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# Creating a New Global Innovator



**TOKYO ELECTRON**

# Today's Announcement

Applied Materials and Tokyo Electron combining  
in a merger of equals

Creates a new global innovator in  
**Precision Materials Engineering** and **Patterning**

**All stock transaction** with new company  
valued at approximately \$29B

With **synergies** and **share repurchase**, expect  
combination to be **accretive exiting 1<sup>st</sup> full fiscal year**

Combination  
**creates value  
for our  
shareholders**

Brings together **complementary leading technologies and products** in semiconductor and display

Mutual commitment to **improve profitability**

Company structure to enable **higher cash returns** to investors

# AGENDA

New company's **capabilities** and **structure**

Positioned for growth at **market inflections**

Addressing our **customers' needs**

**Transaction** and shareholder value

**Financial model**

# Tetsuro (Terry) Higashi

Tokyo Electron Chairman and CEO

## 35 years with TEL

- ▶ Joined TEL in 1977
- ▶ Held a variety of senior management positions, in sales, product management
- ▶ General Manager of a major division
- ▶ Appointed President and CEO in 1996
- ▶ Elected Chairman in 2003

## Industry Champion

- ▶ Chairman of the Semiconductor Equipment Association of Japan between 2005 and 2011, currently serves as Vice Chairman
- ▶ Long-serving member of the board of directors at SEMI
- ▶ SEMI's Chairman in 2004 and 2005

FOUNDED:	<b>November, 1967</b>	<b>November, 1963</b>
HEADQUARTERS:	<b>Santa Clara, California, USA</b>	<b>Tokyo, Japan</b>
EMPLOYEES:	<b>~15,000 worldwide</b>	<b>~12,000 worldwide</b>
PATENTS:	<b>~10,500 issued</b>	<b>~16,000 issued</b>
LTM REVENUE <sup>1</sup> :	<b>\$7.2 Billion</b>	<b>\$5.4 Billion<sup>2</sup></b>
TECHNOLOGY EXCELLENCE:	<b>CVD, PVD, Epi, Implant, CMP, Anneal, Conductor Etch, Defect Review, Display CVD, Display PVD</b>	<b>Track, Furnace, Wet Clean, Dielectric Etch, ALD, Wafer Prober, Display Etch, Display Track</b>
INSTALLED BASE:	<b>33,000 tools</b>	<b>54,000 tools</b>

1. LTM = Last Twelve Months through June 2013 for TEL and July 2013 for Applied  
 2. TEL revenue of \$5.4B assumes average yearly exchange rate of 0.86 JPY / USD

# New Company Structure

## Headquarters and Listings

- ▶ Dual headquarters in Santa Clara and Tokyo
- ▶ Dual listing on Nasdaq and Tokyo Stock Exchange
- ▶ Incorporated in the Netherlands

## Leadership Team

- ▶ Chairman: Tetsuro Higashi
- ▶ Vice Chairmen: Mike Splinter and Tetsuo Tsuneishi
- ▶ CEO: Gary Dickerson
- ▶ CFO: Bob Halliday

## Board of Directors

- ▶ Single Board structure with eleven directors (seven independent)
- ▶ Five Applied Materials nominated directors (three independent)
- ▶ Five Tokyo Electron nominated directors (three independent)
- ▶ One additional independent director to be mutually agreed



## WAR FOR MOBILITY

- ▶ Functions and features
- ▶ Battery life
- ▶ Interface experience
- ▶ Form factors
- ▶ At the right cost

