

With a global network that spans Japan, the U.S., Europe and Asia, we are opening up new frontiers for digital networks by contributing to enhancing our customers' production lines through untiring dedication to technology innovation.

Contents

Financial Highlights
2 Consolidated Financial Highlights

Business Overview
3 Business Overview

Top Message
4 To Our Stakeholders
5 Interview with the CEO

Talking about Tokyo Electron
8 Talking about Tokyo Electron

Review of Operations and Business Outlook
9 Review of Operations and Business Outlook

Corporate Governance
10 Corporate Governance
12 Directors, Audit & Supervisory Board Members and Executive Officers

Corporate Citizenship
13 Environmental, Safety and Health Activities

R&D / Intellectual Property
14 Research and Development
15 Intellectual Property

Financial Section
16 Financial Review
20 Consolidated Eleven-Year Summary
21 Consolidated Balance Sheets
22 Consolidated Statements of Operations
22 Consolidated Statements of Comprehensive Income
23 Consolidated Statements of Changes in Net Assets
23 Consolidated Statements of Cash Flows
24 Notes to Consolidated Financial Statements
32 Independent Auditor's Report

Corporate Data
33 Consolidated Subsidiaries / Investor Information

Guide to Buttons

- Move Back to Previous Page
- Move Forward to Next Page
- Return to Last Page Opened
- CONTENTS Go to Contents Page
- Search PDF Content
- Print
- Zoom

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 panel 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 19.

Consolidated Financial Highlights

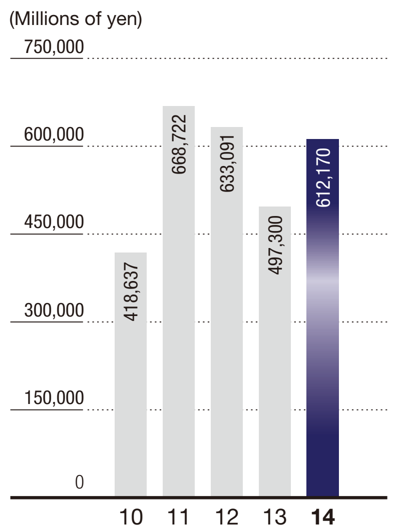
	Millions of yen					Thousands of U.S. dollars
Years ended March 31	2010	2011	2012	2013	2014	2014
For the year:						
Net sales	¥418,637	¥668,722	¥633,091	¥497,300	**¥612,170**	**$5,948,018**
Operating income (loss)	(2,181)	97,870	60,443	12,549	**32,205**	**312,913**
Income (loss) before income taxes and minority interests	(7,768)	99,579	60,602	17,767	**(11,756)**	**(114,225)**
Net income (loss)	(9,033)	71,924	36,726	6,076	**(19,409)**	**(188,583)**
Depreciation and amortization	20,002	17,707	24,198	26,631	**24,888**	**241,819**
Capital expenditures	14,919	39,140	39,541	21,774	**12,799**	**124,359**
R&D expenses	54,074	70,568	81,506	73,249	**78,664**	**764,322**
Operating margin	(0.5)%	14.6%	9.5%	2.5%	**5.3%**	
ROE	(1.8)%	13.3%	6.3%	1.0%	**(3.3)%**	

	Millions of yen					Thousands of U.S. dollars
At year-end:						
Total assets	¥696,352	¥809,205	¥783,611	¥775,528	**¥828,592**	**$8,050,836**
Total net assets (Total shareholders' equity)	523,370	584,802	598,603	605,127	**590,614**	**5,738,574**

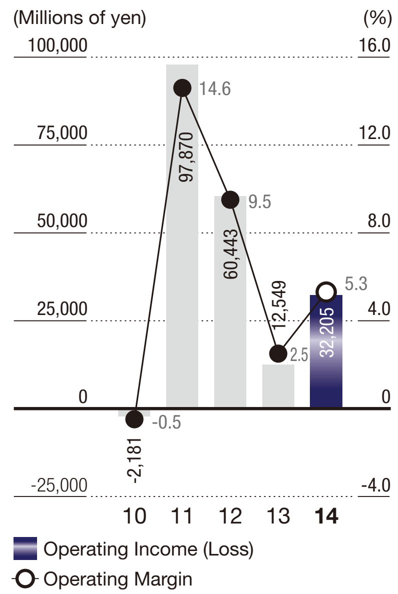
	Yen					U.S. dollars
Per share:						
Net income (loss)—Basic	¥ (50.47)	¥ 401.73	¥ 205.04	¥ 33.91	**¥ (108.31)**	**$ (1.05)**
Cash dividends	12.00	114.00	80.00	51.00	**50.00**	**0.49**

Notes: 1. U.S. dollar amounts are translated from yen, solely for convenience, at the prevailing exchange rate on March 31, 2014 of ¥102.92=U.S.$1.
2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.

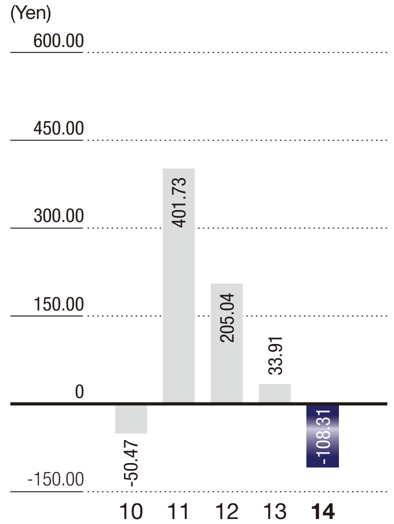
Net Sales



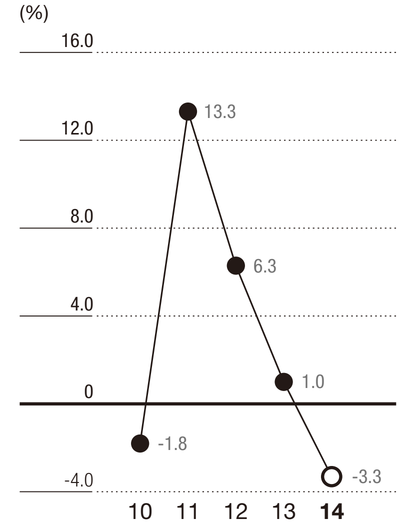
Operating Income (Loss) and Operating Margin



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 and cleaning systems used in wafer processing as well as wafer probers used in the wafer testing process. Other products include electrochemical deposition systems and wafer bonders/debonders used in advanced packaging processes.

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


Coater/Developer
CLEAN TRACK™ LITHIUS Pro™ Z

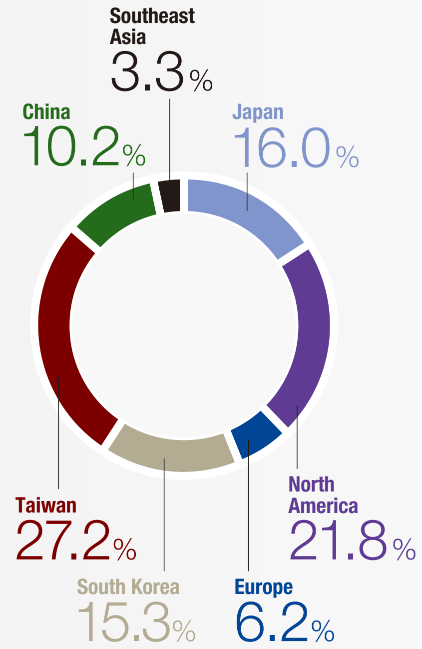

Plasma Etch System
Tactras™


Thermal Processing System
TELINDY PLUS™


Single Wafer Deposition System
Triase+™


Single Wafer Cleaning System
CELLESTA™ -i


Wafer Prober
Precio™



FPD 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 coater/developers and plasma etch/ash systems used to manufacture FPDs, along with solid technical support and service.

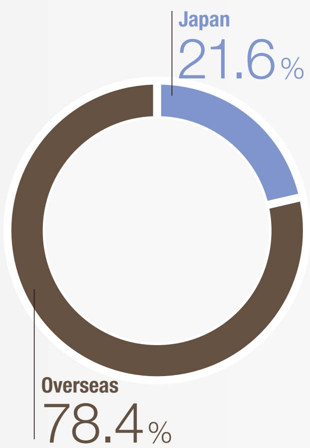
Tokyo Electron has also added an inkjet printing system for manufacturing OLED panels using large-sized substrates to its lineup, seeking to take advantage of the expanding OLED display market.

» FPD Coater/Developer
» FPD Etch/Ash System
» Inkjet Printing System for Manufacturing OLED Panels


FPD Coater/Developer
Exceliner™


FPD Etch/Ash System
Impressio™


Inkjet Printing System for Manufacturing OLED Panels
Elius™ 2500



To Our Stakeholders

Tokyo Electron celebrated the 50th anniversary of its founding on November 11, 2013. I'd like to once again offer my heartfelt gratitude to everyone who has done business with and supported us over the years, and add a personal thanks to all the employees who have worked by our side as well as those who led the way before.

I regret to say that, in fiscal 2014, the year we marked this milestone, we posted a net loss of ¥19.4 billion. In 2013, the business environment for semiconductor production equipment (SPE) and flat panel display (FPD) production equipment picked up, leading to fiscal 2014 net sales of ¥612.2 billion, up 23% year on year, and operating income of ¥32.2 billion, up 157%. However, we also recorded ¥47.0 billion in loss on impairment linked to our withdrawal from the photovoltaic panel production equipment business, which now lacks future potential, delay in establishing businesses in the advanced packaging field, and the consolidation of development sites. We take full responsibility for these results. The entire management is committed to doing our utmost going forward, and we kindly ask for your understanding.

In fiscal 2014, we also decided to reduce our stake in Tokyo Electron Device, a subsidiary which operates the electronic components and computer networks business, solidifying our strategy of concentrating management resources in the SPE and FPD businesses. We are going back to the basics of management, working tirelessly toward the strong medium- and long-term growth of the Company. In light of Tokyo Electron's stable financial base and the recent state of the world economy, we paid annual dividends of ¥50.

Transforming for the Next Half Century

Last year, we made the momentous decision to enter into a merger of equals with Applied Materials, Inc. of the United States to secure further growth, prosperity and the continued development of the industry over the next 50 years. Aiming to become a global innovator in the semiconductor and display production equipment industry, the top management of both companies is steadily advancing preparations for the merger, and we hope to launch the new, integrated company in the second half of this year.

We have now entered the true mobile network era. In this era, enormous amounts of data travel ceaselessly around the world, interwoven with society and all manner of objects, as expressed in the popular term "internet of things." This network is used for much more than just communication between individuals. It enriches and supports their lives from the ground up, playing key roles in medical care, health, automobiles and transportation, energy and finance. Going forward, semiconductor and FPD technology is expected to develop considerably as a fundamental global industry. For people around the world to enjoy the benefits of these technologies, however, we must reduce costs and develop breakthrough technologies. To do this, the assembly of a broad range of technologies and a strong financial base is more important than ever.

The industry now stands at its greatest inflection point to date. To meet this challenge, Tokyo Electron, Japan's leading production equipment manufacturer, and the U.S. leader, Applied Materials, have each resolved to transform themselves and unite to create a new company.

Together, we will work toward an inspired, dynamic future. We are confident that the new company will blaze the trail, contributing to society by creating great value and prosperity for shareholders, customers and the communities where we do business.

Thank you for your continued support and understanding.

June 2014

Tetsuro Higashi
Chairman of the Board, President & CEO

Interview with the CEO

Fueling growth opportunities

Technological innovation creates value for stakeholders

Tetsuro Higashi
Chairman of the Board,
President & CEO

Question 1

What did fiscal 2014 mean in terms of Tokyo Electron's operating strategy?

Fiscal 2014, the year ended March 31, 2014, was the 50th year since Tokyo Electron's founding, a big milestone for the Company. We recorded a net loss of ¥19.4 billion for the year, for which I offer my apologies to our shareholders. Otherwise, from the perspective of establishing an operating platform for the future, including business reorganization and the decision to merge with Applied Materials, it was a very meaningful year, characterized by taking on transformation aimed at the next fifty years.

Semiconductors have long played a central role in industry, and their role today continues to grow only more important. As a leader in the markets for production equipment of semiconductors and flat panel displays (FPDs), which support the very foundation of modern society, we further strengthened our operating base, with an eye toward growth and sustainable development going forward. In fiscal 2014, we withdrew from the photovoltaic panel production equipment business, reorganized R&D sites and reduced our stake in Tokyo Electron Device, which operates the electronic components and computer networks business, changing it from consolidated subsidiary to equity-method affiliate. We took these steps to concentrate management resources in our core semiconductor and FPD production equipment businesses and thus increase profitability and strengthen our financial standing. We also made the major decision to enter into a business combination with Applied Materials, aiming to strengthen our operating base for the next 50 years. We will use the strength of this operating base to realize further business growth and, through growth of the Company as a whole, return profits to shareholders.

Question 2

Please describe the reasons and objectives behind the decision to merge with Applied Materials.

Last September, we announced our decision to merge with Applied Materials, aiming to create a global innovator in the semiconductor and FPD production equipment industries and achieve continued growth over the next half century. This merger is a major step in determining the direction of the Company over the next 50 years and beyond. I am sure that the two companies will work together to set and achieve ambitious strategic and financial goals.

As advanced information and communications networks become more deeply engrained in society, growth opportunities in the semiconductor and display industries will continue to increase dramatically. As such, the importance of such industries as the backbone supporting the global spread

Press conference announcing the merger
Tokyo Electron Chairman of the Board, President & CEO Tetsuro Higashi (left) and Applied Materials President and Chief Executive Officer Gary Dickerson (right)

Zoom

Interview with the CEO

of these networks is growing. For the people of the world to enjoy the benefits of these developments, however, advanced technological innovation and exhaustive cost reductions are of pressing importance. In that sense, the semiconductor industry stands at its greatest inflection point ever.

By joining forces, the two companies, both world leaders in the semiconductor and display industries, will use their complementary strengths in technologies and products to create breakthrough technological innovation. By doing so, we will solve customers' high-value problems better, faster, and at lower cost, achieving further corporate growth and contributing greatly to the development of industry.

Question 3

Please tell us your thoughts on the future growth of the semiconductor production equipment (SPE) market and what you think the drivers of that growth will be.

Last year, Cisco Systems shook the industry with its forecast that in 2017, half the world's population will be connected to the internet, and annual global IP traffic will reach 1.4 zettabytes*, exceeding the total 1.2 zettabytes of traffic between the birth of the internet in 1984 and 2012 in just one year. Our digital network-based society is on the verge of a new period of expansion with the arrival of the zettabyte era.

In recent years, the term "Internet of things" has been cropping up more and more. As all kinds of "things" connect to the internet, the expansion of new products and services that make sophisticated use of vast amounts of data is expected in virtually all fields. We are entering a new cycle of expansion in which the growing use of such products and services increases the value of the network as infrastructure, and this increase in value drives further growth in usage. The scale of this potential market is immeasurable.

Semiconductors support the construction of networks that enable the transmission of such vast amounts of data and the development of mobile devices. As such, the continued evolution of semiconductors is indispensable. This means that the role of manufacturers will be more important than ever. We must not only improve device performance by increasing speed and capacity while reducing power consumption, but also develop breakthrough technologies that reduce costs. I'm sure that by creating innovative new technologies that contribute to the development of advanced information and communications networks, the SPE market will continue to grow.

* 1.4 zettabytes: An amount of data equivalent to the storage capacity of 362 billion DVDs.

