



# Annual Report 2011

For the Year Ended March 31, 2011

## 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. Additionally, photovoltaic cell (PV) production equipment has been in the product lineup since 2009.

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.

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### Disclaimer Regarding Forward-looking Statements

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

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

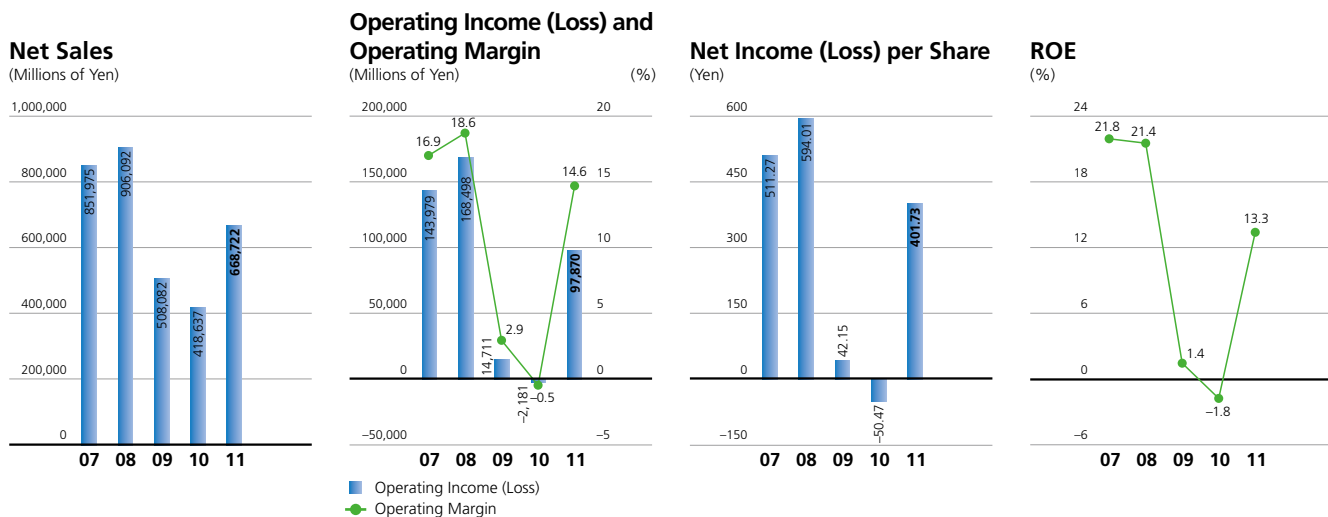
- Economic circumstances in Japan and overseas, consumption trends, and large fluctuations in foreign exchange rates
- Changes in semiconductor/FPD/PV markets
- Changes in the demand for products and services manufactured or offered by Tokyo Electron's customers, such as semiconductor manufacturers,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

For details, please refer to Business-related and Other Risks on page 34.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31	Millions of yen					Thousands of U.S. dollars	
	2007	2008	2009	2010	2011	2011	
<b>For the year:</b>							
Net sales.....	¥851,975	¥906,092	¥508,082	¥418,637	<b>¥668,722</b>	<b>\$8,042,357</b>	
Operating income (loss).....	143,979	168,498	14,711	(2,181)	<b>97,870</b>	<b>1,177,029</b>	
Income (loss) before income taxes..	144,414	169,220	9,637	(7,768)	<b>99,579</b>	<b>1,197,582</b>	
Net income (loss).....	91,263	106,271	7,543	(9,033)	<b>71,924</b>	<b>864,991</b>	
Depreciation and amortization.....	18,820	21,413	23,068	20,002	<b>17,707</b>	<b>212,953</b>	
Capital expenditures.....	27,129	22,703	18,108	14,919	<b>39,140</b>	<b>470,716</b>	
R&D expenses.....	56,962	66,073	60,988	54,074	<b>70,568</b>	<b>848,683</b>	
Operating margin.....	16.9%	18.6%	2.9%	(0.5)%	<b>14.6%</b>		
ROE.....	21.8%	21.4%	1.4%	(1.8)%	<b>13.3%</b>		
<b>At year-end:</b>							
Total assets.....	¥770,514	¥792,818	¥668,998	¥696,352	<b>¥809,205</b>	<b>\$9,731,870</b>	
Total net assets (Total shareholders' equity).....	469,811	545,245	529,265	523,370	<b>584,802</b>	<b>7,033,097</b>	
<b>Per share:</b>							
Net income (loss)—Basic.....	¥ 511.27	¥ 594.01	¥ 42.15	¥ (50.47)	<b>¥ 401.73</b>	<b>\$ 4.83</b>	
Cash dividends.....	103.00	125.00	24.00	12.00	<b>114.00</b>	<b>1.37</b>	

Notes: 1. U.S. dollar amounts are translated from yen, solely for convenience, at the prevailing exchange rate on March 31, 2011 of ¥83.15=U.S.\$1.  
2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.