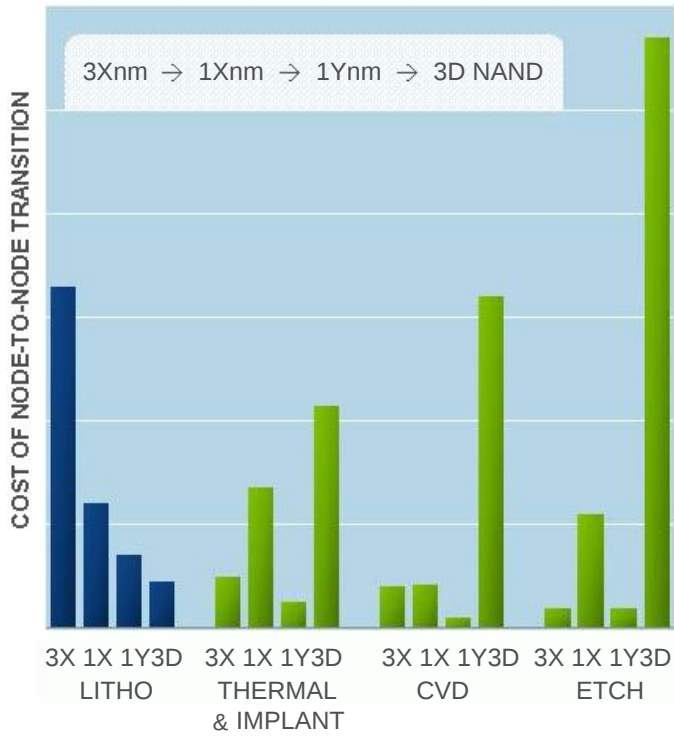
## DRIVING MAJOR INFLECTIONS

- ▶ Transistor
- ▶ Interconnect
- ▶ Memory
- ▶ Patterning
- ▶ Packaging
- ▶ Display

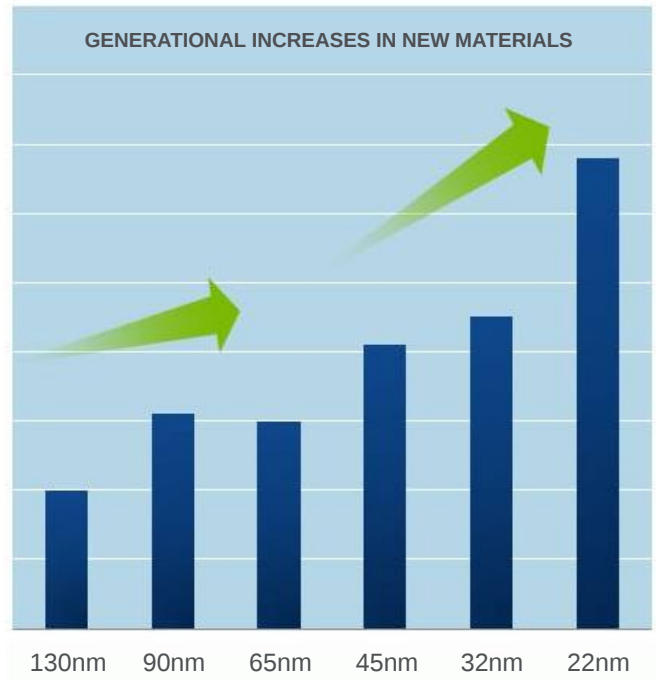
## ENABLED BY OUR TECHNOLOGY

- ▶ Precision Materials Engineering and Patterning innovation
- ▶ Device Performance and Yield solutions

## 3D memory transition shifts spending to **Materials Deposition and Etch**



## Materials Complexity is increasing in Logic



Source: Customer Presentations

# Precision Materials Engineering and Patterning

- ▶ Precision films
- ▶ Precision materials removal
- ▶ Materials modification
- ▶ Interface engineering
- ▶ Scaling engineering