Question 4

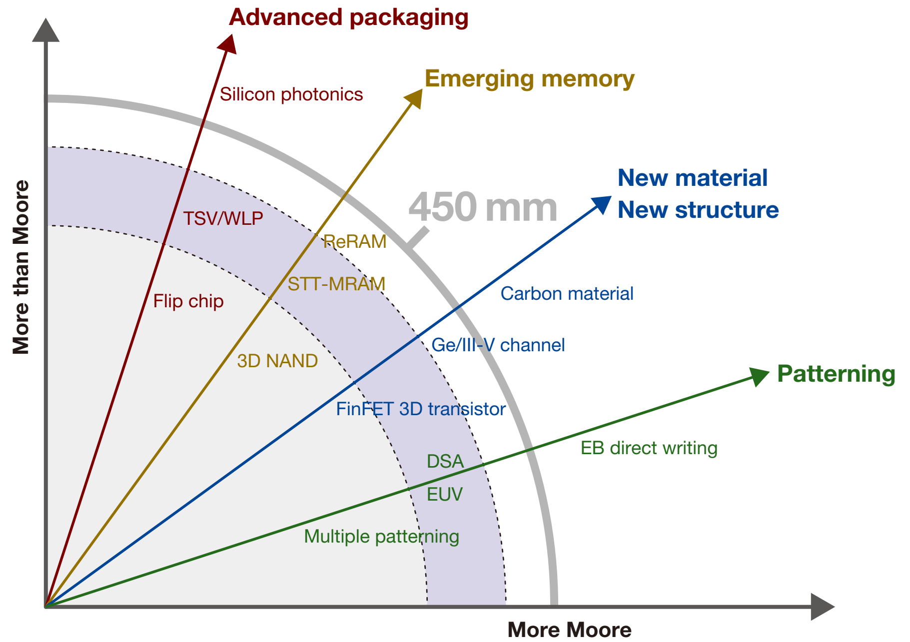
Tell us about Tokyo Electron's growth strategies for the SPE business.

The semiconductor industry is facing the greatest inflection point in its history. Until now, semiconductors have developed according to Moore's Law through constant miniaturization. However, as we approach the physical limits of miniaturization, we are now encountering various technological barriers that cannot be overcome merely by further developing existing technologies. To break through these barriers, besides conventional miniaturization, various innovative new technologies are emerging. These include 3D NAND flash, STT-MRAM (a form of magnetic memory), FinFET 3D transistors, advanced packaging, and multiple patterning that uses existing lithography to form finer patterns by applying etching and deposition (Figure 1).

Tokyo Electron is building a solid market position through product development targeting these new technologies. For finer patterning, the Company is introducing coater/developers with new defect-reducing features, ALD systems that achieve both nano-scale deposition and high productivity, and single wafer cleaning systems with reduced pattern damage to achieve differentiation and expand sales. Furthermore, in the production of new-structure devices, such as FinFET and 3D NAND flash memory, Tokyo Electron is receiving high marks for its etch systems featuring low damage and its dry cleaning systems.

We regard these inflection points as opportunities for business expansion. We will make timely product releases to respond to these new technologies and accelerate even further the technological innovation that customers seek to generate further growth.

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



Interview with the CEO

Question 5

Please tell us about the outlook for the FPD production equipment business.

The market for FPD production equipment is firm, reflecting active capital investment in small- and medium-sized panels for smartphones, tablets and other mobile devices as well as accelerating investment for large-sized panels in China. The display technology required for smartphones, 4K TV and other cutting-edge devices is growing more advanced, and the use of low-temperature polysilicon (LTPS) and indium gallium zinc oxide (IGZO) is advancing in thin-film transistors (TFT) to achieve higher functionality, including higher definition, higher image quality and lower power consumption. In response to these technological changes, Tokyo Electron is introducing etch systems that employ new plasma technology, building a competitive edge in the production equipment market for large panels.

The use of OLED displays, heralded as the next generation of display, is expected to soon expand from present applications in mobile devices to larger panels, including large-sized TVs. In the first half of 2014, Tokyo Electron began sales of inkjet printing systems for manufacturing generation eight (Gen8) OLED panels. This system achieves materials usage efficiency that is far higher than that of the conventional evaporation method, and is expected to contribute greatly to the production of larger panels for TVs and the reduction of costs. Going forward, I think we will see more diverse applications, including flexible and wearable displays, and continued technological innovation geared toward even better image quality.

Question 6

After the merger, how will you combine the distinct corporate cultures of Tokyo Electron and Applied Materials?

To ensure the success of such a large-scale, cross border merger, mutual understanding will be extremely important. To achieve optimal corporate operations beginning as soon as the merger takes effect, immediately after the merger was announced, we set up a team together with Applied Materials to prepare. The various departments of the two companies are engaged in regular dialog to understand one another's ways of doing business. I'm sure that this will enable us to realize optimal operations. From a similar perspective, I think that the presence in Japan of Gary Dickerson, who will be the CEO of the new company, will be of great benefit. For the company to succeed, there is no doubt that the CEO will need a thorough understanding of Tokyo Electron's operations and corporate culture.

We are also in the process of nailing down the new company's corporate mission, vision and values. These form the foundation of operations, and we are working to incorporate the best of both companies. I'm confident that by communicating the direction and ideals of new company to employees and sharing principles of action and common motivations, the employees from both companies can progress together toward the uniting goal of becoming a global innovator. We hope to put in place a corporate culture framework that sets the world standard and endeavor with all employees from both companies to make the merger a success.

Question 7

What effect does the merger with Applied Materials have on your policy regarding shareholder returns and dividends?

By merging the two companies, we will be able to create more competitive products and generate even greater profits, so I expect shareholder returns to increase significantly. We also plan to carry out share repurchases amounting to US$3 billion within twelve months of the merger's completion, which, together with new synergies, will be accretive to earnings per share exiting the first year. Serving the interests of shareholders will continue to be a top priority of the new company, and we will remain focused on increasing shareholder value.

Talking about Tokyo Electron

Corporate Culture: Key to Tokyo Electron's Growth

Tetsuo Tsuneishi

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

Since its founding, Tokyo Electron has held firmly to the management philosophy of providing cutting-edge products and excellent service. We're proud of the contributions Tokyo Electron has made to the development of the electronics industry by offering high added value.

So why has Tokyo Electron been able to achieve such growth, and how did we reach this current point, where the Company is now, once again, able to aim for further growth going forward? There are a few key factors behind this trajectory.

One such factor is the desire shared throughout the Company to become number one in the industry. Another is the corporate culture that we have nurtured since our founding. Understanding the reasons the Company exists, always putting customers first and setting high performance targets—these are all of course important. But what really powers Tokyo Electron's growth lies elsewhere: we aim for a personnel system that is fair, just and rigorous in evaluating the performance and true abilities of each employee, a workplace atmosphere that is rooted in honesty and integrity while frank and open, and a work environment that allows all employees to challenge themselves and engage their work with vigor. I believe that this corporate culture is what has made the Company's growth possible.

Our strong corporate culture not only enabled past management and employees to expand into new business areas, but also enabled the adoption of progressive corporate governance. Tokyo Electron uses an audit & supervisory board system and has furthermore established a Compensation Committee, Nomination Committee and Ethics Director within the Board of Directors. The Company was one of the first in Japan to disclose individual remuneration of representative directors. In these ways, we maintain highly independent, transparent operations.

Today, with new opportunities ahead, we will continue nurturing our exemplary corporate culture and corporate governance as we aim to use the planned merger with Applied Materials to increase corporate value, recognizing the return of value to all stakeholders as our mission.

A Trusted Brand Built on Quality Products

By squarely facing the demands of the market and our customers, Tokyo Electron has achieved leadership in the semiconductor production equipment industry. Moreover, everyone in the Company—from manufacturing to sales to service—trusts each other, takes individual responsibility and works with conviction to exceed customer expectations. Nor can we forget the contributions of our partner companies to development and manufacturing; working together, we have created high quality products and inspired one another to push our technologies and capabilities further. These values have been Tokyo Electron's strength from the beginning. They support our brand. They are why customers trust Tokyo Electron to always meet their expectations.

In terms of manufacturing, we began implementing TPM* in the early 2000s as part of efforts to achieve innovation in manufacturing. From the development and design stages, we build QCD** in. We seek to leverage the advantages of our existing integrated development and manufacturing while steadily improving production processes. The true value of such efforts will be proven at the new Miyagi plant, where we commenced operations in 2011 with the aim of making it the world's top semiconductor production equipment plant.

The industries that Tokyo Electron serves are constantly evolving. To continue growing, we must utilize teamwork. With teamwork, we can move quickly and maximize the impact of each individual's creativity and our strengths in fundamental technologies. With teamwork, we can create and maximize the value we provide our customers. In the upcoming merger with Applied Materials, we will need to adapt to succeed, even as we sustain existing competitive strengths. Both will be crucial. By learning from each other and working to combine our strengths, I am sure that we can break new ground in manufacturing.

* TPM: Total productive management, an approach that involves all personnel to reduce waste and promote efficiency in manufacturing and production.

** QCD: Quality, cost and delivery, three key priorities in production management.

Hirofumi Kitayama

Representative Director, Senior Executive Vice President, Business Ethics, CSR Promotion, Production and Technology, System Development Division, IT, General Manager, Production Division (Quality)

Blazing the Trail with Our Customers

Hikaru Ito

Corporate Director, Executive Vice President, SPE, Senior General Manager, SPE Sales Division & General Manager, ESBU

Tokyo Electron has grown and evolved focusing on the semiconductor production equipment business. Last year marked the Company's 50th anniversary.

I believe the source of our growth lies in the principle of putting customers first, which has enabled us to pursue added value from a customer perspective, as well as our corporate culture, which has allowed Tokyo Electron to consistently lead the way in adapting to evolving needs, fearlessly taking on new challenges.

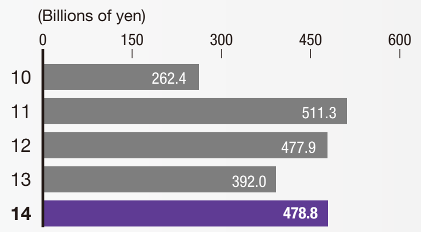
In the Company's earliest days, we served as a distributor of imported products with full range of technological support, a business area in which few other companies were involved at the time. As the level of technological challenges rose, Tokyo Electron evolved from trading company to manufacturer, and has since earned the trust and satisfaction of customers by making further improvements in technology and quality. Today, our global operations span 16 countries. Tokyo Electron deals in more than 20 product categories and holds the top market share in many of these. We have received numerous supplier awards and the highest praise as a partner company from our customers, who rely on close collaboration with Tokyo Electron for future technological development.

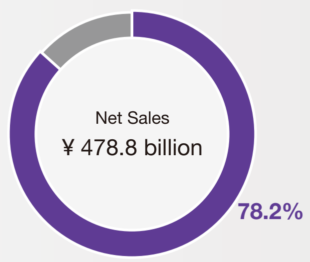
Further growth is expected in the semiconductor industry as it expands from its roots in IT applications into automobiles, medical care and infrastructure. These broadening applications provide Tokyo Electron with abundant opportunity. To meet evolving market demands and solve emerging challenges, we will work closely with customers from the development and design stage of their products. I am confident that we can achieve further growth and continue to contribute to the development of the industry.

Review of Operations and Business Outlook

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

Semiconductor Production Equipment





Capital investment in semiconductor production equipment saw remarkable recovery in the second half of 2013, reflecting the worldwide spread of mobile devices as well as demand for servers accompanying the growing use of cloud computing. In particular, investment to enhance manufacturing capability through miniaturization resumed for mobile DRAMs, while investment for early 3D-NAND volume production commenced. Demand for logic semiconductors remained firm, and investment in cutting-edge technologies by foundries was brisk.

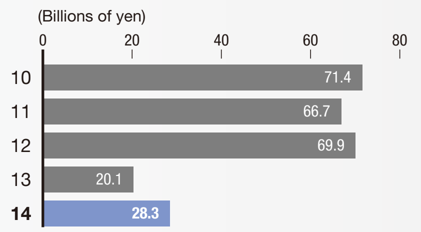
- Segment net sales were up 22.1% year on year to ¥478.8 billion.
- Reflecting recovery in memory-related investment, sales rose 145% in China, 90% in Japan and 28% in South Korea.
- Sales in Taiwan rose 24% on the back of solid logic-related investment.
- Sales of cleaning systems reached their highest level ever.

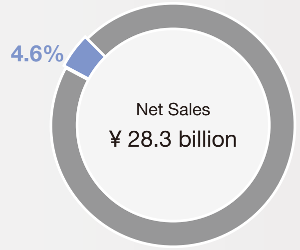
Demand for semiconductors and for increasingly advanced and diverse technologies is expected to continue growing. This growth will be driven by the further adoption of smartphones and other mobile devices, the arrival of the "internet of things" and more sophisticated use of big data as well as the rapid development of the networks that support these technologies.

Tokyo Electron regards these technological changes as opportunities for growth and is aggressively bringing to market new high performance, high productivity products. For finer patterning, the Company is introducing coater/developers with new defect-reducing features, ALD systems that achieve both nano-scale deposition and high productivity, and single wafer cleaning systems with reduced pattern damage to expand sales. Tokyo Electron is also working to boost its position in markets for such new technologies as 3D NAND flash memory and FinFET by introducing etch systems featuring low damage and high selectivity as well as dry cleaning systems.

Zoom

FPD Production Equipment





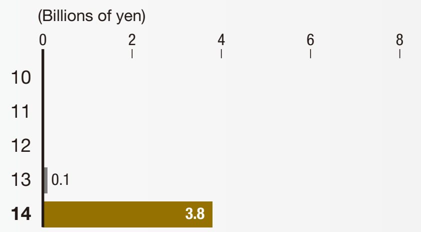
In flat panel displays (FPD), capital investment for small- and medium-sized high-definition panels remained solid in 2013, reflecting the global spread of mobile devices. Capital investment in production equipment for large-sized panels for TVs also began to recover in the second half of the year, mainly in China. As a result, the overall business environment improved.

- Segment net sales rose 41.0% to ¥28.3 billion.
- Sales in China accounted for approximately 60% of the total sales.
- Sales of new ICP etch systems, for higher definition panels, were strong.
- Tokyo Electron began to receive orders for inkjet printing systems for manufacturing OLED panels.

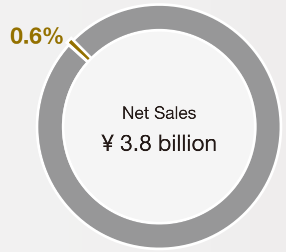
The overall market for FPD production equipment is firm, reflecting capital investment in small- and medium-sized panels for smartphones, tablets and other mobile devices and accelerating investment for large-sized panels in China. In thin-film transistor (TFT) processes, the use of low-temperature polysilicon (LTPS) and indium gallium zinc oxide (IGZO) in place of conventional amorphous silicon is growing. Tokyo Electron is working to increase sales by introducing new products to accommodate these new technologies. The Company furthermore aims to expand the production equipment market for OLED displays, which are hailed as the next generation of display technology, with the release of inkjet printing equipment for use in the manufacture of large-sized OLED panels.

Zoom

PV Production Equipment



From FY2010 to FY2012, PV production equipment sales are included in FPD production equipment sales.



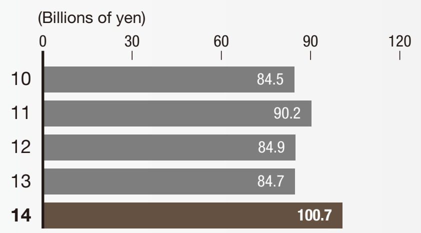
Amid steadily growing worldwide demand for photovoltaic panels, the number of panels installed continued to grow in 2013. However, production equipment remained in oversupply around the globe, and new investment did not recover.

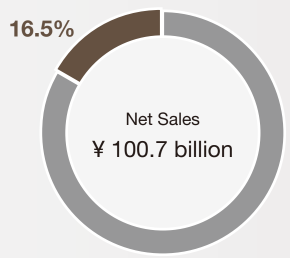
- Segment net sales came to ¥3.8 billion, up from the previous fiscal year's ¥83 million.

Aiming to break into the thin-film silicon photovoltaic panel market, Tokyo Electron became the exclusive sales representative of Switzerland-based Oerlikon Solar in 2009 and began sales of end-to-end production lines for photovoltaic panels. In 2012, the Company acquired Oerlikon Solar, with the aim of generating growth by merging its technologies with the production equipment technologies of the Group. However, due to changes in the market environment, panel production equipment has since been in oversupply. While Tokyo Electron boosted development efforts to increase conversion efficiency and took all available measures to reduce costs, the business environment remained extremely harsh. Having determined that it could not expect a reasonable return on investment going forward, Tokyo Electron ended all research and development, manufacturing and sales operations in the PV production equipment business at the end of March 31, 2014. Going forward, the Company will continue only support operations for delivered units.