## TO OUR STAKEHOLDERS



**Tetsuro Higashi**, Chairman of the Board

**Hiroshi Takenaka**, President & CEO

Following the Great East Japan Earthquake that struck on March 11, 2011, we received heartwarming support and encouragement from many of our stakeholders. We thank you for expressing all your concerns to us. Tokyo Electron has three plants in the affected areas. As we have reported on our website, none of them suffered serious damage, and production capacity has almost returned to levels before the disaster. At present, we are concentrating on working toward the future with our suppliers and preparing for power restrictions anticipated for the summer.

In 2010, the semiconductor market recovered quickly from the unprecedented global downturn and achieved strong growth driven by new consumer electronics such as smartphones, tablets, and demand for servers along with advances in cloud computing. In this favorable business environment, Tokyo Electron finished fiscal 2011, the year ended March 31, 2011, with net sales of ¥668.7 billion, operating income of ¥97.9 billion, and net income of ¥71.9 billion, marking substantial year-on-year growth across the board. During the fiscal year, management changed its dividend policy by raising the payout ratio from 20% to 35% of consolidated net income. As a result, the total dividend applicable to fiscal 2011 was ¥114 per share, ¥102 higher than in the previous fiscal year. In this way, we would like to express our heartfelt gratitude for the understanding and support you have shown toward Tokyo Electron's business activities during fiscal 2011.

We believe that the broadening of the range of products that require semiconductors along with the geographic expansion of the markets will continue over the long term, driven by the continuing evolution of semiconductors. This evolution is made possible by advancement in semiconductor production process technology. Crucial to this is technological innovation at semiconductor production equipment (SPE) suppliers like us. Similarly, flat panel displays (FPD) are seeing applications expand from television, mobile phones and other products to digital signage and so forth. FPD technology is expected to shift from liquid crystal displays (LCD) to organic light-emitting diode (OLED) displays. The photovoltaic cell (PV) market is also tipped to develop further given recent developments in favor of renewable sources of energy. In this business environment, in fiscal 2012 we aim to refine our distinctive technologies in our mainstay SPE, and develop production equipment for OLED displays. We will also pour more energy into thin-film production technology for PV, where we can take full advantage of our extensive production equipment technology. In this manner, we aim to boost Tokyo Electron's superiority in the production equipment market into the future.

As a production equipment supplier, Tokyo Electron aspires to be an enterprise that helps to upgrade and enhance social infrastructure and contribute to the betterment of people's lives. We want to share this mission among management and employees, as we strive to make Tokyo Electron a company brimming with aspirations and vitality that we can all be more proud of. That is why our most important basic policy is to consistently and continuously conduct technological development and human resource development through the economic cycles. We will drive business expansion through technological innovation and maintain a highly motivated workforce, with the aim of delivering solid value as a leading global production equipment supplier. At the same time, we will continue to work tirelessly to make Tokyo Electron an even more attractive company for all of our stakeholders.

We look forward to your continued understanding and support as we endeavor to reach these goals.