High-k films  
Flowable CVD

Semi-batch ALD

Selective Epitaxy

Film Treatments

Co-implants  
HARC etch

Reflow PVD

Millisecond anneal

Multi-patterning

Metal CMP

Integrated ALD

Hard mask films

Porous low-k films

Staircase etch

Conformal doping

## OPPORTUNITIES

TO COMBINE COMPLEMENTARY COMPETENCIES FOR CUSTOMERS

Deposition, etch and clean • No queue time • No vacuum break

# Broadest Portfolio to Address Customers' Challenges

MAJOR INFLECTIONS	High Speed, Low Leakage <b>TRANSISTORS</b>	Low Resistance and Reliable <b>INTERCONNECT</b>	<b>3D NAND</b> Memory	<b>LOW-COST SCALING</b> Enabled by Patterning
DIFFERENTIATED AND SUSTAINABLE SOLUTIONS	<ul style="list-style-type: none"> <li>▶ Anneal</li> <li>▶ CMP</li> <li>▶ CVD</li> <li>▶ Epi</li> <li>▶ Furnace</li> <li>▶ Implant</li> <li>▶ PVD</li> <li>▶ Track</li> <li>▶ Wet Clean</li> </ul>	<ul style="list-style-type: none"> <li>▶ CMP</li> <li>▶ CVD</li> <li>▶ Dielectric Etch</li> <li>▶ PVD</li> <li>▶ Wet Clean</li> <li>▶ Spin-on Dielectric</li> </ul>	<ul style="list-style-type: none"> <li>▶ ALD</li> <li>▶ CMP</li> <li>▶ Conductor Etch</li> <li>▶ Dielectric Etch</li> <li>▶ CVD</li> <li>▶ Furnace</li> <li>▶ Selective Material Removal</li> <li>▶ Wet Clean</li> <li>▶ Gas Chemical Etch</li> </ul>	<ul style="list-style-type: none"> <li>▶ ALD</li> <li>▶ Brightfield Inspection</li> <li>▶ CVD</li> <li>▶ Defect Review</li> <li>▶ Dielectric Etch</li> <li>▶ Track</li> <li>▶ Wet Clean</li> </ul>
Field Support, Spare Parts and Device Performance and Yield Services				

KEY: **Tokyo Electron**, **Applied Materials**

# Combined Expertise in Etch

E-chucks  
Chemistry  
Chamber design

Chemical delivery  
Source Technology  
Best Known Methods  
Heaters

Integrated metrology  
Chamber matching



**Conductor Etch  
(Applied Materials)**  
>\$2.2B Market



**Dielectric Etch  
(Tokyo Electron)**  
>\$1.5B Market<sup>1</sup>



**Selective  
Material Removal**  
New \$1B Opportunity<sup>2</sup>

1: Source - Dataquest 2012, 2 Source - Applied Analyst Meeting 2013



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# Accelerating **Profitable Growth**

Major mobility inflections are enabled by **materials innovation** and **low-cost scaling**

Expanded capabilities in **precision materials engineering and patterning** will solve customers' high-value problems **better, faster and at lower cost**

Combination increases value for **shareholders** and **customers**, and more opportunities for **employees**

# Transaction Terms

## Transaction Structure

- ▶ Applied Materials and Tokyo Electron to combine into a new company incorporated in the Netherlands

## Exchange Ratio and Ownership

- ▶ Applied Materials shareholders to receive 1.0 share in new company for each share of AMAT
- ▶ Tokyo Electron shareholders to receive 3.25 shares in new company for each share of TEL
- ▶ Applied Materials shareholders: ~68%
- ▶ Tokyo Electron shareholders: ~32%

## Conditions and Timing

- ▶ Applied Materials and Tokyo Electron shareholder approval, regulatory approvals and other customary conditions
- ▶ Expected close in mid- to second half 2014

## Expanded Opportunity

Combined portfolio of strong products and ability to invest in highly differentiated products

Significant opportunities to grow services business

## Profitable Growth

Mutual commitment to improve profitability

Accretive to non-GAAP EPS exiting first full fiscal year following close

\$500M of pre-tax operating synergies in 3<sup>rd</sup> full fiscal year

## Cash Returns

\$3B share repurchase post-closing, with intent to execute within 12 months

Company structure enhances ability to increase cash returns to investors

**Value Creation for Customers and Shareholders**



## Process

- ▶ Tried and tested integration practices
- ▶ Dual headquarters and CEO to relocate to Tokyo
- ▶ Integrated Board of Directors
- ▶ Combine best practices to achieve 'faster, better and at lower cost'

## Shared Values

- ▶ Global perspectives and cultures
- ▶ Strong heritage of customer service and technical innovation
- ▶ Strong commitment to driving improved profitability
- ▶ Commitment to recruit, develop and retain industry's best and brightest employees

## Extensive Integration Experience

# Operating Synergies

- ▶ Supply chain efficiencies
- ▶ Manufacturing efficiencies
- ▶ Regional Sales and Service office enhancement and optimization
- ▶ IT spending and corporate functions efficiencies