Zoom

Electronic Components and Computer Networks





In 2013 the market for electronic components reached a new high, driven by demand in the United States and Asia. Domestic demand for industrial electronics recovered, and demand for devices used in smartphones and automobiles grew in Asia. In the domestic information and communication equipment market, capital investment related to data centers was firm, reflecting the rapid growth of cloud computing.

- Segment net sales rose 19.0% year on year to ¥100.7 billion.
- In the electronic components business, sales of general-purpose integrated circuits (IC) for use in automobiles increased, buoyed by an expansion of commercial rights.
- In the computer networks business, sales of equipment for data centers increased.
- Increasing sales abroad caused the segment's overseas sales ratio to rise from 19.3% in the previous fiscal year to 22.0%.

This segment has been operated by Tokyo Electron Device Limited and its subsidiaries. Considering the future development of the distinct businesses in which Tokyo Electron and Tokyo Electron Device engage, the Company determined that the establishment of growth strategies more uniquely attuned to each party would benefit the corporate value of both companies. Accordingly, in April 2014, Tokyo Electron sold a portion of its shares in Tokyo Electron Device. As a result, from fiscal 2015 onward, Tokyo Electron Device will be classified as an equity method affiliate rather than a consolidated subsidiary, and Tokyo Electron's equity in income of Tokyo Electron Device will be included in investment profit or loss on equity method affiliates on the consolidated statements of income.

Zoom

Corporate Governance

Against a backdrop of ongoing business globalization, Tokyo Electron maintains a management philosophy that places 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 works to maintain a highly effective, optimized corporate governance structure while 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 nine directors, two of whom are outside directors. In principle, the Board of Directors meets once a month. During fiscal 2014, the Board of Directors met on 13 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 four 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 2014, 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 at Tokyo Broadcasting System Holdings, Inc., and Mr. Masahiro Sakane, who is Councilor at 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 since 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.

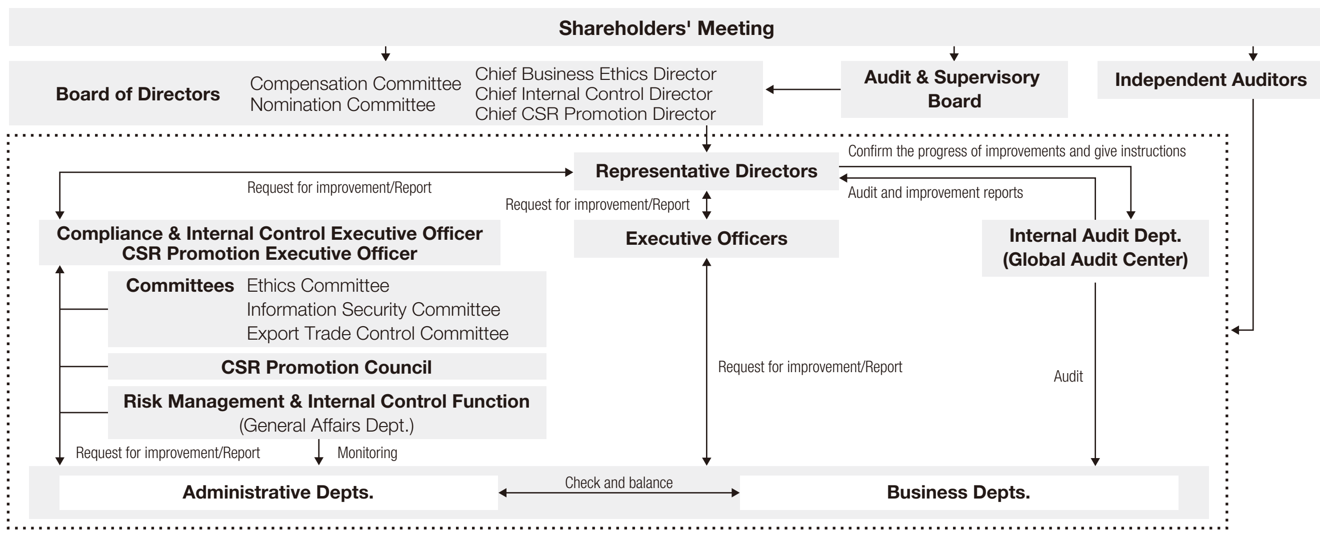
Internal Audit Department (Global Audit Center)

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 for 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.

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



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.

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.

Zoom

Corporate Governance

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.

CSR (Corporate Social Responsibility)

The Tokyo Electron Group regards ensuring workplace safety, the safe use of its products and the health of everyone associated with the Group's activities as fundamental to fulfilling its corporate social responsibility (CSR). To further promote CSR initiatives, the Group has established a CSR Policy as well as dedicated CSR promotion structure.

CSR Policy

In 2013, Tokyo Electron adopted a CSR Policy based on the Company's Corporate Philosophy and Management Policies, codifying its basic stance and values with regard to CSR activities and concretely stating its corporate social responsibility and policies. By understanding its duties as a good corporate citizen and earnestly responding to the demands of society, the Tokyo Electron Group seeks to contribute to society and create hope for the future.

CSR Promotion Council, Chief CSR Promotion Director, CSR Promotion Executive Officer

In 2014, the Group established the CSR Promotion Council to formulate and review CSR promotion plans and indicators, and newly appointed a Chief CSR Promotion Director, to oversee the meeting. Under the leadership of the CSR Promotion Executive Officer, the Group is working to further enhance CSR activities.

Shareholders' 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 ICJ, Inc.

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

FTSE4Good

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 9 directors are outside directors
Outside audit & supervisory board members	Yes	Three of the four 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	

Zoom

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2014)

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, CSR Promotion

Hikaru Ito
Corporate Director

Kenji Washino
Corporate Director

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, Komatsu Ltd.

** Outside Director*

Audit & Supervisory Board Members

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 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)

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

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

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

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

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

Takeo Sasaki
Vice President & General Manager, Legal

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

Yoshiaki Horii
Vice President & General Manager,
SPE Sales Division, General Manager, North America & Europe Sales

Yuichi Abe
Vice President & General Manager, ATSBU

Tsuguhiko Matsuura
Vice President & General Manager, FPDBU

Shinichi Sasahara
Vice President & General Manager, PVE

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

Environmental, Safety and Health Activities

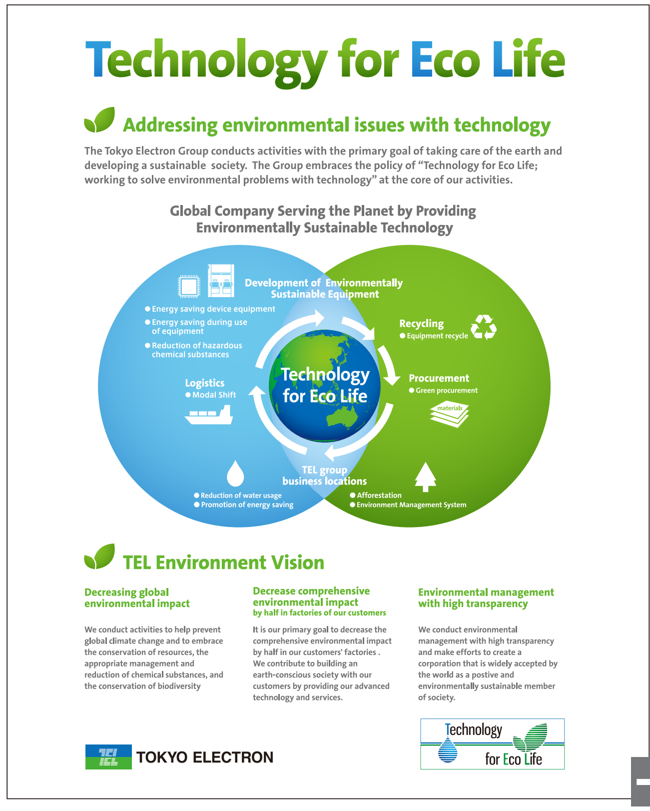
Tokyo Electron positions environmental, safety and health activities as one of its most important management issues to achieve both sustained corporate growth and a sustainable society. The Group is committed to reducing the environmental impact of all its activities, and to ensuring absolute safety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

Environmental Activities

Under the slogan "Technology for Eco Life," the Tokyo Electron Group aims to use cutting-edge technologies and services to solve environmental problems. In all its business activities, the Group aims to reduce environmental impact and preserve the global environment, while also conducting activities aimed at conserving biodiversity. In these ways, the Tokyo Electron Group is contributing to the creation of a sustainable world.

Goals Based on the Environment Vision

Under the Environment Vision, in fiscal 2012 we set environmental goals in the four areas of products, procurement and logistics, plants and offices, and environmental management. In products, our target has been to reduce the power consumption of major models of each business unit by 50% and promote the environmental compliance of products. In procurement and logistics, we are promoting green procurement and modal shifts. In plants and offices, we aim to reduce energy and water consumption and promote the recycling of waste. 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.



Zoom

Category	Goal	Status in fiscal 2014
Products	Reduction of environmental impact	Reduced power consumption of major models of each business unit by 50% from the fiscal 2008 levels ahead of schedule in fiscal 2014.
	Compatibility with Chinese RoHS	Began activities aimed at compatibility with Chinese RoHS at overseas production bases.
	Voluntary compliance with the EU's RoHS	Continued to ensure that major models of each business unit contain 98.5% or more parts that meet the EU's Restriction of Hazardous Substances Directive (RoHS).
	Compliance with environmental regulations of each country	Continued 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. Reinforced overseas compliance systems.
Procurement and logistics	Promotion of Green Procurement	Surveyed approximately 300 major business partners to understand the status of their environmental initiatives.
	Reduction of environmental impact of logistics	Promoted modal shifts, continued monitoring.
Plants and offices	Reduction of energy consumption by 1% year on year	Nine of 14 global locations that set targets achieved them.
	Recycling of waste (maintain domestic recycling ratio at 97% or higher)	Achieved domestic recycling ratio of 98%. Overseas locations that set targets achieved them.
	Reduction of water consumption (maintain fiscal 2012 level)	Achieved 11 of 18 targets set at global facilities.
Environmental management	Environmental management system	Maintained ISO 14001 certification for the Group's plants.
	Environmental education	Conducted environmental education overseas. Including those in Japan, approximately 10,000 participants have received environmental education since fiscal 2013.
	Environmental communication	Continued to publish Environmental and Social Reports.
	Conservation of biodiversity	Held multiple ecosystem observation events at all domestic locations based on our activity guidelines.

Zoom

Example of efforts to reduce products' environmental impact

Plasma Etch System

A 50% reduction in energy used per wafer by *Tactras™ Vigus™* was achieved by reducing the energy consumed by the high frequency generator (plasma generation) and the chiller (temperature control), which are major consumers of electricity in the system.

Plasma Etch System
Tactras™ Vigus™

Results of the Fiscal 2014 Environmental Goals

Environmental goals and the corresponding results for fiscal 2014 are as follows.

I. Products

- Reducing environmental impact
  The goal of reducing power consumption by 50% (from the fiscal 2008 levels) for the major models in each business unit was achieved in fiscal 2014, a year ahead of schedule.
- 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
  Nine of 14 global locations achieved goals to reduce energy consumption by 1% on a per-unit basis in each area. The Group's fiscal 2014 CO_2 emissions as defined by scope 1 and scope 2 of the GHG Protocol were 157,360 tons.
- Reducing water use
  Under the overall goal of maintaining fiscal 2012 usage levels on a per-unit basis in each area, global facilities achieved 11 of 18 specific targets set.
- Recycling of waste
  Domestic plants and offices achieved the goal of recycling 97% or more of waste. All overseas facilities that set targets achieved them.

Meeting on implementation of new guidelines for the use of chemicals in products

Ecosystem observation event

III. Other Activities

The Group surveyed business partners about their environmental activities in line with the green procurement guidelines, implemented online environmental education in overseas areas and conducted activities based on the guidelines concerning biodiversity adopted in fiscal 2013.

Tokyo Electron will continue to promote further activities and improvements globally in fiscal 2015.

Safety and Health Activities

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

In fiscal 2014, 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 lead to serious injuries or death. As a result, the number of such accidents was also reduced by 40% compared with fiscal 2013. The Company continued to implement accident prevention measures such as prior safety checks of installation areas, risk prediction activities at work sites, safety patrols and other on-site activities, as well as case studies of actual accidents. The Group is furthermore implementing various ongoing activities to prevent the reoccurrence of accidents caused by human error, including analysis of accident causes and appropriate countermeasures.

Tokyo Electron has built its world class safety systems one piece at a time through tireless safety initiatives. The Group will continue to make every effort to maintain and strengthen this system going forward.

* Like for like basis excludes accidents at the four subsidiaries acquired in fiscal 2013 and traffic accidents among the Group.

For further details, see the "Tokyo Electron Environmental and Social Report 2014" (to be published in July 2014).

Research and Development

Continuous Technological Innovation is Required in the Semiconductor Industry

The advance of miniaturization and the use of larger wafers have allowed the semiconductor industry to simultaneously achieve higher functionality (faster operation and lower power consumption) and cost reduction, building the foundation for the broad adoption of electronics around the world. In addition to demand for performance improvements, the arrival of smartphones has created new technical demand for application-oriented semiconductor device development, aimed at realizing the functions and performance that more users want.

In application-oriented device development, customers look not only for differentiation in device design, but for diversity of materials and process technology as well. Semiconductor production equipment manufacturers engage all technical possibilities; Tokyo Electron implements strategic, efficient technological development according to the level of necessity of each technology.

Tokyo Electron engages in development aimed at near-term commercialization as well as medium-term development in close collaboration with strategic customers when it is deemed necessary to incorporate core technologies to accelerate commercialization. In medium- and long-term development, which will produce the Company's mainstay technologies of the future, Tokyo Electron collaborates with universities and consortia to facilitate wide-ranging data gathering and the acquisition of technologies. These measures ensure that the Company is comprehensively prepared for future technologies. Cutting-edge technology changes rapidly. Tokyo Electron is boldly advancing groundbreaking technological innovation in these areas, laying the path for future growth.

Initiatives in Miniaturization, 3DI Packaging and Larger Wafer Sizes

The evolution of semiconductors has long been synonymous with progress in miniaturization. Tokyo Electron has greatly contributed to device scaling by developing adjacent processes for the latest lithography, which has been a driver of miniaturization. Now, the various technologies related to semiconductors stand at an inflection point. Tokyo Electron is developing innovative equipment to meet the demands of new technologies.

In the area of Extreme Ultraviolet (EUV) lithography, hailed as the next generation of lithography, Tokyo Electron is engaged in joint development with imec* and other consortia worldwide as well as with ASML Holding, the world's largest supplier of lithography systems. In double and multiple patterning, which achieves miniaturization through the use of deposition and etching technologies, Tokyo Electron is focused on process technologies with priority to reducing patterning cost, aiming to bring 10nm nodes to practical use. Directed self-assembly (DSA) uses the chemical properties of materials to form circuit patterns, without relying on lithography. To quickly establish technology to bring DSA into practical use, Tokyo Electron collaborates with imec and participates in EIDEC's DSA research program.

At the same time, in the field of 3DI (three-dimensional integration), which utilizes technology for creating high-performance semiconductors through the three-dimensional stacking of chips, Tokyo Electron is developing equipment and process technology through the process integration evaluation of imec, Sematech and other consortia. With regard to making silicon wafers larger to improve productivity, Tokyo Electron is steadily advancing efforts to meet customer demand for 450mm wafers as a leader in the production equipment market.

* imec: imec performs world-leading research in nanoelectronics. Imec leverages its scientific knowledge with the innovative power of its global partnerships in ICT, healthcare and energy.

Going forward, Tokyo Electron will continue to rapidly reflect innovative technologies in its products and advance R&D aimed at providing even greater value to customers.

Initiatives in Reducing Semiconductor Power Consumption

Device development going forward is aimed at rapidly processing large-scale data and using less power. Technologies for higher-speed processing include conventional miniaturization with silicon, new materials to overcome the limits of such miniaturization, notably indium gallium arsenide (InGaAs) and other III-V semiconductors, which have high carrier mobility*, as well as layered semiconductor technologies, such as the use of graphene. Tokyo Electron is actively incorporating the insights of research institutions around the world in its development of these next-generation semiconductor technologies.

Tokyo Electron is engaged in R&D aimed at developing carbon materials for future practical use with the Low-power Electronics Association & Project (LEAP). The Company is furthermore developing technologies related to silicon photonics** for low-power consumption telecommunications, seeking to realize equipment and processes that contribute to further power use reduction.