**Tetsuro Higashi**, Chairman of the Board



**Hiroshi Takenaka**, President & CEO

## INTERVIEW WITH THE CEO



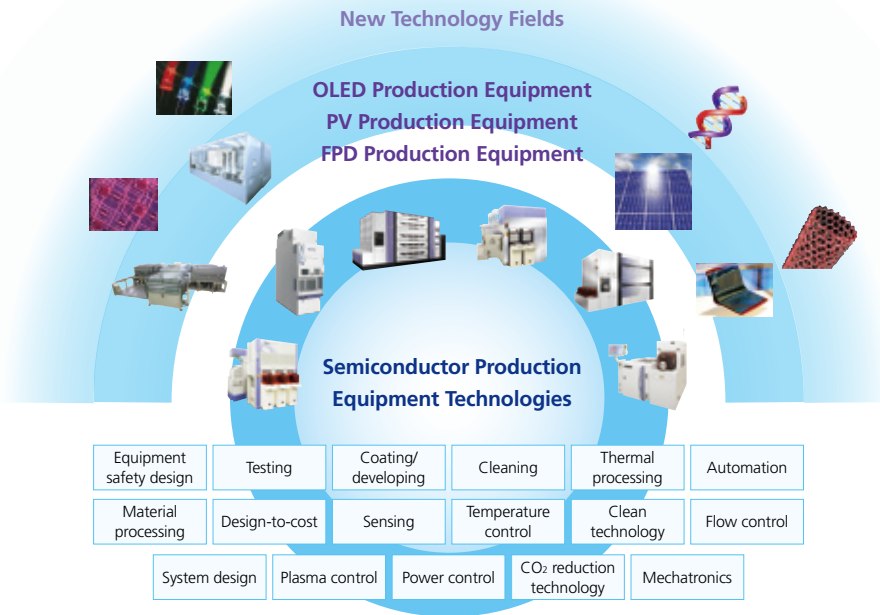
# Questions & Answers

**Hiroshi Takenaka,**  
President & CEO

**Q** What is Tokyo Electron's medium- and long-term vision?

**A** Semiconductors have long been called "the lifeblood of industry." Today, semiconductors are built into all manner of devices around us, and moreover are essential to social infrastructure and the enrichment of our daily lives. Semiconductor production equipment (SPE) is used to manufacture these "lifeblood" semiconductors. As a leading SPE supplier, Tokyo Electron aspires to remain deeply involved in the work of realizing an inspiring future for all people. In addition, SPE technology has an expansive scope and involves some profound innovations. It is used to produce the liquid crystal displays (LCD) for almost all televisions today, and can be applied to the production of organic light-emitting diode (OLED) displays. In addition, it is applied to the production of photovoltaic cells (PV), which are attracting interest as a promising means of harnessing renewable solar energy. Our production equipment technology is very much at the forefront of science and technology. Through these advances, we aim to make a broad contribution to the advancement of society at large.

## Development of Semiconductor Production Equipment Technology



### Q What are your key strategies for expanding the SPE business?

**A** The SPE market is expected to see continuing growth driven by technology innovation. First, we intend to do our utmost to enhance our position in this market. To give you some clear examples, let's look at some of our specialized market shares within the SPE market. Tokyo Electron commands a share of more than 80% of the coater/developer market and more than 60% of the thermal processing system market, but has less than a 30% share of the etch system market and less than 20% of the cleaning system market. Etch systems and cleaning systems are both used in key semiconductor production processes and therefore their markets offer strong growth prospects going forward. As a result, we intend to spend a relatively large amount of development and capital expenditures on these two fields, and also on the opening of our new Miyagi plant, in order to ensure that we produce solid results in each

field. We will also implement efforts directed at commercializing new technology fields, in addition to bolstering existing product fields.



Manufacturing base for coater/developer and cleaning system at Tokyo Electron Kyushu Limited. Cleanroom for process evaluation expanded to strengthen development of cleaning systems, a market expected to grow going forward.



CELLESTA™ -i  
Single Wafer Cleaning System

**Q** Which new SPE-related technology fields are you focusing on?  
Please go into more detail.

**A** Last year, we launched a new plasma etch system Tactras™ RLSA™ Etch, featuring our proprietary revolutionary breakthrough plasma technology. Leveraging this technology, we are also considering entry into new film formation and other fields.

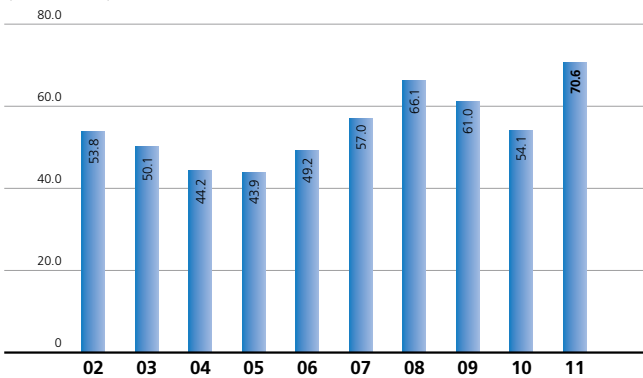
Recently, while development aimed at pushing the limitations of scaling, or miniaturization, has been vigorous, we have been making R&D efforts directed at realizing technologies for

dramatically increasing device performance by means of stacking multiple silicon chips. Called 3DI, this chip stack technology also takes full advantage of various technologies we have already developed over many years. With the technology expected to be used in mass production in 2-3 years, we are currently working to upgrade and extend our product lineup.