**Run-rate savings**

**\$250M**

existing 1<sup>st</sup> full fiscal year

**\$500M**

realized in 3<sup>rd</sup> full fiscal year

# 2017 Target Operating Model at \$37B WFE\*

**\$18.2B**

revenue

**\$4.6B**

operating  
income

**25%**

operating  
margin

**\$2.40**

earnings per share

\* Reflects Semiconductor & Display Equipment and Services Businesses.  
CY2017, all numbers are non-GAAP



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# Side-by-Side Financials

Trailing Twelve Months  
\$B, Non-GAAP

	Applied Materials <sup>1</sup>	Tokyo Electron <sup>2</sup>	Combined
Revenue	\$7.2	\$5.4	\$12.6
Gross Profit	\$3.0	\$1.7	\$4.7
GM %	41.3%	31.1%	36.9%
Opex	\$2.1	\$1.7	\$3.8
Opex %	29.8%	31.5%	30.5%
Operating Income	\$0.8	\$(0.0)	\$0.8
Operating Margin %	11.5%	-0.5%	6.3%
Net Income	\$0.6	\$(0.0)	\$0.6

<sup>1</sup> Based on trailing twelve months ending July, 2013. See GAAP to Non-GAAP reconciliation at the end of the slides.

<sup>2</sup> Based on trailing twelve months ending June, 2013. See GAAP to Non-GAAP reconciliation at the end of the slides.

# Non-GAAP Pro Forma Reconciliation

## UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

	APPLIED MATERIALS, INC.	TOKYO ELECTRON	Combined Pro Forma
	Twelve months ended	Twelve months ended	
(SB, Trailing twelve months)	July 28, 2013	June 30, 2013	
	US GAAP	Japan GAAP	
<u>Non-GAAP Adjusted Gross Margin</u>			
Reported gross margin	\$ 2,782	\$ 1,686	\$ 4,468
Certain items associated with acquisitions	172	1	173
Acquisition integration and deal costs	3	-	3
Non-GAAP adjusted gross margin	<u>\$ 2,957</u>	<u>\$ 1,687</u>	<u>\$ 4,645</u>
<u>Non-GAAP Adjusted Operating Income</u>			
Reported operating income (loss)	\$ (278)	\$ (65)	\$ (343)
Impairment of goodwill an intangible assets	699	-	699
Certain items associated with acquisitions	209	40	249
Acquisition integration and deal costs	40	-	40
Restructuring charges and asset impairments	157	-	157
Loss (gain) on sale of assets	(4)	-	(4)
Non-GAAP adjusted operating income	<u>\$ 823</u>	<u>\$ (25)</u>	<u>\$ 798</u>
<u>Non-GAAP Adjusted Net Income</u>			
Reported net income (loss)	\$ (442)	\$ (34)	\$ (476)
Impairment of goodwill an intangible assets	699	-	699
Certain items associated with acquisitions	209	40	249
Acquisition and deal related costs	40	-	40
Restructuring charges and asset impairments	157	2	159
Impairment of strategic investments	19	-	19
Loss (gain) on sale of assets	(4)	(11)	(15)
Reversal of allowance for doubtful accounts	-	(6)	(6)
Loss on liquidation of subsidiaries	-	2	2
Reinstatement of federal R&D tax credit	(13)	-	(13)
Resolution of prior years' income tax filings	(19)	-	(19)
Income tax effect of non-GAAP adjustments	(85)	(2)	(87)
Non-GAAP adjusted net income	<u>\$ 561</u>	<u>\$ (10)</u>	<u>\$ 551</u>