As part of efforts to reduce power consumption with next generation devices that operate on new principles, Tokyo Electron participates in a research program focused on STT-MRAM (Spin Transfer Torque-Magnetoresistive Random Access Memory) at Tohoku University's Center for Innovated Integrated Electronic Systems, Research and Development.

Going forward, Tokyo Electron aims to quickly establish manufacturing technologies for new materials and devices.

* Carrier mobility: The ease with which electrons can move within a solid substance
** Silicon photonics: Technology for creating integrated circuits that use photons out of silicon

Initiatives in New Areas

Looking to realize sustained growth, Tokyo Electron is also focused on utilizing core technologies developed for semiconductor and flat panel display production equipment to cultivate new business areas.

In displays, Tokyo Electron is developing production technology for OLED panels, which realize reduced power consumption. The Company has released *Elius™ 2500*, an inkjet printing system for manufacturing OLED panels. In place of the evaporation technology currently used in mass production of OLED panels, this system uses inkjet printing to discharge only the necessary amount of organic luminescent material onto large glass substrates without need of a vacuum, greatly improving productivity in film forming.

Furthermore, in terms of possible applications of printing technology to flat panel display production processes, Tokyo Electron is involved in JAPERA (Japan Advanced Printed Electronics Technology Research Association), assessing cutting-edge application-oriented technologies. Going forward, Tokyo Electron will continue R&D aimed at further growth, exploring business opportunities in semiconductor and flat panel display production and their peripheral areas as well as new business areas.

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.

Zoom

Metallization System
Triase+™ EX-II™ TiN

The newest single-wafer metallization system, for next-generation devices. Compatible with a wide range of deposition materials, this system features lower temperatures, excellent step coverage and film control.

Inkjet Printing System for Manufacturing OLED Panels *Elius™2500*

The inkjet process can dispense to ink to just selected areas of substrate without a mask (direct patterning), realizing low material consumption to greatly reduce production costs. The inkjet process is excellent for use with large panels and can be used without a vacuum.

Zoom

Tohoku University Center for Innovative Integrated Electronic Systems

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 STT-MRAM, which is attracting attention as a next-generation memory device.

Zoom

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.

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. Tokyo Electron acquired several companies in fiscal 2013. IP personnel have been 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

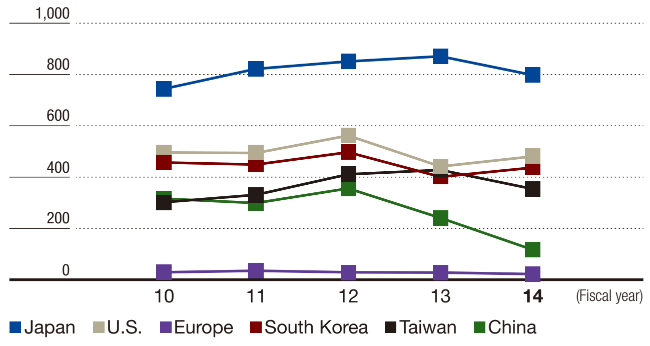
To establish an elevated entry barrier around our business, Tokyo Electron vigorously constructs an IP portfolio encompassing our core technologies, and protects our future technological growth. The graphs below show the number of patent applications and patents of Tokyo Electron in each region. During fiscal 2014, the patents we acquired through M&A in the previous fiscal year continued to strengthen our IP portfolio.

Effective prosecution process that Tokyo Electron has been establishing makes our IP portfolio competitive. Tokyo Electron keeps high success rates, around 70%, before Patent Offices in main countries. The rates exceed average of our competitors. With optimal filing routes/agencies, the high success rates have been reducing cost for constructing IP portfolio.

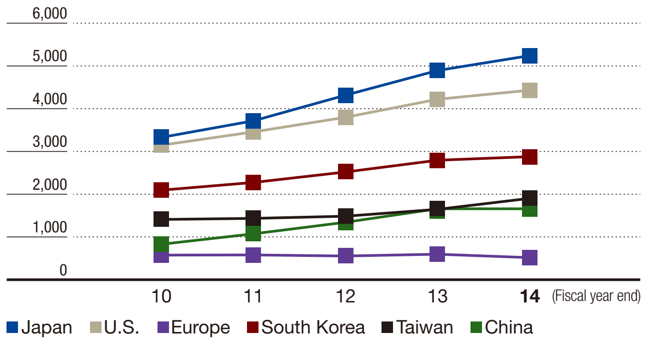
The IP committees periodically revise policies for filing and holding patents in light of evolving perspectives including technological trends, market conditions, competition and cost-effectiveness. We have maintained a global application ratio of approximately 70%* in recent years while strategically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

* 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 Patents Held



Financial Review

Sales and Income

Operating Environment

The overall world economy in fiscal 2014 saw gradual recovery, as economic conditions in the United States picked up slightly and Europe showed signs of recovery, despite slowing growth in China and other emerging countries. The Japanese economy improved as well, supported by governmental economic stimulus measures and by the general upturn in the world economy.

In the electronics industry, in which Tokyo Electron operates, demand for TVs and PCs remained sluggish, but shipments of mobile devices were firm, driven primarily by growth in demand for smartphones and tablets in emerging countries. Demand for semiconductors also grew, reflecting the global spread of mobile devices and increasing demand for data center servers accompanying the growing use of cloud computing. As a result, capital investment by semiconductor manufacturers, customers of Tokyo Electron's, also recovered.

Sales

Net sales in fiscal 2014 increased 23.1% year on year to ¥612.2 billion. This was due to substantial recovery in sales of mainstay semiconductor production equipment, reflecting the upturn in the business environment.

Domestic sales grew 36.4% year on year to ¥161.6 billion, while overseas sales grew 18.9% to ¥450.5 billion. Overseas sales as a share of total consolidated sales came to 73.6%, down 2.6 percentage points from 76.2% in fiscal 2013.

Orders received during the fiscal year under review increased 54.5% compared to the previous year to ¥696.2 billion. The order backlog at the end of March 2014 was ¥265.1 billion, up 46.6% year on year.

Gross Profit, SG&A Expenses and Operating Income

Cost of sales for the period under review increased 21.2% year on year to ¥410.3 billion, while the cost of sales ratio dropped 1.1 percentage points to 67.0%.

As a result, gross profit was up 27.2% year on year to ¥201.9 billion, with the gross profit margin rising to 33.0% from 31.9% in fiscal 2013.

SG&A expenses rose 16.1% year on year to ¥169.7 billion. This was due to increased R&D expenses in fields related to the four overseas subsidiaries acquired in fiscal 2013; the full inclusion of costs, including amortization of goodwill, related to those companies in the fiscal 2014 results; and an increase in the yen conversion of local currency expenses incurred by overseas subsidiaries due to the depreciation of the yen. Nevertheless, sales growth outpaced the increase in SG&A expenses. Accordingly, the ratio of SG&A expenses to consolidated net sales dropped from 29.4% in the previous fiscal year to 27.7%.

Consequently, operating income increased 156.6% year on year to ¥32.2 billion, and the operating margin rose from 2.5% to 5.3%.

Research and Development

R&D expenses were up 7.4% year on year to ¥78.7 billion. As Tokyo Electron views R&D as a source of growth, the Company invested not only in strengthening existing business areas, but also in new areas that are expected to support future growth. Due to the significant increase in net sales, R&D expenses as a percentage of net sales dropped from 14.7% to 12.9%.

R&D investment in semiconductor production equipment was focused on multiple patterning technology for further miniaturization and key technologies such as deposition, etch and cleaning technologies for new 3D structure devices and new materials. Other areas of R&D investment included the development of production equipment for STT-MRAM*, a promising candidate for the next-generation of memory device, and the development of advanced packaging technology.

In FPD production equipment, R&D investment concentrated on developing inkjet printing systems for manufacturing OLED panels.

* STT-MRAM: Spin Transfer Torque-Magnetoresistive Random Access Memory (an emerging memory promising for its low power consumption)

Other Income (Expenses) and Net Income (Loss)

During fiscal 2014, Tokyo Electron recognized interest and dividend income of ¥3.2 billion and revenue from grants of ¥1.2 billion but also recognized a ¥47.0 billion loss on impairment, comprised of a ¥32.8 billion loss attributable to the PV Production Equipment segment mainly on goodwill due to revisions of future cash flow estimates, a ¥5.0 billion loss attributable mainly to goodwill of TEL NEXX, Inc. (acquired in May 2012) due to revisions in its business plan, and an ¥8.3 billion loss on fixed assets accompanying Tokyo Electron's decision to reorganize facilities. As a result, other income (expenses) amounted to ¥44.0 billion of net expense, compared with ¥5.2 billion of net income in fiscal 2013.

This contributed to the ¥11.8 billion net loss before taxes and minority interests, compared with ¥17.8 billion in net income before income taxes and minority interests in the previous year. Net loss totaled ¥19.4 billion, compared with net income of ¥6.1 billion in fiscal 2013. Net loss per share was ¥108.31, compared with net income per share of ¥33.91 in fiscal 2013.

Comprehensive Income (Loss)

In fiscal 2014, Tokyo Electron recognized comprehensive loss of ¥10.9 billion, compared with income of ¥15.8 billion in fiscal 2013. This was due mainly to the aforementioned net loss of ¥19.4 billion and loss before minority interests of ¥19.2 billion recognized in the fiscal year, despite foreign currency translation adjustments of ¥6.9 billion, which reflect the depreciation of the yen and the ¥1.4 billion gain on changes in fair value of investment securities.

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. While there has been no change to this policy, in light of the Group's financial standing and global financial and economic trends, Tokyo Electron paid annual dividends of ¥50 per share, comprising a mid-term dividend of ¥25 per share and a year-end dividend of ¥25 per share, as a special measure to return profits to shareholders.

Performance by Segment

■ Semiconductor Production Equipment

Since the second half of 2013, capital investment related to DRAM and NAND flash memory for mobile applications has been brisk, reflecting steady demand for smartphones and other mobile devices and growing demand for data center servers. Capital investment by foundries in advanced technologies for logic chips has also remained strong.

Segment net sales to external customers increased 22.1% year on year to ¥478.8 billion. Segment net sales including intersegment sales or transfers were up 22.1% to ¥478.9 billion. Segment profit rose 52.8% compared with fiscal 2013 to ¥74.3 billion, and the segment profit margin rose from 12.4% in fiscal 2013 to 15.5%.

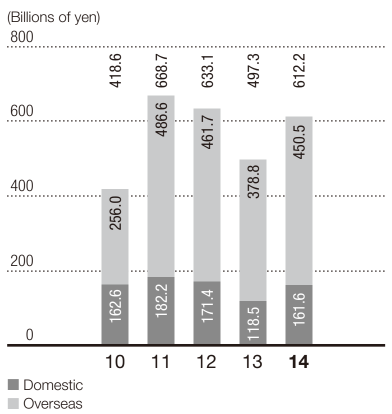
Orders received in this segment increased 59.7% to ¥546.9 billion. The order backlog as of March 31, 2014 was up 48.2% year on year to ¥209.9 billion.

For a business overview of this segment, please see page 9.

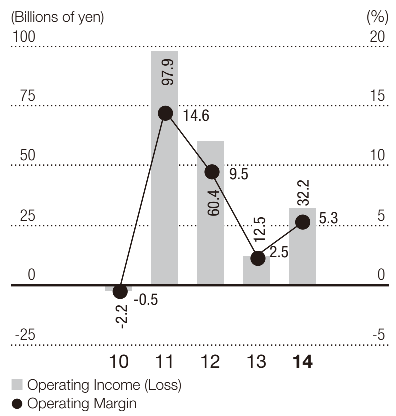
Millions of yen

Sales and Income	2010	2011	2012	2013	2014
Net sales	¥418,637	¥668,722	¥633,091	¥497,300	**¥612,170**
Gross profit	108,316	234,758	211,445	158,755	**201,892**
Gross profit margin	25.9%	35.1%	33.4%	31.9%	**33.0%**
Selling, general and administrative expenses	110,497	136,888	151,002	146,206	**169,687**
Operating income (loss)	(2,181)	97,870	60,443	12,549	**32,205**
Operating margin	(0.5)%	14.6%	9.5%	2.5%	**5.3%**
Income (loss) before income taxes and minority interests	(7,768)	99,579	60,602	17,767	**(11,756)**
Net income (loss)	(9,033)	71,924	36,726	6,076	**(19,409)**

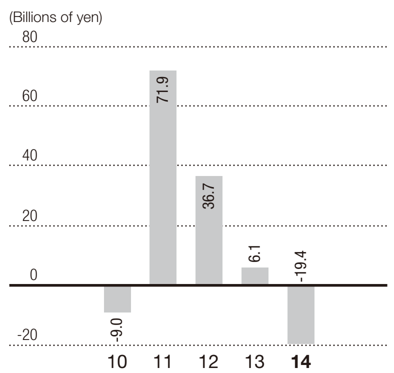
Domestic and Overseas Sales



Operating Income (Loss) and Operating Margin



Net Income (Loss)



Financial Review

■ FPD (Flat Panel Display) Production Equipment

Capital investment in high-definition small- and medium-sized panels remained firm as strong demand persisted for smartphones and tablets. Investment for large-sized panels for TVs, which was sluggish in the previous fiscal year, began to show signs of recovery in the second half of 2013, primarily in China.

Segment net sales to external customers increased 41.0% year on year to ¥28.3 billion. Segment net sales including intersegment sales or transfers also increased 41.0% to ¥28.3 billion. Segment loss totaled ¥37 million, narrowing from ¥4.5 billion in fiscal 2013.

Orders in this segment increased 88.9% year on year to ¥41.3 billion. The order backlog as of March 31, 2014 was up 81.3% to ¥29.0 billion.

For a business overview of this segment, please see page 9.

■ PV (Photovoltaic Panel) Production Equipment

In 2009, aiming to break into the thin-film silicon photovoltaic panel market, Tokyo Electron became the exclusive sales representative of Switzerland-based Oerlikon Solar and began sales of end-to-end production lines for photovoltaic panels. In 2012, the Company acquired Oerlikon Solar, seeking to merge its technologies with the production equipment technologies of the Group to generate growth in the PV business. However, due to changes in the market environment, panel production equipment has since been in oversupply. While Tokyo Electron boosted development efforts to increase conversion efficiency and took all available measures to reduce costs, the business environment has remained extremely harsh. Having determined that it could not expect a reasonable return on investment going forward, the Company announced its decision to withdraw from the research and development, manufacturing and sales of photovoltaic panel production equipment at the end March 2014, and retain only support operations for delivered units. As a result, Tokyo Electron recognized loss on impairment mainly of goodwill and fixed assets totaling ¥32.8 billion in the period under review.

Segment net sales to external customers increased from ¥83 million in fiscal 2013 to ¥3.8 billion. Segment net sales including intersegment sales or transfers also increased from ¥83 million to ¥3.8 billion. Segment loss came to ¥46.4 billion, compared with loss of ¥1.8 billion in fiscal 2013.

Orders in this segment increased from ¥83 million in fiscal 2013 to ¥4.3 billion. The order backlog as of March 31, 2014 was up 6.8% to ¥9.0 billion.

For a business overview of this segment, please see page 9.

■ Electronic Components and Computer Networks

Demand for electronic components for industrial use recovered in fiscal 2013. In the electronic components business, chiefly in general-purpose IC, were firm, reflecting growing demand in Asia for automobile use captured via the expansion of commercial rights. In the computer networks business, sales of equipment for data centers were firm, supported by the spread of cloud computing.

Segment net sales to external customers increased 19.0% year on year to ¥100.7 billion. Segment net sales including intersegment sales or transfers were up 19.1% to ¥101.8 billion. Segment profit fell 43.7% year on year to ¥0.7 billion, and the segment profit margin fell from 1.5% in fiscal 2013 to 0.7%.

For a business overview of this segment, please see page 9.

This segment has been operated by Tokyo Electron Device Limited and its subsidiaries. Considering the future development of the distinct businesses in which Tokyo Electron and Tokyo Electron Device engage, the Company determined that the establishment of growth strategies more uniquely attuned to each party would benefit the corporate value of both companies. Accordingly, in April 2014, Tokyo Electron sold a portion of its shares in Tokyo Electron Device. As a result, from fiscal 2015 onward, Tokyo Electron Device will be classified as an equity method affiliate rather than a consolidated subsidiary, and Tokyo Electron's equity in income of Tokyo Electron Device will be included in eliminations and corporate to segment income.