Additionally, in traditional wafer-test related fields, we have received strong calls for reducing test costs from customers. In response, we are actively preparing to propose new solutions to address their needs.

**R&D Expenses in the Past 10 Years**

(Billions of Yen)



**Global R&D and Manufacturing Bases**



\*1: Operation is scheduled to begin in late 2011

\*2: Operation is scheduled to begin in spring 2012



## Q What kinds of OLED display solutions do you plan to offer?

A Companies already offer OLED displays based on conventional technologies. However, Tokyo Electron is currently developing new types of OLED film formation equipment for use in the production of large OLED displays for TVs and lighting in the near future. The first type is our own proprietary evaporation system that has a very unique technology that provides a high level of material efficiency. The second type is a film formation system using an inkjet printing method under joint development with Seiko Epson Corporation, a company which has considerable expertise in industrial inkjet technology. OLED is a future display technology that is lighter and more energy efficient than liquid crystal display (LCD), and has a higher resolution of color. The market for OLED displays is expected to come into its own in the near future. Based on our wide range of equipment technology developed through LCD operations, we aim to propose unique technologies for the next generation of OLED displays.

## Q Competition is intensifying due to the emergence of Asian equipment suppliers. What steps are you taking to expand business and improve earnings?

A In recent years, Asian equipment suppliers including those in South Korea have prominently come to the forefront. We must continue to run ahead of them in terms of technology innovation. Fortunately, the industry as a whole has seen technological innovation continue to evolve swiftly. We believe that with this foundation Tokyo Electron can continue to provide better value with its proposals in the future, based on our possession and provision of distinctive technologies that stand out. Moreover, our customers also face relentless competition on a daily basis. If we can provide our high-value-added technologies at the best possible timing, I am confident

that we will be chosen by our customers as a long-term partner. That is also why we decided to set up an SPE process technology center in Hwaseong, South Korea.

Accelerating cost reductions has also become an urgent priority in this process. To this end, we are currently constructing a new plant for FPD production equipment in Kunshan, China.



Ground-breaking ceremony for the new plant at our new subsidiary Tokyo Electron (Kunshan) Limited in Kunshan, Jiangsu Province, China (January 8, 2011)



**Q** What is your policy on returning profits to shareholders?

**A** We must constantly maintain and expand technological leadership and capabilities that have a competitive edge. This is Tokyo Electron's primary source of growth. Therefore, no matter what conditions we face, the most important factor for ensuring the Company's growth is to retain the necessary funds for this, and to invest these funds in important development projects, intellectual property acquisitions and so forth. We also believe that doing so will lead to increased shareholder value.

At the same time, we have carefully asked ourselves what would be the best possible profit distribution policy—one that would reward shareholders for their support, while maintaining our financial soundness in a fast-changing market environment. Consequently, we decided that the total dividend applicable to fiscal 2011 should be raised to ¥114 per share, marking a large increase from the previous year. This partly reflects our decision to raise the dividend payout ratio target from 20% to 35%, as well as the improvement in net income, from which dividends are paid out.

Looking ahead, we will continue striving to enhance shareholder value through sound business expansion, while at the same time working to directly return a greater portion of earnings to shareholders.

## Response to and Rebuilding After the Great East Japan Earthquake

We wish to express our deepest sympathies and condolences for the victims of the Great East Japan Earthquake. We sincerely hope that the affected areas can realize a quick recovery.

### Safety of Employees

All employees were safe.

### Status of Production Facilities

Three of our manufacturing bases in the Tohoku region suffered minimal damage but have already resumed operation in the first quarter of FY2012.

#### Tokyo Electron Tohoku (Oshu, Iwate)

Thermal processing system

- Operation restarted in late March

#### Tokyo Electron Miyagi (Matsushima, Miyagi)

Etch system

- Operation restarted in early May

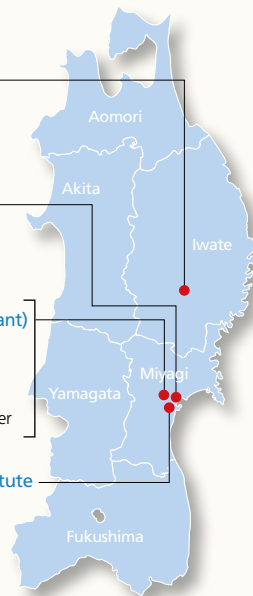
#### Tokyo Electron Miyagi (Taiwa, Miyagi—new plant)

- Buildings for R&D and administrative functions: Construction completed in late May
- Building for the production line: Construction scheduled for completion in September

#### Tokyo Electron Technology Development Institute (Sendai, Miyagi)

RLSA™ plasma etch system

- Operation restarted in late March



Tohoku region

### Post-earthquake Response

#### Suppliers

We worked quickly to ascertain the status of our 300 or so suppliers in the affected regions and are taking measures to remedy the instability in the supply of certain parts.