## Forward-Looking Statements

This communication contains forward-looking statements, including but not limited to those regarding the proposed business combination between Applied Materials, Inc. (“Applied Materials”), and Tokyo Electron Limited (“Tokyo Electron”) (the “Business Combination”) and the transactions related thereto. These statements may discuss the anticipated manner, terms and conditions upon which the Business Combination will be consummated, the persons to be appointed officers and directors of a to-be-formed holding company (“HoldCo”), trends and the future performance of their businesses, the synergies of Applied Materials and Tokyo Electron, and similar things. Forward-looking statements may contain words such as “expect,” “believe,” “may,” “can,” “should,” “will,” “forecast,” “anticipate” or similar expressions, and include the assumptions that underlie such statements. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including but not limited to: the ability of the parties to consummate the Business Combination in a timely manner or at all; satisfaction of the conditions precedent to consummation of the Business Combination, including the ability to secure regulatory approvals in a timely manner or at all, and approval by Applied Materials’ and Tokyo Electron’s stockholders; the possibility of litigation (including related to the transaction itself); Applied Materials’ and Tokyo Electron’s ability to successfully integrate their operations, product lines, technology and employees and realize synergies, growth and tax assets from the Business Combination; unknown, underestimated or undisclosed commitments or liabilities; the potential impact of the announcement or consummation of the proposed transactions on the parties’ relationships with third parties; the level of demand for the combined companies’ products, which is subject to many factors, including uncertain global economic and industry conditions, demand for electronic products and semiconductors, and customers’ new technology and capacity requirements; Applied Materials’ and Tokyo Electron’s ability to (i) develop, deliver and support a broad range of products, expand their markets and develop new markets, (ii) timely align their cost structures with business conditions, and (iii) attract, motivate and retain key employees; and other risks described in the Applied Materials’ filings with the Securities & Exchange Commission (the “SEC”). Tokyo Electron’s filings with the Financial Services Agency of Japan and the S-4 registration statement to be filed by HoldCo. All forward-looking statements are based on management’s estimates, projections and assumptions as of the date hereof. Except as required under applicable law, none of Applied Materials, Tokyo Electron or HoldCo undertakes any obligation to update any forward-looking statements.



## No Offer or Solicitation

This announcement is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and applicable regulations in the Netherlands and Japan.



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## Additional Information and Where to Find It

Applied Materials and Tokyo Electron intend to cause HoldCo to file with the SEC a registration statement on Form S-4 (the "Registration Statement"), which will include a prospectus with respect to HoldCo's ordinary shares to be issued in the Business Combination and a proxy statement of Applied Materials in connection with the Business Combination between Applied Materials and Tokyo Electron. The definitive Registration Statement will contain important information about the proposed Business Combination and related matters. SECURITY HOLDERS ARE URGED AND ADVISED TO READ THE REGISTRATION STATEMENT CAREFULLY WHEN IT BECOMES AVAILABLE. The Registration Statement and other relevant materials (when they become available) and any other documents filed by Applied Materials, HoldCo or Tokyo Electron with the SEC may be obtained free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov). In addition, security holders will be able to obtain free copies of the Registration Statement from Applied Materials or Tokyo Electron by contacting either (1) Investor Relations by mail at Applied Materials, 3050 Bowers Avenue M/S 1261, P.O. Box 58039, Santa Clara, CA 95054-3299, Attn: Investor Relations Department, by telephone at 408-748-5227, or by going to Applied Materials' Investor Relations page on its corporate web site at [www.appliedmaterials.com](http://www.appliedmaterials.com) or (2) Tokyo Electron's Public Relations Group, by mail at Tokyo Electron, Akasaka Biz Tower, 3-1 Akasaka 5-chome, Minato-ku, Tokyo 107-6325, by telephone at 512-424-1757, or by email at [telpr@tel.com](mailto:telpr@tel.com), or by going to Tokyo Electron's Investor Relations page on its corporate web site at [www.tel.com](http://www.tel.com).



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## Participants in the Solicitation

Applied Materials, Tokyo Electron, HoldCo and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Applied Materials' stockholders in connection with the proposed Business Combination. Information about Applied Materials' directors and executive officers is set forth in Applied Materials' Proxy Statement on Schedule 14A for its 2013 Annual Meeting of Stockholders, which was filed with the SEC on January 22, 2013, and its Annual Report on Form 10-K for the fiscal year ended October 28, 2012, which was filed with the SEC on December 5, 2012. These documents are available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov), and from Applied Materials by contacting Investor Relations by mail at Applied Materials, 3050 Bowers Avenue M/S 1261, P.O. Box 58039, Santa Clara, CA 95054-3299, Attn: Investor Relations Department, or by going to Applied Materials' Investor Relations page on its corporate web site at [www.appliedmaterials.com](http://www.appliedmaterials.com). Additional information regarding the interests of participants in the solicitation of proxies in connection with the proposed Business Combination will be included in the Registration Statement that Applied Materials and Tokyo Electron intend to cause HoldCo to file with the SEC.