■ Other

Other sales mainly include group-wide logistics services, facility maintenance and insurance. Net sales to external customers amounted to ¥0.5 billion, up 7.0% year on year.

Financial Position and Cash Flows

Assets, Liabilities and Net Assets

■ Assets

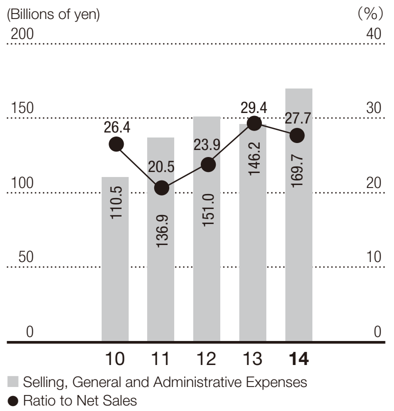
Current assets increased by ¥100.0 billion from the end of the previous fiscal year to ¥621.5 billion, reflecting increases of ¥32.6 billion in inventories, ¥28.5 billion in trade notes and accounts receivable, and ¥28.0 billion in total liquidity on hand (cash, cash equivalents and short-term investments). The turnover period for trade notes and accounts receivable worsened slightly from 74 days in fiscal 2013 to 77 days, and the inventory turnover period remained unchanged year on year at 100 days.

Net property, plant and equipment decreased by ¥23.4 billion year on year to ¥112.3 billion, due in part to ¥12.8 billion in fixed asset acquisitions, ¥24.9 billion in depreciation and amortization,

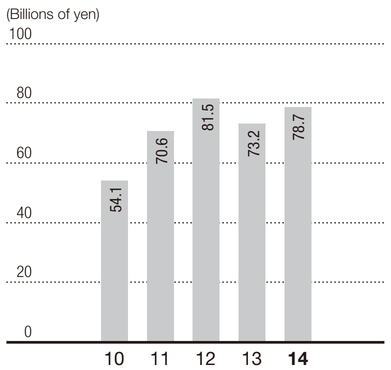
Millions of yen

Segment Information	Reportable Segment							
2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	¥478,842	¥28,317	¥ 3,806	¥100,726	¥ 479	¥612,170	¥ —	¥612,170
Intersegment sales or transfers	34	—	—	1,075	11,760	12,869	(12,869)	—
Total	478,876	28,317	3,806	101,801	12,239	625,039	(12,869)	612,170
Segment profit (loss)	74,284	(37)	(46,426)	722	1,267	29,810	(41,566)	(11,756)
Segment assets	273,142	21,252	2,145	57,465	1,871	355,875	472,717	828,592
Depreciation and amortization	10,114	235	10	476	49	10,884	14,004	24,888
Amortization of goodwill	1,473	—	2,686	103	—	4,262	—	4,262
Loss on impairment	5,009	—	32,789	—	—	37,798	9,171	46,969
Capital expenditures, including intangible and other assets	8,109	103	857	825	41	9,935	5,109	15,044

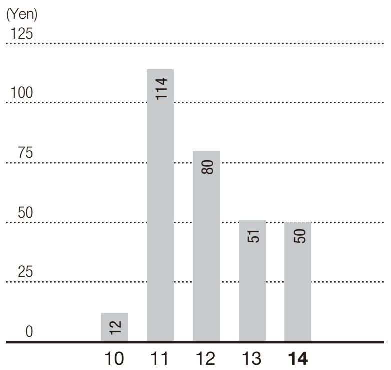
Selling, General and Administrative Expenses and Ratio to Net Sales



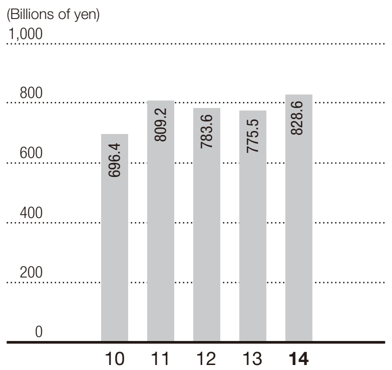
R&D Expenses



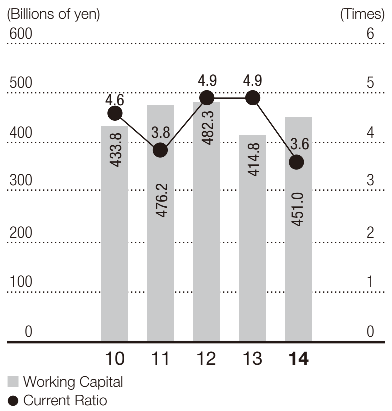
Cash Dividends per Share



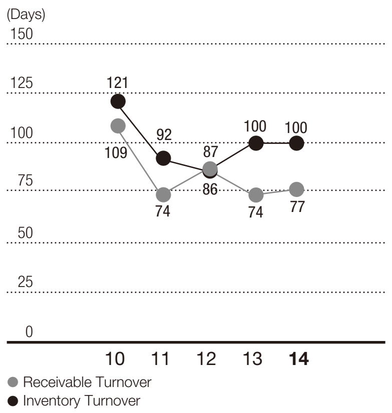
Total Assets



Working Capital and Current Ratio



Receivable Turnover and Inventory Turnover



Financial Review

and ¥8.3 billion in impairment of fixed assets due to plans for facility reorganization.

Investments and other assets decreased ¥23.6 billion year on year to ¥94.8 billion, mainly due to impairment accompanying revisions to business plans for the PV Production Equipment segment and TEL NEXX., Inc., which led to a ¥29.0 billion decrease in goodwill.

As a result, total assets as of March 31, 2014 stood at ¥828.6 billion, up ¥53.1 billion year on year.

■ Liabilities and Net Assets

Current liabilities increased ¥63.8 billion from the end of fiscal 2013 to ¥170.5 billion. This reflected increases of ¥20.9 billion in customer advances, ¥17.4 billion in trade notes and accounts payable, and ¥11.7 billion in income taxes payable.

Non-current liabilities increased ¥3.7 billion year on year to ¥67.5 billion, due mainly to increases in deferred tax liabilities of ¥4.5 billion.

Beginning fiscal 2014, the Group's retirement benefit obligations are presented as net liability for retirement benefits, which are calculated by deducting pension assets from retirement benefit obligations and include previously unrecognized actuarial differences. Should the value of pension assets exceed benefit obligations, the difference is recognized as net asset for retirement benefits, under assets. Accordingly, at the end of the period under review, the Company recognized ¥54.0 billion in net liability for retirement benefits for noncontributory retirement and severance benefit plans (compared with ¥57.2 billion in accrued pension and severance costs in fiscal 2013) and ¥8.9 billion in net asset for retirement benefits for corporate pension plans (cash balance plan) (compared with ¥3.0 billion in prepaid pension and severance costs in fiscal 2013).

As of March 31, 2014, the balance of interest-bearing debt (long- and short-term debt) was ¥13.5 billion, up from ¥3.8 billion at the end of the previous fiscal year, due to an increase in the interest-bearing debt of Tokyo Electron Device. The debt/equity ratio rose to 2.3%, 1.7 percentage points higher than at the end of fiscal 2013.

Total liabilities (current liabilities and non-current liabilities), stood at ¥238.0 billion, up ¥67.6 billion from the end of the previous fiscal year.

Net assets came to ¥590.6 billion, down ¥14.5 billion from the end of fiscal 2013. This was mainly due to decreases resulting from the ¥19.4 billion net loss recognized for the period under review, ¥4.7 billion in year-end dividends paid for the previous fiscal year, ¥4.5 billion in mid-term dividends paid during the period, a decrease of ¥3.2 billion in retained earnings due to changes in fiscal year-ends of subsidiaries, an increase of ¥8.3 billion in foreign currency translation adjustments due to the depreciation of the yen and ¥7.0 billion in accumulated adjustments for retirement benefits.

As a result, the equity ratio fell 6.7 percentage points from the end of March 2013 to 69.8% at the end of March 2014. ROE dropped from 1.0% to -3.3% in fiscal 2014.

Capital Expenditures* and Depreciation and Amortization**

Capital expenditures were ¥12.8 billion in fiscal 2014, a 41.2% year-on-year decrease. Primary factors included the acquisition of evaluation equipment for development, primarily for areas with high growth potential in the SPE and FPD production equipment businesses. Tokyo Electron also acquired equipment for use in R&D related to its R&D program at Tohoku University to develop STT-MRAM.

Depreciation and amortization decreased 6.5% to ¥24.9 billion.

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

Cash Flows

Operating activities provided net cash of ¥44.4 billion, down ¥39.8 billion from fiscal 2013. Major contributors were ¥47.0 billion in loss on impairment, ¥24.9 billion in depreciation and amortization, a ¥19.1 billion increase in customer advances and a ¥15.6 billion increase in notes and accounts payable. Major negative factors included ¥11.8 billion in loss before income taxes and minority interests, a ¥32.1 billion increase in inventories and a ¥25.4 billion increase in trade notes and accounts receivable.

Net cash used in investing activities was ¥19.6 billion, compared with ¥141.8 billion in the previous fiscal year. This included ¥9.5 billion used in the payment for purchase of property, plant and equipment and an ¥8.5 billion net increase in short-term investments.

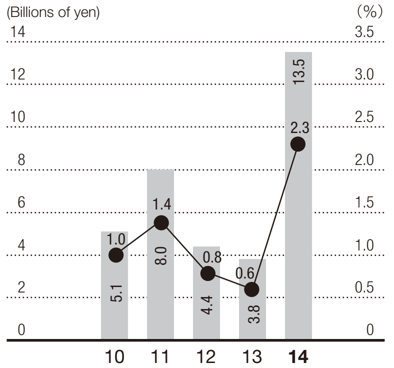
Cash used in financing activities came to ¥0.2 billion, compared with ¥10.6 billion in fiscal 2013. Major inflows included a ¥7.6 billion increase in short-term borrowings and a ¥2.0 billion increase in long-term borrowings, while major outflows included ¥9.1 billion in dividends paid.

The balance of cash and cash equivalents at the end of March 2014 stood at ¥104.8 billion, an increase of ¥19.5 billion from the end of fiscal 2013. Total liquidity on hand, which consists of cash, cash equivalents and short-term investments, increased ¥28.0 billion year on year to ¥268.1 billion at the end of March 2014.

	Millions of yen				
Financial Position	2010	2011	2012	2013	**2014**
Total current assets	¥552,939	¥644,231	¥607,051	¥521,501	**¥621,492**
Net property, plant and equipment	92,128	112,552	126,885	135,698	**112,344**
Total investments and other assets	51,285	52,422	49,675	118,329	**94,756**
Total assets	696,352	809,205	783,611	775,528	**828,592**
Total current liabilities	119,162	168,038	124,794	106,670	**170,510**
Total liabilities	172,982	224,403	185,008	170,401	**237,978**
Total net assets (Total shareholders' equity)	523,370	584,802	598,603	605,127	**590,614**

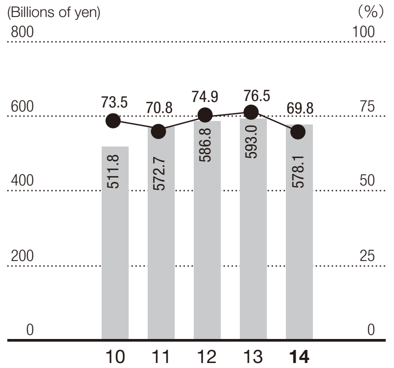
	Millions of yen				
Cash Flows	2010	2011	2012	2013	**2014**
Cash flows from operating activities	¥ 48,285	¥ 83,239	¥ 29,712	¥ 84,267	**¥ 44,449**
Cash flows from investing activities	9,613	(35,882)	(8,352)	(141,769)	**(19,599)**
Cash flows from financing activities	(288)	(5,237)	(27,335)	(10,625)	**(187)**
Cash and cash equivalents at end of year	123,940	165,051	158,776	85,314	**104,797**

Interest-Bearing Debt, D/E Ratio



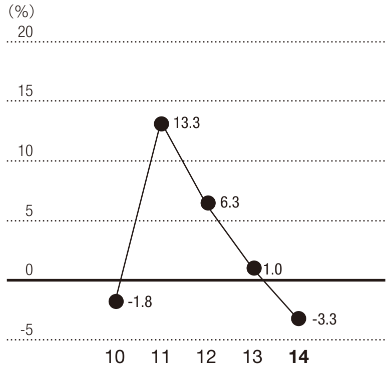
■ Interest-Bearing Debt
● Debt-to-Equity Ratio

Equity and Equity Ratio



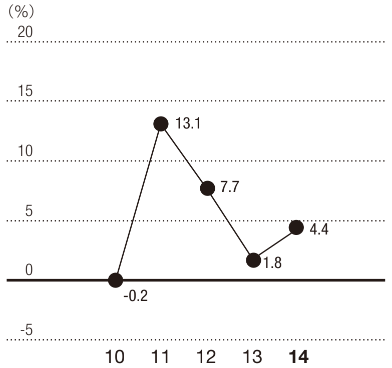
■ Equity
● Equity Ratio

ROE



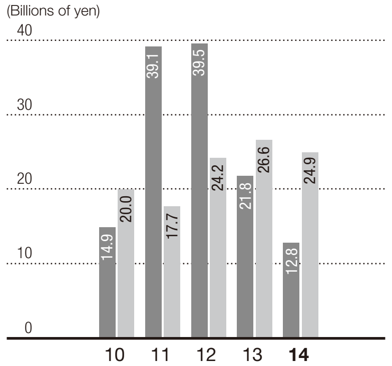
ROE = (Net income / Average total equity) x 100

ROA



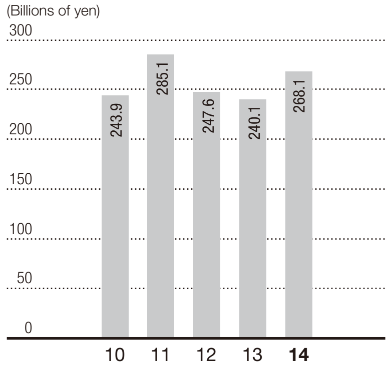
ROA = (Operating income + Interest and dividend income) / Average total assets x 100

Capital Expenditures and Depreciation and Amortization



■ Capital Expenditures
■ Depreciation and Amortization

Total Liquidity on Hand



Total liquidity on hand = Cash and cash equivalents + Short-term investments

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) Impact of Business Combination

On September 24, 2013, Tokyo Electron and Applied Materials, Inc. agreed to enter a merger of equals and concluded a business combination agreement. Both companies are currently preparing for the merger. However, failure to obtain permission or approval necessary for the merger from the relevant authorities, delays or other factors that could prevent the merger from proceeding as planned, changes to the content of the merger, or failure to realize the full synergistic effect expected after the merger is completed could adversely affect the new combined company's business performance.