- We devised workarounds involving adjustments to production processes, temporary adoption of substitute parts, and design changes

#### Radiation

We are measuring the radiation levels of all equipment and parts shipped overseas.

- Implemented in conformity with International Air Transport Association (IATA)

#### Power Supply

We intend to reduce power consumption for the coming summer months by 15% compared to the same period last year. However, we are also implementing steps to ensure that these cuts will not result in stoppages in our R&D and production schedules.

- We will install solar power generation systems (2,000 kW), a turbo chiller, and other equipment
- An operation rotation plan will be implemented in the Yamanashi and Sendai regions from July to September

### Support for the Affected Regions

#### Monetary Donations

We donated a total of ¥500 million in aid to the recovery effort.

#### Customer Support

We sent 100 to 200 field engineers to provide support to our customers in their efforts to get their facilities back to normal.

#### Tokyo Electron Tohoku

President & CEO Hiroshi Takenaka visited the plant to provide encouragement to employees  
March 25, 2011



**FEATURE**

# AIMING TO BE GLOBAL NO. 1: The Challenge of the New Miyagi Plant



**Hirofumi Kitayama**  
 Representative Director  
 Executive Vice President  
 General Manager, Manufacturing Division (Quality)  
 President, Tokyo Electron Miyagi Limited

Tokyo Electron has invested ¥25 billion in the construction of a plant in Taiwa, a town close to Sendai City in Miyagi Prefecture, that can conduct all the processes for plasma etch systems from development to mass production. Etch systems are a core product for the Company and also for the industry. The Great East Japan Earthquake delayed construction, but the buildings for the R&D and administrative functions will become operational in July, and the building for the production line will start operations in November.

## The Goal of the Plant is to Become No. 1 in the World

### First, please tell us why you decided to build this new plant.

Simply stated, it is to “become the world’s top semiconductor production equipment supplier.” More precisely, the major goal is to enhance Tokyo Electron’s core technological strength in order to enable the Company to continue to provide high-value, high-quality products to our customers. Since the new plant will consolidate the processes for etch systems from development to mass production, it will enable us to thoroughly eliminate inefficiency in terms of time, communication, and costs and thereby reduce product development time. We will also be able to incorporate

quality and manufacturing processes at the design and development phase, and achieve increases in productivity.

From the perspective of manufacturing, creating a new production method will allow us to reduce manufacturing time and introduce more flexibility into production. In order to become the world No.1, we will need to hire superior engineers. Miyagi is an ideal location from the point of view of recruiting people. In terms of R&D, we are also thinking about the potential for various types of industry-academia partnerships, such as collaborations and personnel exchanges with colleges of technology and universities in the Tohoku region, including Tohoku University. For Tokyo Electron, which can be described as a technology company par excellence, this will have enormous benefits.



**Plasma etch system, Tactras™ – Strong global reputation based on exceptional productivity and high reliability.**

### Are you making this huge investment into the construction of this new plant because you project there will be sufficient growth in the etch system market to justify it?

The current scale of this market is approximately U.S.\$5 billion. Amid the ongoing advancement of semiconductor scaling

technology, the etch system market, which is very attractive in the wafer fab equipment industry, has substantial growth potential. At the same time, we must continue to supply top-quality products to our customers in this attractive market. We anticipate

a doubling of our sales within several years as a result. This is an achievable goal if we enhance our efficiency, and continue to supply our customers in a timely manner with products based on high-value technology.

## Unwavering Conviction in Maintaining Production in Japan

**At a time when many Japanese companies are relocating their production bases abroad, why do you remain committed to keeping production in Japan?**

In order to win in a market that is characterized by keen competition through technological innovation, what is most important is to achieve differentiation in product development. To this end, we need to differentiate ourselves through our technology and put products on the market more swiftly than before. In particular, we must be able to launch development projects early on, and subsequently achieve commercialization rapidly. Further, we must start to consider quality and costs right from the development phase. We need to fully refine our core technologies, taking advantage of the insistence on a level of quality that Japan can provide. With these factors in mind, I believe our optimal choice is to carry out production in Japan.