(10) 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

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

	Thousands of U.S. dollars	Millions of yen										
	2014	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net sales [1]	$5,948,018	¥612,170	¥ 497,300	¥ 633,091	¥ 668,722	¥ 418,637	¥ 508,082	¥ 906,092	¥ 851,975	¥ 673,686	¥ 635,710	¥ 529,654
Semiconductor production equipment	4,652,565	478,842	392,027	477,873	511,332	262,392	325,383	726,440	642,625	486,883	457,191	425,747
FPD production equipment	275,136	28,317	20,077	69,889	66,721	71,361	88,107	68,016	100,766	81,176	75,038	—
PV production equipment	36,980	3,806	83	—	—	—	—	—	—	—	—	—
Computer networks	—	—	—	—	—	—	—	—	19,169	17,497	15,966	18,448
Electronic components and computer networks	978,683	100,726	84,665	84,868	90,216	84,473	94,207	111,181	88,294	86,881	86,249	84,229
Other	4,654	479	448	461	453	411	385	455	1,121	1,249	1,266	1,230
Operating income (loss)	312,913	32,205	12,549	60,443	97,870	(2,181)	14,711	168,498	143,979	75,703	63,983	22,280
Income (loss) before income taxes and minority interests	(114,225)	(11,756)	17,767	60,602	99,579	(7,768)	9,637	169,220	144,414	75,328	55,775	14,936
Net income (loss)	(188,583)	(19,409)	6,076	36,726	71,924	(9,033)	7,543	106,271	91,263	48,006	61,601	8,297
Comprehensive income (loss) [2]	(105,801)	(10,889)	15,826	36,954	69,598	(4,751)	—	—	—	—	—	—
Domestic sales	1,570,453	161,631	118,504	171,364	182,165	162,609	208,871	323,946	313,816	262,532	232,678	242,318
Overseas sales	4,377,565	450,539	378,796	461,727	486,557	256,028	299,211	582,146	538,159	411,154	403,032	287,336
Depreciation and amortization [3]	241,819	24,888	26,631	24,198	17,707	20,002	23,068	21,413	18,820	19,170	21,463	24,963
Capital expenditures [4]	124,359	12,799	21,774	39,541	39,140	14,919	18,108	22,703	27,129	13,335	9,876	11,007
R&D expenses	764,322	78,664	73,249	81,506	70,568	54,074	60,988	66,073	56,962	49,182	43,889	44,150
Total assets	8,050,836	828,592	775,528	783,611	809,205	696,352	668,998	792,818	770,514	663,243	644,320	561,632
Total net assets (Total shareholders' equity) [5]	5,738,574	590,614	605,127	598,603	584,802	523,370	529,265	545,245	469,811	376,900	332,165	275,800
Number of employees		12,304	12,201	10,684	10,343	10,068	10,391	10,429	9,528	8,901	8,864	8,870
	U.S. dollars	Yen										
Net income (loss) per share of common stock:												
Basic	$ (1.05)	¥ (108.31)	¥ 33.91	¥ 205.04	¥ 401.73	¥ (50.47)	¥ 42.15	¥ 594.01	¥ 511.27	¥ 267.61	¥ 343.63	¥ 46.37
Diluted [6]	—	—	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	31.34	3,225.92	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
Cash dividends per share of common stock	0.49	50.00	51.00	80.00	114.00	12.00	24.00	125.00	103.00	55.00	45.00	10.00
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	180,611
Number of shareholders		30,563	41,287	42,414	44,896	39,285	42,509	43,324	41,289	46,272	60,857	60,873
		%										
ROE		(3.3)	1.0	6.3	13.3	(1.8)	1.4	21.4	21.8	13.5	20.3	3.1
Operating margin		5.3	2.5	9.5	14.6	(0.5)	2.9	18.6	16.9	11.2	10.1	4.2
Equity ratio		69.8	76.5	74.9	70.8	73.5	77.5	67.5	59.7	56.8	51.6	49.1
Asset turnover (times)		0.76	0.64	0.79	0.89	0.61	0.70	1.16	1.19	1.03	1.05	0.97
	U.S. dollars	Thousands of yen										
Net sales per employee	$ 483,424	¥ 49,754	¥ 40,759	¥ 59,256	¥ 64,655	¥ 41,581	¥ 48,896	¥ 86,882	¥ 89,418	¥ 75,687	¥ 71,718	¥ 59,713

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. Photovoltaic panel (PV) production equipment was included in the FPD production equipment until fiscal 2012.
2 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.
3 Depreciation and amortization does not include amortization and loss on impairment of goodwill.
4 Capital expenditures only represent the gross increase in property, plant and equipment.
5 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.
6 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). Dilution is not assumed for the years ended March 31, 2014 and 2010.
7 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.
8 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

Tokyo Electron Limited and Subsidiaries
As of March 31, 2014 and 2013

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Current assets:			
Cash and cash equivalents	**¥104,797**	¥ 85,314	**$1,018,237**
Short-term investments	**163,350**	154,816	**1,587,155**
Trade notes and accounts receivable	**129,032**	100,501	**1,253,712**
Allowance for doubtful accounts	**(1,503)**	(1,180)	**(14,604)**
Inventories	**168,277**	135,698	**1,635,027**
Deferred income taxes	**25,174**	15,669	**244,598**
Prepaid expenses and other current assets	**32,365**	30,683	**314,468**
Total current assets	**621,492**	521,501	**6,038,593**
Property, plant and equipment:			
Land	**25,112**	25,030	**243,995**
Buildings	**151,634**	163,857	**1,473,319**
Machinery and equipment	**128,422**	140,066	**1,247,785**
Construction in progress	**3,623**	6,076	**35,202**
Total property, plant and equipment	**308,791**	335,029	**3,000,301**
Less: Accumulated depreciation	**196,447**	199,331	**1,908,735**
Net property, plant and equipment	**112,344**	135,698	**1,091,566**
Investments and other assets:			
Investment securities	**20,027**	18,669	**194,588**
Deferred income taxes	**23,224**	23,206	**225,651**
Net asset for retirement benefits	**8,904**	—	**86,514**
Goodwill	**9,400**	38,373	**91,333**
Intangible assets	**20,156**	21,545	**195,842**
Other assets	**14,911**	18,648	**144,880**
Allowance for doubtful accounts	**(1,866)**	(2,112)	**(18,131)**
Total investments and other assets	**94,756**	118,329	**920,677**
Total assets	**¥828,592**	¥775,528	**$8,050,836**

LIABILITIES AND NET ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Current liabilities:			
Trade notes and accounts payable	**¥ 53,668**	¥ 36,261	**$ 521,455**
Short-term borrowings	**11,531**	3,756	**112,038**
Income taxes payable	**14,015**	2,286	**136,174**
Accrued employees' bonuses	**8,584**	6,829	**83,405**
Customer advances	**39,901**	18,985	**387,689**
Accrued warranty expenses	**10,072**	8,345	**97,862**
Accrued expenses and other current liabilities	**32,739**	30,208	**318,101**
Total current liabilities	**170,510**	106,670	**1,656,724**
Deferred tax liabilities	**9,279**	4,817	**90,157**
Accrued pension and severance costs	**—**	57,225	**—**
Net liability for retirement benefits	**54,031**	—	**524,981**
Other liabilities	**4,158**	1,689	**40,400**
Total liabilities	**237,978**	170,401	**2,312,262**
Net assets:			
Shareholders' equity			
Common stock Authorized: 300,000,000 shares Issued:180,610,911 shares as of March 31, 2014 and 2013	**54,961**	54,961	**534,017**
Capital surplus	**78,023**	78,023	**758,094**
Retained earnings	**436,174**	467,921	**4,237,991**
Treasury stock, at cost 1,408,950 and 1,424,203 shares as of March 31, 2014 and 2013, respectively	**(9,479)**	(9,589)	**(92,101)**
Accumulated other comprehensive income			
Net unrealized gains on investment securities	**5,593**	4,214	**54,343**
Net deferred gain (losses) on hedging instruments	**60**	(15)	**583**
Foreign currency translation adjustments	**5,777**	(2,484)	**56,131**
Accumulated adjustments for retirement benefits	**6,982**	—	**67,839**
Share subscription rights	**1,644**	1,375	**15,974**
Minority interests	**10,879**	10,721	**105,703**
Total net assets	**590,614**	605,127	**5,738,574**
Total liabilities and net assets	**¥828,592**	¥775,528	**$8,050,836**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net sales	¥612,170	¥497,300	$5,948,018
Cost of sales	410,278	338,545	3,986,378
Gross profit	201,892	158,755	1,961,640
Selling, general and administrative expenses	169,687	146,206	1,648,727
Operating income	32,205	12,549	312,913
Other income (expenses):			
Interest and dividend income	3,162	1,659	30,723
Revenue from grants	1,154	2,672	11,213
Gain on sale of property, plant and equipment	433	943	4,207
Reversal of allowance for doubtful accounts	—	558	—
Foreign exchange loss, net	(1,229)	(1,520)	(11,941)
Loss on impairment of property, plant and equipment, goodwill and other assets	(46,969)	(7)	(456,364)
Loss on sale and disposal of property, plant and equipment	(492)	(153)	(4,780)
Loss on devaluation of investment securities, net	(308)	(44)	(2,993)
Other, net	288	1,110	2,797
Income (loss) before income taxes and minority interests	(11,756)	17,767	(114,225)
Income taxes:			
Current	15,995	6,255	155,412
Prior years	—	2,195	—
Deferred	(8,538)	2,959	(82,958)
Income (loss) before minority interests	(19,213)	6,358	(186,679)
Minority interests	196	282	1,904
Net income (loss)	¥ (19,409)	¥ 6,076	$ (188,583)
	Yen		U.S. dollars
Per share of common stock:			
Net income (loss) — basic	¥ (108.31)	¥ 33.91	$ (1.05)
Net income — diluted	—	33.85	—
Net assets	3,225.92	3,309.58	31.34
Cash dividends	50.00	51.00	0.49

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income (loss) before minority interests	¥(19,213)	¥ 6,358	$(186,679)
Other comprehensive income:			
Changes in fair value of investment securities	1,365	652	13,263
Changes in deferred gains (losses) on hedging instruments	92	56	894
Foreign currency translation adjustments	6,867	8,760	66,721
Total other comprehensive income	8,324	9,468	80,878
Comprehensive income (loss)	(10,889)	15,826	(105,801)
Total comprehensive income (loss) attributable to:			
Owners of the Company	(11,151)	15,426	(108,346)
Minority interests	262	400	2,545

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2014 and 2013

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Share subscription rights	Minority interests	Total net assets
Balance as of April 1, 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
Adjustments due to the changes in fiscal year-end of consolidated subsidiaries	—	—	(3,190)	—	—	—	—	—	—	—	(3,190)
Cash dividends	—	—	(9,139)	—	—	—	—	—	—	—	(9,139)
Net loss	—	—	(19,409)	—	—	—	—	—	—	—	(19,409)
Repurchase of treasury stock	—	—	—	(30)	—	—	—	—	—	—	(30)
Disposal of treasury stock	—	—	(9)	140	—	—	—	—	—	—	131
Other, net	—	—	—	—	1,379	75	8,261	6,982	269	158	17,124
Balance as of March 31, 2014	¥54,961	¥78,023	¥436,174	¥(9,479)	¥5,593	¥ 60	¥ 5,777	¥6,982	¥1,644	¥10,879	¥590,614

Thousands of U.S. dollars

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2013	$534,017	$758,094	$4,546,453	$(93,169)	$40,944	$(146)	$(24,135)	$ —	$13,360	$104,168	$5,879,586
Adjustments due to the changes in fiscal year-end of consolidated subsidiaries	—	—	(30,995)	—	—	—	—	—	—	—	(30,995)
Cash dividends	—	—	(88,797)	—	—	—	—	—	—	—	(88,797)
Net loss	—	—	(188,583)	—	—	—	—	—	—	—	(188,583)
Repurchase of treasury stock	—	—	—	(292)	—	—	—	—	—	—	(292)
Disposal of treasury stock	—	—	(87)	1,360	—	—	—	—	—	—	1,273
Other, net	—	—	—	—	13,399	729	80,266	67,839	2,614	1,535	166,382
Balance as of March 31, 2014	$534,017	$758,094	$4,237,991	$(92,101)	$54,343	$ 583	$ 56,131	$67,839	$15,974	$105,703	$5,738,574

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (11,756)	¥ 17,767	$ (114,225)
Depreciation and amortization	24,888	26,631	241,819
Loss on impairment of property, plant and equipment, goodwill and other assets	46,969	7	456,364
Amortization of goodwill	4,262	1,141	41,411
Increase in accrued pension and severance costs	—	1,825	—
Increase in net liability for retirement benefits	2,887	—	28,051
Increase (decrease) in accrued employees' bonuses	1,396	(2,750)	13,564
Increase (decrease) in accrued warranty expenses	1,256	(2,918)	12,204
Interest and dividend income	(3,162)	(1,659)	(30,723)
(Increase) decrease in trade notes and accounts receivable	(25,358)	57,549	(246,386)
(Increase) decrease in inventories	(32,088)	20,279	(311,776)
Increase (decrease) in trade notes and accounts payable	15,606	(15,482)	151,632
(Increase) decrease in prepaid consumption tax	(2,913)	2,862	(28,304)
Increase in accrued consumption tax	1,123	596	10,911
Increase (decrease) in customer advances	19,083	(12,456)	185,416
Other, net	859	(2,972)	8,347
Subtotal	43,052	90,420	418,305
Receipts from interest and dividends	3,223	1,587	31,316
Interest paid	(84)	(68)	(816)
Income taxes paid	(1,742)	(7,672)	(16,926)
Net cash provided by operating activities	44,449	84,267	431,879
Cash flows from investing activities:			
Payment for purchases of short-term investments	(192,614)	(192,057)	(1,871,492)
Proceeds from maturities of short-term investments	184,071	126,000	1,788,486
Payment for purchase of property, plant and equipment	(9,451)	(19,012)	(91,829)
Proceeds from sale of property, plant and equipment	897	3,630	8,716
Payment for acquisition of intangible assets	(1,640)	(1,234)	(15,935)
Payment for acquisition of investments in newly consolidated subsidiaries	—	(55,079)	—
Payments for transfer of business	—	(1,097)	—
Other, net	(862)	(2,920)	(8,375)
Net cash used in investing activities	(19,599)	(141,769)	(190,429)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	7,551	(646)	73,368
Proceeds from long-term borrowings	2,000	—	19,433
Increase in treasury stock, net	(30)	(15)	(292)
Dividends paid	(9,139)	(9,317)	(88,797)
Other, net	(569)	(647)	(5,529)
Net cash used in financing activities	(187)	(10,625)	(1,817)
Effect of exchange rate changes on cash and cash equivalents	(3,973)	(5,335)	(38,603)
Net increase (decrease) in cash and cash equivalents	20,690	(73,462)	201,030
Cash and cash equivalents at beginning of year	85,314	158,776	828,935
Decrease in cash and cash equivalents due to the changes in fiscal year-end of consolidated subsidiaries	(1,207)	—	(11,728)
Cash and cash equivalents at end of year	¥104,797	¥ 85,314	$1,018,237

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2014 and 2013

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 ¥102.92 to $1.00, the approximate rate as of March 31, 2014. 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 53 and 58 subsidiaries as of March 31, 2014 and 2013, 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 8 consolidated foreign subsidiaries. Financial statements provisionally closed for the period ending March 31 are used for these subsidiaries.

Previously, financial statements for the fiscal year ending December 31 had been used for certain subsidiaries, with significant differences in inter-company transactions and accounts adjusted through consolidation procedures. These subsidiaries either changed their fiscal year-end to March 31, or provided financial statements provisionally closed as of March 31 for consolidation in the year ended March 31, 2014, to improve disclosure of the consolidated financial information. Profit or loss of these subsidiaries for the 3 month period ending March 31, 2013 was reflected directly to retained earnings. Change in cash and cash equivalents for the 3 month period ending March 31, 2013 is presented separately in the Consolidated Statement of Cash Flows.

(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 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 replacement cost.

(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

(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) Employee Benefits

The Company and its domestic subsidiaries provide defined benefit plans for their employees. Expected benefits are attributed to accounting periods by the straight-line basis. 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 Net liability for retirement benefits and Accrued pension and severance costs in the consolidated balance sheets as of March 31, 2014 and 2013, respectively.

(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) Derivatives and hedge accounting

The Company and certain subsidiaries 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 Tokyo Electron does 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 derivative instruments, 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.

(o) 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 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.

(p) Revenue recognition

Revenue from Semiconductor and FPD (Flat Panel Display) 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 PV (Photovoltaic panel) production equipment is mainly recognized based on the percentage-of-completion method. 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.

(q) 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.

Notes to Consolidated Financial Statements

(r) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥78,664 million ($764,322 thousand) and ¥73,249 million for the years ended March 31, 2014 and 2013, respectively.

(s) 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, 2014.

3. Change in Accounting Policies and Adoption of New Accounting Standards

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No.26")) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No.25")) except for article 35 of Statement No.26 and article 67 of Guidance No.25 (see note 4). As a result, actuarial gains (losses) and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets for each individual benefit plan has been recognized as an asset or a liability for retirement benefits.

In accordance with article 37 of Statement No.26, the effect of the change in accounting policies arising from this initial application has been recognized within accumulated other comprehensive income as accumulated adjustments for retirement benefits.