With regard to production, by fully implementing visualization and the elimination of inefficiency, and by establishing quality assurance in our own processes (that is, by ensuring that no defective products move on to the next process), we can reduce costs and maximize profits. In an environment where manufacturing is shifting to Asia, we must achieve success in meeting Tokyo Electron's big challenge to "win in Asia."

**Is it true that the new plant is also very advanced in terms of being environmentally friendly?**

We are committed to actively working on environmental issues at the new plant. One of the environmental commitments we made in May 2008 was "to reduce the impact of our business and transportation activities on the environment by 50%, by 2015, compared to the 2007 levels." In order to live up to that pledge, we will adopt a 1MW solar power generation system and use LED lighting where possible. In addition, we will make emissions from the new plant as clean as possible by recycling nitrogen and by further cutting the amount of greenhouse gas emissions in the product development and evaluation processes. Regarding the transportation of materials, the idea is to consolidate, to the fullest extent possible, the handling of materials by building relay depots that will work as hubs, working in cooperation with our suppliers around the country. We are considering how to restructure the supply chain in this way, taking advantage of the opportunity of the establishment of the new plant.



Tokyo Electron Miyagi's new manufacturing base for plasma etch systems. Targets further strengthening of operations through unification of R&D and manufacturing functions. As part of the Company's environmental commitments, a solar power generation system is to be installed on the roof of the facility.

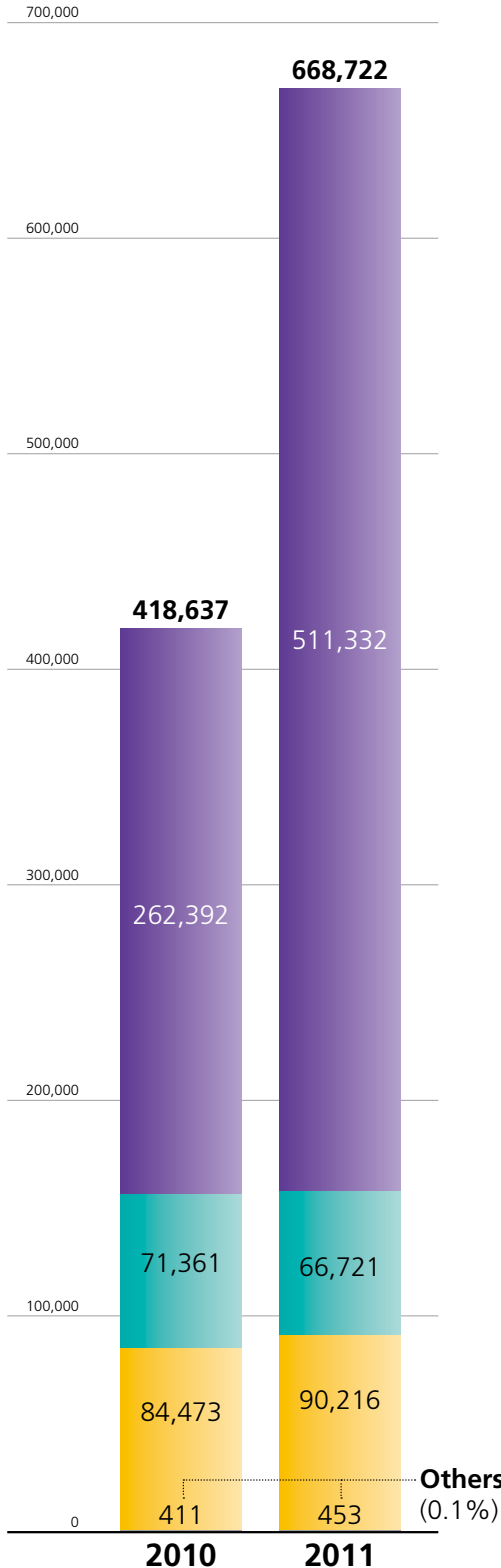


# TOKYO ELECTRON AT A GLANCE

Summary of Business

## Net Sales

(Millions of Yen)



### Semiconductor Production Equipment

Semiconductor devices (IC chips) are the key components of PCs, mobile phones and other digital products. Tokyo Electron offers a wide range of equipment for producing these devices, along with superior technical support and service.