As a result of the application, an asset for retirement benefits in the amount of ¥8,904 million ($86,514 thousand) and a liability for retirement benefits in the amount of ¥53,449 million ($519,326 thousand)have been recognized, and accumulated other comprehensive income has increased by ¥6,982 million ($67,839 thousand), at the end of the current fiscal year.

The adoption of this change has increased net assets per share of common stock by 38.96 yen (0.38 U.S. dollars).

4. Accounting Standards issued but not yet adopted

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

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

As discussed in note 3, certain amendments arising from application of this standard were adopted for the year ended March 31, 2014, while the amendments relating to calculation of retirement benefit obligations and service costs prescribed within these standards are effective from the beginning of the year ending March 31, 2015.

The Company does not expect the adoption of these amendments will have a significant impact 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:

	Millions of yen
	2013
Current assets	¥21,811
Noncurrent assets	31,585
Goodwill	35,110
Current liabilities	(16,860)
Noncurrent liabilities	(30,544)
Acquisition cost of shares	41,102
Payment in prior year	(348)
Cash and cash equivalents of acquired companies	(9,552)
Loans as of the date of business combination	23,877
Net payment for acquisition of investments in newly consolidated subsidiaries	¥55,079

6. Securities

Other securities as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
2014:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥ 9,835	¥18,247
Securities without market prices		
Unlisted stock	520	648
Other	1,132	1,132
Total	¥11,487	¥20,027

	Millions of yen	
2013:	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

	Thousands of U.S. dollars	
2014:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	$ 95,560	$177,293
Securities without market prices		
Unlisted stock	5,052	6,296
Other	10,999	10,999
Total	$111,611	$194,588

Held-to-maturity securities classified as current assets are ¥211,801 million ($2,057,919 thousand) and ¥190,498 million as of March 31, 2014 and 2013, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2014 and 2013 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Held-to-maturity (current)	¥211,801	¥190,498	$2,057,919
Deposits and low-risk financial instruments with original maturities of three months or less	(48,500)	(45,498)	(471,240)
Deposits with original maturities of more than three months	49	9,816	476
Short-term investments	¥163,350	¥154,816	$1,587,155

Net loss on devaluation of investment securities was ¥308 million ($2,993 thousand) and ¥44 million for the years ended March 31, 2014 and 2013, respectively.

Net gain on sale of investment securities was ¥74 million ($719 thousand) and nil for the years ended March 31, 2014 and 2013, respectively.

7. Inventories

Inventories as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished products	¥114,289	¥ 87,398	$1,110,464
Work in process, raw materials and supplies	53,988	48,300	524,563
Total	¥168,277	¥135,698	$1,635,027

The amounts of change in inventory provision included in cost of sales in the consolidated statements of operations for the years ended March 31, 2014 and 2013 were an increase of ¥2,296 million ($22,309 thousand) and ¥1,162 million, respectively.

8. Loss on Impairment of Property, Plant and Equipment, Goodwill and Other Assets

For assessing impairment of fixed assets, the Company generally groups fixed assets at the smallest unit which generates independent cash flows. If restructuring of a location is determined, relevant assets are grouped accordingly.

For the year ended March 31, 2014, the following loss on impairment has been recognized:

(1) Goodwill and Noncurrent assets of TEL Solar Holding AG

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Trübbach, St. Gallen, Switzerland	Plant	Goodwill, machinery and equipment, and other assets	¥32,789	$318,587

Due to the significant deterioration of the business environment, sales of TEL Solar Holding AG and its subsidiaries in the PV business have been below the initial business plans. Under the current condition, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable value of goodwill as loss on impairment. The recoverable value was measured as value in use, but as Tokyo Electron has determined that the business is not expected to generate any future net cash inflows, the recoverable amount was assessed at zero.

Further, a loss on impairment was recognized for machinery, equipment and other assets held by TEL Solar Holding AG and its consolidated subsidiaries, measured as the difference between the book value and the recoverable value. The recoverable value was measured as the net selling price, but as reutilization or sale of these assets would be difficult, the net selling price was assessed at zero.

(2) Goodwill of TEL NEXX, Inc.

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Billerica, Massachusetts, U. S. A.	Plant	Goodwill, and other assets	¥5,009	$48,669

Under the current condition that sales of TEL NEXX, Inc. in the SPE business have been below the initial business plans, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable value as loss on impairment. The recoverable value was measured as value in use, and was calculated by discounting future cash flows at a discount rate of 14.0%.

(3) Noncurrent assets of business locations to be restructured

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Tsukuba, Ibaraki (Technology Center Tsukuba)	R&D center	Buildings and structures, machinery and equipment and other assets	¥4,649	$45,171
Sendai, Miyagi (Technology Center Sendai)	R&D center	Buildings and structures, land and other assets	¥3,355	$32,598
Others	—	Buildings and structures and other assets	¥ 293	$ 2,847

Notes to Consolidated Financial Statements

Tokyo Electron has determined to restructure several domestic facilities, and as assets within the above asset groups are not expected to be reutilized in the foreseeable future, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable value as loss on impairment. The recoverable value for the above asset groups were measured as the net selling price. For land, buildings and structures, the net selling price was calculated based on reasonable estimates such as real estate appraisals performed by third party valuation experts, while for machinery, equipment and other assets, the recoverable amount was assessed at zero, as reutilization or sale of these assets would be difficult.

(4) Others

Loss on impairment of ¥874 million ($ 8,492 thousand) was recognized for other asset groups of Tokyo Electron.

No significant loss on impairment was recognized for the year ended March 31, 2013.

9. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2014 and 2013.

10. Short-term Borrowings

Short-term borrowings classified as current liabilities are ¥11,531 million ($112,038 thousand) and ¥3,756 million as of March 31, 2014 and 2013, respectively. These borrowings are from banks and bore interest at an average annual rate of 0.39% and 0.50% as of March 31, 2014 and 2013, respectively.

As of March 31, 2014, Tokyo Electron has unused lines of credit amounting to ¥143,578 million ($1,395,045 thousand).

11. Employee Benefits

The Company and its domestic subsidiaries provide for their employees a cash balance plan and a noncontributory retirement and severance benefit plan as defined benefit plans. Further, certain consolidated overseas subsidiaries provide defined benefit plans for their employees.

Year ended March 31, 2014

Defined benefit plans

(1) Movement of retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥115,296	$1,120,249
Service cost	6,874	66,789
Interest cost	1,785	17,343
Actuarial loss (gain)	(9,945)	(96,628)
Benefits paid	(3,215)	(31,238)
Foreign currency exchange rate changes	2,031	19,734
Other	395	3,838
Balance at March 31, 2014	¥113,221	$1,100,087

(2) Movements of plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥60,476	$587,602
Expected return on plan assets	1,256	12,204
Actuarial gain (loss)	3,633	35,298
Contributions paid by the employer	3,306	32,122
Benefits paid	(1,726)	(16,770)
Foreign currency exchange rate changes	2,034	19,763
Other	561	5,451
Balance at March 31, 2014	¥69,540	$675,670

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥60,206	$584,979
Plan assets	(69,540)	(675,670)
Funded status	(9,334)	(90,691)
Unfunded retirement benefit obligations	53,015	515,108
Asset ceiling adjustments (note 1)	864	8,395
Net liability (asset) for retirement benefits at March 31, 2014	¥44,545	$432,812
Liability for retirement benefits (note 2)	53,449	519,326
Asset for retirement benefits	(8,904)	(86,514)
Net liability (asset) for retirement benefits at March 31, 2014	¥44,545	$432,812

Notes: 1. The asset ceiling adjustment represents plan assets exceeding the asset ceiling for overseas subsidiaries that apply International Accounting Standard 19 Employee Benefits.
2. The provision for accrued pension and severance costs for directors and audit & supervisory board members of ¥582 million ($ 5,656 thousand) as of March 31, 2014 is not included.

(4) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥6,874	$66,789
Interest cost	1,785	17,343
Expected return on plan assets	(1,256)	(12,204)
Net actuarial loss (gain) amortization	(339)	(3,293)
Other	108	1,050
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥7,172	$69,685

(5) Accumulated adjustments for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Net actuarial gains that are yet to be recognized (before tax)	¥11,309	$109,881
Total balance at March 31, 2014	11,309	109,881

(6) Plan assets

1. Plan assets comprise:

Bonds	50%
Equity securities	24%
Life insurance company general account	18%
Cash and cash equivalents	2%
Other	6%
Total	100%

2. Long-term expected rate of return

Current and target asset allocations, and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 are as follows:

Discount rate	1.51%
Long-term expected rate of return	2.00%

Year ended March 31, 2013

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

	Millions of yen
	2013
Retirement Benefit obligation	¥(115,296)
Plan assets	60,476
Funded status	(54,820)
Unrecognized actuarial difference	1,150
Net amount recognized	(53,670)
Amounts recognized in the consolidated balance sheets consist of:	
Prepaid pension and severance costs (Note 1)	2,974
Accrued pension and severance costs (Note 2)	(56,644)
Net amount recognized	¥ (53,670)

Notes: 1. The prepaid pension and severance costs as of March 31, 2013 is included in other assets in the consolidated balance sheet.
2. The provision for accrued pension and severance costs for directors and audit & supervisory board members (¥581 million as of March 31, 2013) is not included.

Retirement benefit costs of the plans is as follows:

	Millions of yen
	2013
Service cost	¥5,513
Interest cost	1,864
Expected return on plan assets	(887)
Net actuarial loss (gain) amortization	(501)
Net pension cost	¥5,989

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

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

12. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets			
Accrued pension and severance costs	¥ —	¥20,326	$ —
Net liability for retirement benefits	21,461	—	208,521
Net operating loss carryforwards	17,383	15,864	168,898
Elimination of unrealized profit in inventories	9,489	2,967	92,198
Devaluation of inventories	4,724	4,666	45,900
Loss on impairment	3,486	758	33,871
Accrued warranty expenses	2,709	1,875	26,321
Accrued employees' bonuses	2,532	2,202	24,602
Other	12,413	7,835	120,608
Total gross deferred tax assets	74,197	56,493	720,919
Less valuation allowance	(10,806)	(6,541)	(104,994)
Total deferred tax assets	63,391	49,952	615,925
Deferred tax liabilities			
Undistributed earnings of subsidiaries	(6,877)	(4,789)	(66,819)
Intangible assets identified through business combination	(6,686)	(6,110)	(64,963)
Accumulated adjustments for retirement benefits	(4,035)	—	(39,205)
Net unrealized gains on investment securities	(3,096)	(2,341)	(30,082)
Prepaid pension and severance costs	—	(1,051)	—
Net asset for retirement benefits	(1,620)	—	(15,740)
Other	(1,958)	(1,605)	(19,024)
Total deferred tax liabilities	(24,272)	(15,896)	(235,833)
Net deferred tax assets	¥39,119	¥34,056	$380,092

Notes to Consolidated Financial Statements

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2014 and 2013 as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets	¥25,174	¥15,669	$244,598
Investments and other assets	23,224	23,206	225,651
Other current liabilities	—	(2)	—
Other liabilities	(9,279)	(4,817)	(90,157)

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, 2014 and 2013.

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% for the years ended March 31, 2014 and 2013. On March 31, 2014, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 38.01% to 35.64% for the year ending March 31, 2015. Based on this amendment and previous amendment enacted December 2, 2011, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized on or after April 1, 2014 is 35.64% as of March 31, 2014. Due to this change in statutory income tax rates, net deferred tax assets decreased by ¥1,018 million ($9,891 thousand) as of March 31, 2014 and deferred income tax expense recognized for the year ended March 31, 2014 increased by ¥1,021 million ($9,920 thousand).

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2014 and 2013 are as follows:

	2014	2013
Statutory tax rate in Japan	38.01%	38.01%
Adjustments:		
Impairment and amortization of goodwill	(130.97)	2.14
Tax credits	38.76	(3.65)
Effect of elimination of unrealized profit in inventories	23.46	16.70
Change in valuation allowance	17.93	(2.44)
Difference in statutory tax rates of subsidiaries	(17.72)	(7.12)
Change in deferred tax liabilities for undistributed earnings of subsidiaries	(17.43)	5.63
Effect of enacted changes in Japanese tax rates on net deferred tax assets	(8.68)	—
Expenses not deductible for tax purposes	(2.40)	1.14
Prior years income taxes from transfer pricing adjustment	—	12.35
Others, net	(4.39)	1.45
Effective tax rate	(63.43)%	64.21%

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 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 is subject to restriction of dividends by the Japanese Corporate Act, 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, 2014, the distribution of cash dividends amounting to ¥4,480 million ($43,529 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2014 since they are recognized in the period in which they are resolved at the board of directors' meeting.

14. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains on investment securities			
Unrealized gains arising during the year	¥2,199	¥1,011	$21,366
Reclassification adjustments	(78)	—	(758)
Sub-total, before tax	2,121	1,011	20,608
Tax expense	(756)	(359)	(7,345)
Sub-total, net of tax	1,365	652	13,263
Net deferred losses on hedging instruments			
Deferred losses arising during the year	(269)	(339)	(2,614)
Reclassification adjustments	412	431	4,003
Sub-total, before tax	143	92	1,389
Tax expense	(51)	(36)	(495)
Sub-total, net of tax	92	56	894
Foreign currency translation adjustments			
Adjustments during the year	6,867	8,760	66,721
Reclassification adjustments	—	—	—
Sub-total, before tax	6,867	8,760	66,721
Tax expense	—	—	—
Sub-total, net of tax	6,867	8,760	66,721
Total other comprehensive income	¥8,324	¥9,468	$80,878

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 shares of the Company were authorized and granted at an exercise price of ¥1 for the year ended March 31, 2013. 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.

Notes to Consolidated Financial Statements

A summary of stock options outstanding and exercisable as of March 31, 2014 and 2013 is as follows:

Tokyo Electron Limited	2014			2013	
	Number of shares	Weighted-average exercise price Yen	Weighted-average exercise price U.S. dollars	Number of shares	Weighted-average exercise price Yen
Outstanding at the beginning of year	556,900	¥ 661	$ 6.42	833,300	¥3,139
Granted	—	—	—	130,700	1
Exercised	20,800	1	0.01	25,800	1
Expired (forfeited)	56,800	6,468	62.84	381,300	5,894
Outstanding at the end of year	479,300	1	0.01	556,900	661
Exercisable at the end of year	114,400	1	0.01	192,000	1,914

Tokyo Electron Device Limited	2014			2013	
	Number of shares	Weighted-average exercise price Yen	Weighted-average exercise price U.S. dollars	Number of shares	Weighted-average exercise price Yen
Outstanding at the beginning of year	65,000	¥3,087	$29.99	65,000	¥3,087
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	65,000	3,087	29.99	65,000	3,087
Exercisable at the end of year	65,000	3,087	29.99	65,000	3,087

16. Leases

Future minimum lease payments on non-cancelable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥3,410	¥1,628	$33,132
Due over one year	5,922	2,834	57,540
Total	¥9,332	¥4,462	$90,672

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 10 and 18 for detailed discussion on short-term borrowings and derivative financial instruments, respectively.

Fair Value of Financial Instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2014 and 2013, are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 6).