Tokyo Electron has a lineup of six product groups that includes coater/developer, plasma etch system, thermal processing system, single wafer deposition system and cleaning system used in wafer processes, as well as wafer prober used in testing processes. Many of these products have captured top shares in their worldwide markets.

### FPD/PV Production Equipment

Tokyo Electron supplies flat-panel display (FPD) production equipment used to manufacture displays for PCs, LCD TVs and other electronic devices, along with solid technical support and service.

The product lineup includes FPD coater/developer and plasma etch/ash system. The size of substrates handled by such equipment is increasing each year with the growing popularity of large-screen LCD TVs.

Photovoltaic cells (PV) are in the spotlight these days as an environmentally friendly form of clean energy. In FY2009, Tokyo Electron added PV production equipment as a new field of operations.

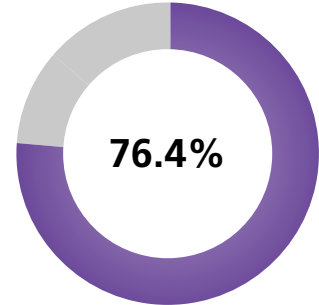
### Electronic Components and Computer Networks

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

Main Products

Share of Net Sales

- **Coater/Developer**
- **Plasma Etch System**  
Dielectric Etch System, Silicon Etch System
- **Thermal Processing System**
- **Single Wafer Deposition System**  
CVD System, Plasma Processing System
- **Cleaning System**  
Auto Wet Station, Single Wafer Cleaning System, Pre-clean System, Scrubber System
- **Wafer Prober**



Coater/Developer  
CLEAN TRACK™ LITHIUS Pro™ V-i



Plasma Etch System  
Tactras™



Thermal Processing System  
TELINDY PLUS™



Single Wafer CVD System  
Trias™ e\*

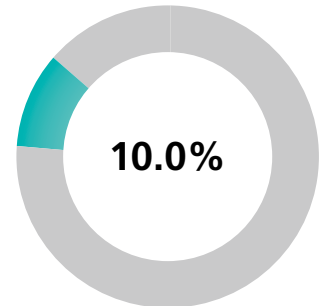


Single Wafer Cleaning System  
CELLESTA™ -j



Wafer Prober  
Precio™

- **FPD Coater/Developer**
- **FPD Plasma Etch/Ash System**
- **Plasma CVD System for Thin-film Silicon PV Cells**
- **End-to-end Thin-film Silicon PV Solutions** (as Swiss company Oerlikon Solar's exclusive representative for the Asia/Oceania region)

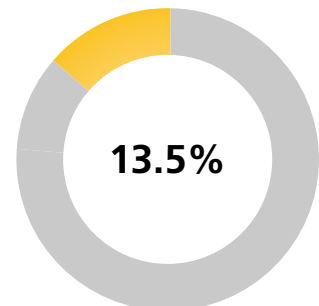


FPD Coater/Developer  
Excelliner™



FPD Plasma Etch/Ash System  
Impressio™

- **Semiconductor Products**
- **Other Electronic Components**
- **Computer Networks**
- **Software**



Xilinx, Inc.  
FPGA



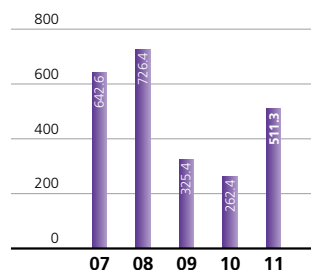
F5 Networks, Inc.  
Load Balancer

## REVIEW OF OPERATIONS

### Semiconductor Production Equipment

#### Semiconductor Production Equipment Sales

(Billions of Yen)



#### Overview of FY2011

In the fiscal year ended March 31, 2011, the global economy as a whole attained a trend of mild recovery, supported by government stimulus measures in various countries. The semiconductor market expanded rapidly as a result of robust demand for smartphones, tablets, and other mobile electronics. Responding to this increased demand, semiconductor manufacturers made aggressive capital investments, particularly in wafer fab equipment.

Net sales in the segment soared 94.9% year on year to ¥511.3 billion, driven upwards by semiconductor manufacturers' robust investments in scaling, or miniaturization, and capacity expansion.

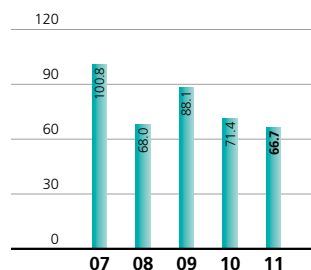
By region, sales rose sharply in all geographic markets, mainly bolstered by investments by NAND flash memory and logic semiconductor manufacturers.