	Millions of yen	
2014:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥104,797	¥104,797
Short-term investments	163,350	163,081
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,503 million)	127,529	127,529
Investment securities	18,247	18,247
Liabilities		
Trade notes and accounts payable	53,668	53,668
Short-term borrowings	11,531	11,531
Derivatives (see note 18)		
Hedge accounting not applied	(164)	(164)
Hedge accounting applied	81	81

	Millions of yen	
2013:	Carrying amount	Estimated fair value[1]
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
Short-term borrowings	3,756	3,756
Derivatives (see note 18)		
Hedge accounting not applied	(3,325)	(3,325)
Hedge accounting applied	(62)	(62)

	Thousands of U.S. dollars	
2014:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	$1,018,237	$1,018,237
Short-term investments	1,587,155	1,584,541
Trade notes and accounts receivable, net of allowance for doubtful accounts ($14,604 thousand)	1,239,108	1,239,108
Investment securities	177,293	177,293
Liabilities		
Trade notes and accounts payable	521,455	521,455
Short-term borrowings	112,038	112,038
Derivatives (see note 18)		
Hedge accounting not applied	(1,593)	(1,593)
Hedge accounting applied	787	787

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, trade notes and accounts payable, and short-term borrowings

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:

	Millions of yen	
2014:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥104,797	¥—
Short-term investments	163,350	—
Trade notes and accounts receivable	129,032	—

	Millions of yen	
2013:	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	—

	Thousands of U.S. dollars	
2014:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	$1,018,237	$—
Short-term investments	1,587,155	—
Trade notes and accounts receivable	1,253,712	—

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 certain subsidiaries 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, 2014 and 2013 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
2014:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥55,346	¥ 216	¥ 216
Sell EURO	3,725	(19)	(19)
Sell Korean won	1,068	(508)	(508)
Sell Chinese yuan	102	(7)	(7)
Sell Singapore dollars	57	(0)	(0)
Buy U.S. dollars	6,216	42	42
Buy Swiss francs	2,213	2	2
Buy Chinese yuan	922	60	60
Buy EURO	385	50	50
Total	¥70,034	¥(164)	¥(164)

	Millions of yen		
2013:	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)

Notes to Consolidated Financial Statements

2014:	Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	$537,758	$ 2,099	$ 2,099
Sell EURO	36,193	(184)	(184)
Sell Korean won	10,377	(4,936)	(4,936)
Sell Chinese yuan	991	(68)	(68)
Sell Singapore dollars	554	(0)	(0)
Buy U.S. dollars	60,396	408	408
Buy Swiss francs	21,502	19	19
Buy Chinese yuan	8,958	583	583
Buy EURO	3,741	486	486
Total	$680,470	$(1,593)	$(1,593)

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

2. Derivative financial instruments designated as hedging instruments

2014: Hedge accounting	Millions of yen		Thousands of U.S. dollars	
	Contract amount	Fair value	Contract amount	Fair value
Sell U.S. dollars	¥ 9,365	¥ (47)	$ 90,993	$ (457)
Sell Korean won	115	(54)	1,117	(525)
Buy U.S. dollars	8,207	0	79,741	0
Buy Swiss francs	2,382	145	23,144	1,409
Buy EURO	488	37	4,742	360
Buy GBP	15	0	146	0
Total	¥20,572	¥ 81	$199,883	$ 787

2013: Hedge accounting	Millions of yen	
	Contract amount	Fair value
Sell U.S. dollars	¥ 5,872	¥(90)
Sell Chinese yuan	290	(3)
Sell Korean won	157	(42)
Sell Swiss francs	60	1
Sell EURO	22	(2)
Buy U.S. dollars	6,180	33
Buy EURO	769	41
Total	¥13,350	¥(62)

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
	2014	2013	2014
Sell U.S. dollars	¥283	¥ 404	$2,749
Sell Chinese yuan	—	9,760	—
Buy U.S. Dollars	162	74	1,574
Buy EURO	1	—	10
Total	¥446	¥10,238	$4,333

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)

See note 8 for further discussion regarding Loss on impairment for property, plant and equipment, goodwill and other assets of ¥46,969 million ($456,364 thousand) recognized for the year ended March 31, 2014.

20. Business Combinations

(A) TEL FSI, Inc.

For TEL FSI, Inc., (formerly FSI International, Inc. before the acquisition was completed), a consolidated subsidiary of the Company, the allocation of acquisition costs was not complete as of the previous fiscal year-end. This allocation was completed within this fiscal year as follows:

(1) Adjustments to the allocation of acquisition cost

	Millions of yen
Goodwill as of previous fiscal year-end	¥3,855
Noncurrent assets	(370)
Current liabilities	16
Noncurrent liabilities	2
Total adjustments	(352)
Goodwill after adjustments	¥3,503

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

(a) Amount of goodwill recognized
¥3,503 million

(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

(B) TEL Solar Holding AG

For TEL Solar Holding AG (formerly Oerlikon Solar Holding AG before the acquisition was completed), a consolidated subsidiary of the Company, the allocation of acquisition costs was not complete as of the previous fiscal year-end. This allocation was completed within this fiscal year as follows:

(1) Adjustments to the allocation of acquisition cost

	Millions of yen
Goodwill as of previous fiscal year-end	¥21,786
Noncurrent assets	7,369
Noncurrent liabilities	(169)
Total adjustments	7,200
Goodwill after adjustments	¥28,986

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

(a) Amount of goodwill recognized
¥28,986 million

(b) Basis for recognition of goodwill
Goodwill was recognized for the difference between the acquisition cost and the fair value of the net assets acquired as of the acquisition date.

(c) Amortization method and period
Straight-line method over 10 years

See note 8 for discussion on impairment of this goodwill.

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 Production Equipment (FPD)", "Photovoltaic Panel Production Equipment (PV)" and "Electronic Components and Computer Networks". As TEL Solar Holding AG was acquired and became a consolidated subsidiary of Tokyo Electron, the previous "Flat Panel Display Production Equipment (FPD) and Photovoltaic Panel Production Equipment (PV)" segment was separated to the "Flat Panel Display Production Equipment (FPD)" segment and the "Photovoltaic Panel Production Equipment (PV)" segment from this fiscal year. Reportable segment information for the previous year hereinafter has been restated accordingly.

Products of the SPE segment consist of coater/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 segment consist of coater/developers and plasma etch/ash system used in the manufacture of flat panel displays. The FPD segment principally develops, manufactures, sells and distributes such products.

Products of the PV segment consist of photovoltaic panel production equipment used in the manufacture of thin film silicon photovoltaic panels. The segment had principally developed, manufactured, sold and distributed such products, but as of March 2014, Tokyo electron has halted development, production and sales activities for new equipment and limited its operations to provide support for equipment previously delivered.

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, 2014 and 2013 are as follows:

2014:	Millions of yen							
	Reportable Segment							
	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	¥478,842	¥28,317	¥ 3,806	¥100,726	¥ 479	¥612,170	¥ —	¥612,170
Intersegment sales or transfers	34	—	—	1,075	11,760	12,869	(12,869)	—
Total	478,876	28,317	3,806	101,801	12,239	625,039	(12,869)	612,170
Segment profit (loss)	74,284	(37)	(46,426)	722	1,267	29,810	(41,566)	(11,756)
Segment assets	273,142	21,252	2,145	57,465	1,871	355,875	472,717	828,592
Depreciation and amortization	10,114	235	10	476	49	10,884	14,004	24,888
Amortization of goodwill	1,473	—	2,686	103	—	4,262	—	4,262
Loss on impairment	5,009	—	32,789	—	—	37,798	9,171	46,969
Capital expenditures, including intangible and other assets	8,109	103	857	825	41	9,935	5,109	15,044

Notes to Consolidated Financial Statements

Millions of yen

2013:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Reportable Segment: PV production equipment	Reportable Segment: Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	¥392,027	¥20,077	¥ 83	¥84,665	¥ 448	¥497,300	¥ —	¥497,300
Intersegment sales or transfers	43	—	—	813	10,613	11,469	(11,469)	—
Total	392,070	20,077	83	85,478	11,061	508,769	(11,469)	497,300
Segment profit (loss)	48,600	(4,534)	(1,821)	1,283	1,321	44,849	(27,082)	17,767
Segment assets	223,956	18,079	31,410	47,557	1,550	322,552	452,976	775,528
Depreciation and amortization	12,330	404	58	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	1,658	3	482	54	15,661	9,834	25,495

Thousands of U.S. dollars

2014:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Reportable Segment: PV production equipment	Reportable Segment: Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	$4,652,565	$275,136	$ 36,980	$978,683	$ 4,654	$5,948,018	$ —	$5,948,018
Intersegment sales or transfers	330	—	—	10,445	114,264	125,039	(125,039)	—
Total	4,652,895	275,136	36,980	989,128	118,918	6,073,057	(125,039)	5,948,018
Segment profit (loss)	721,764	(360)	(451,088)	7,015	12,311	289,642	(403,867)	(114,225)
Segment assets	2,653,925	206,491	20,842	558,346	18,179	3,457,783	4,593,053	8,050,836
Depreciation and amortization	98,271	2,283	97	4,625	476	105,752	136,067	241,819
Amortization of goodwill	14,312	—	26,098	1,001	—	41,411	—	41,411
Loss on impairment	48,669	—	318,587	—	—	367,256	89,108	456,364
Capital expenditures, including intangible and other assets	78,789	1,001	8,327	8,016	398	96,531	49,640	146,171

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 ¥41,566 million ($403,867 thousand) and ¥27,082 million for the years ended March 31, 2014 and 2013, respectively, includes corporate expenses not allocated to any reportable segments. The corporate expenses mainly consist of research and development costs of ¥19,735 million ($191,751 thousand) and ¥20,359 million for the years ended March 31, 2014 and 2013, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments. For the year ended March 31, 2014, loss on impairment of ¥9,171 million ($89,108 thousand) attributable to corporate buildings and structures that became idle as a result of facility restructuring is included.
(2) "Eliminations and Corporate" segment assets totaling ¥472,717 million ($4,593,053 thousand) and ¥452,976 million as of March 31, 2014 and 2013, 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" loss on impairment of ¥9,171 million ($89,108 thousand) is attributable to corporate buildings and structures and other assets that became idle as a result of facility restructuring. See note 8 for further discussion.
3. "Eliminations and Corporate" capital expenditures totaling ¥5,109 million ($49,640 thousand) and ¥9,834 million for the years ended March 31, 2014 and 2013, respectively, consist mainly of capital expenditures for buildings, machinery and equipment 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 operations.

Other Information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2014 and 2013 are as follows:

Net sales	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Japan	¥161,631	¥118,504	$1,570,453
Taiwan	133,736	107,734	1,299,417
United States of America	104,617	117,194	1,016,489
China	81,929	38,356	796,045
Korea	76,401	59,376	742,334
Other	53,856	56,136	523,280
Total	¥612,170	¥497,300	$5,948,018

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, 2014 and 2013 are as follows:

Millions of yen

2014:	Japan	U.S.A.	Other	Total
Property, plant and equipment	¥82,364	¥15,119	¥14,861	¥112,344

Millions of yen

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

Thousands of U.S. dollars

2014:	Japan	U.S.A.	Other	Total
Property, plant and equipment	$800,272	$146,900	$144,394	$1,091,566

(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 2014	Thousands of U.S. dollars 2014
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	¥91,243	$886,543
Intel Corporation	Semiconductor production equipment	84,272	818,811
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	80,476	781,928

Name of customer	Related reportable segment	Millions of yen 2013
Intel Corporation	Semiconductor production equipment	¥73,955
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	68,769
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	60,374

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, 2014 and unamortized balances as of March 31, 2014 is as follows:

Millions of yen

2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	¥1,473	¥—	¥2,686	¥103	¥4,262
Goodwill	9,092	—	—	308	9,400

Notes to Consolidated Financial Statements

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

	Thousands of U.S. dollars				
2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	**$14,312**	**$ —**	**$26,098**	**$1,001**	**$41,411**
Goodwill	**88,340**	**—**	**—**	**2,993**	**91,333**

22. Subsequent event

Reduction of shareholding in Tokyo Electron Device Limited

The Board of Directors of the Company adopted a resolution on March 26, 2014 to sell a portion of shares of Tokyo Electron Device Limited (hereinafter "TED"), a consolidated subsidiary listed in the first section of the Tokyo Stock Exchange, held by the Company. As a result, effective April 15, 2014, the classification of TED changed from a consolidated subsidiary to an equity method affiliate. In accordance with this change, TED's financial results will be reflected in Tokyo Electron's consolidated statement of income as equity in income of equity method investees beginning from the fiscal year ending March 31, 2015.

(1) Reason for change

In the midst of a rapidly changing business landscape for Tokyo Electron, the group has spent considerable effort investigating future growth strategies for both Tokyo Electron and TED, looking to develop the businesses going forward. As a result, the Company has sold a portion of its shares in TED in order to improve the enterprises value of both companies. This enables the Company to plan for a greater concentration of management resources in the core equipment business, and for TED to actively drive its development business and overseas expansion in addition to existing sales of electronic components and computer network related products while becoming even more independent and building its growth strategies for the future.

(2) Method of change

Of the 5,875,300 ordinary shares of TED that the Company held as of March 31, 2014, TED repurchased 636,000 shares. 1,484,000 shares were sold by the Company through an under-written offering (Daiwa Securities Co. Ltd. and Nomura Securities Co., Ltd.). Additionally, in relation to an additional offering (Over Allotment), 222,600 shares were sold to the underwriter upon exercise of a green shoe option.

(3) Date of change

April 15, 2014 (the date of transfer of the TED shares sold through an underwritten offering)

(4) Overview of TED

Company Name	Tokyo Electron Device Limited
Address	1-4, Kinko-cho, Kanagawa-ku, Yokohama City, Kanagawa, Japan
Representative Director	Yasuyuki Kuriki, President, Representative Director
Business Operation	Electronic Components, Computer Network
Common Stock	¥2,495,750 thousand ($24,249 thousand) as of March 31, 2014
Established	March 3, 1986

(5) Number of shares sold and sale price

Number of shares sold	2,342,600 shares
Sale price	¥3,011 million ($29,256 thousand)
Profit (loss) from sale	Loss of ¥1,850 million ($17,975 thousand) is expected to be recognized for the year ending March 31, 2015

(6) Change in voting rights (number of shares held) and proportion of voting rights

	Classification	Number of voting rights (number of shares held)	Proportion of voting rights held by TEL
Before change (as of March 31, 2014)	Consolidated subsidiary	58,753 (5,875,300 shares)	55.43%
After change	Equity method affiliate	35,327 (3,532,700 shares)	35.45%

1. The proportion of voting rights before the change was calculated on the basis of 105,985 voting rights for all shareholders as of March 31, 2014.
2. The proportion of total voting rights after the change was calculated on the basis of 99,625 voting rights, which is 105,985 voting rights for all shareholders as of March 31, 2014 less 6,360 voting rights for the 636,000 shares repurchased by TED.

Change in reportable segments

The "Electronic Components and Computer Networks" segment as disclosed in Note 21 had historically represented TED. As TED will change from a consolidated subsidiary to an equity method affiliate, this segment will not be reported from the year ending March 31, 2015, while net profit of TED attributable to Tokyo Electron will be included in "Elimination and Corporate".

Independent Auditor's Report

KPMG

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, 2014 and 2013, and the consolidated statements of operations, statements of comprehensive income (loss), 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, 2014 and 2013, 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, 2014 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 20, 2014
Tokyo, Japan

Consolidated Subsidiaries (As of March 31, 2014)

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

53 consolidated subsidiaries in total, including the above 25 companies

* Tokyo Electron Device Limited, which operates the Electronic Components and Computer Networks business, changed from consolidated subsidiary to equity method affiliate as of April 2014.

Investor Information (As of March 31, 2014)

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	30,563

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
4-1 Marunouchi 1-chome, Chiyoda-ku,
Tokyo Japan

Direct mail and inquiries to:
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

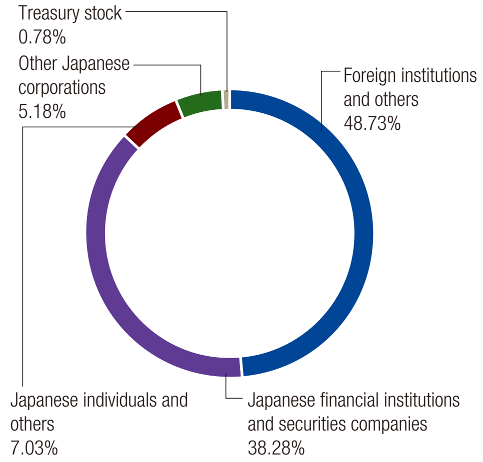
URL:
http://www.tel.com/

Principal Shareholders:

	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	19,144	10.68
Japan Trustee Services Bank, Ltd. (trust account)	11,669	6.51
Tokyo Broadcasting System Holdings, Inc.	7,727	4.31
The Bank of New York Mellon as Depositary Bank for DR Holders	6,711	3.74
Deutsche Bank Trust Company Americas	5,283	2.94
BNP Paribas Securities	3,506	1.95
Mitsubishi UFJ Morgan Stanley Securities	3,270	1.82
State Street Bank and Trust Company 505225	2,969	1.65
The Bank of New York Mellon SA/NV 10	2,940	1.64
Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,386	1.33

Notes: 1. Shares of less than one thousand have been rounded down in the "Number of shares held."
2. Voting share ratio is calculated excluding treasury stock (1,408,950 shares).

Distribution of Ownership Among Shareholders:



Stock Price and Trading Volume