By product, sales of all product groups increased sharply as a result of the proactive promotion of new models of such products as the coater/developer CLEAN TRACK™ LITHIUS Pro™ V, plasma etch system Tactras™ Vigus™, and the thermal processing system TELINDY PLUS™. New products, such as the plasma etch system Tactras™ RLSA™ Etch, also contributed to the increased sales.

### FPD/PV Production Equipment

#### FPD/PV Production Equipment Sales

(Billions of Yen)



#### Overview of FY2011

While the market for large liquid crystal display (LCD) panels used in flat-screen TVs entered an inventory adjustment phase, demand for small- and medium-sized panels was robust due to strong demand for smartphones and tablets. In line with the growth in the mobile electronics market, capital investments by LCD panel manufacturers were firm, especially in China and South Korea. In the photovoltaic cell (PV) production equipment business, the single-crystal silicon cell market is expanding, but the thin-film silicon PV market that Tokyo Electron has entered has yet to demonstrate strong growth.

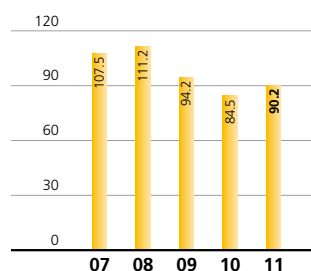
Net sales in the segment declined 6.5% year-on-year to ¥66.7 billion. FPD production equipment sales were roughly on par with the previous year, supported by steady demand for sixth-generation and above models, while sales of PV production equipment declined.

By region, sales in China surged by 171%, as the country continues to become the center of large LCD panel production. South Korea sales jumped 124% and Taiwan sales increased 29%. Sales in Japan, however, fell 66% below the previous year to ¥14.6 billion.

### Electronic Components and Computer Networks\*

#### Electronic Components and Computer Networks Sales

(Billions of Yen)



#### Overview of FY2011

About 90% of the sales in this segment are from Japan. In the domestic electronics market, though demand was brisk in the first half of the fiscal year, sales stalled in the second half as some government stimulus measures came to an end and consumers lost their appetite for personal electronics upgrades.

Net sales in the segment rose 6.8% to ¥90.2 billion. Sales of semiconductor products used in consumer electronics such as flat-screen TVs and digital household electronics entered a slump from the beginning of the year, but semiconductor products used in industrial equipment such as medical equipment, semiconductor production equipment, and factory automation (FA) equipment were brisk. Sales of high added-value analog integrated circuits (IC) and custom ICs also increased. Due to the slowness of the recovery in corporate IT investment, sales of computer network-related products declined, though software and maintenance services posted sales growth.

\* Tokyo Electron Device Limited operates this business.

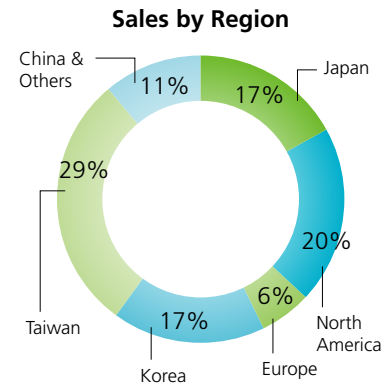


## Business Outlook

The semiconductor market continues to expand, driven by brisk worldwide demand for smartphones, tablets and other mobile electronics that can now function as a result of the diffusion of wireless broadband and mobile applications. The semiconductor production equipment market, which is underpinning this expansion in semiconductors, is also expected to continue its high growth, despite periodic fluctuations in demand.

Tokyo Electron is taking advantage of this market environment to further expand its business. Two management priorities are the comprehensive strengthening of existing product groups and the establishment of new businesses. In existing product groups, Tokyo Electron will strive to enhance its position in etch systems and cleaning systems, two markets which are both large and also have strong growth potential, by means of timely launching new products based on customer needs. In the establishment of new businesses, the Company will expand products for manufacturing new 3D chip stacks for high-density semiconductors, expand the applications of a new plasma source using radial-line slot antenna, and accelerate the development of systems to meet the customer need of reducing test costs.

Furthermore, Tokyo Electron is bolstering its field solutions business through the proactive promotion of used equipment business, equipment refurbishment and service contracts, aiming to establish a stable earnings stream from the business.

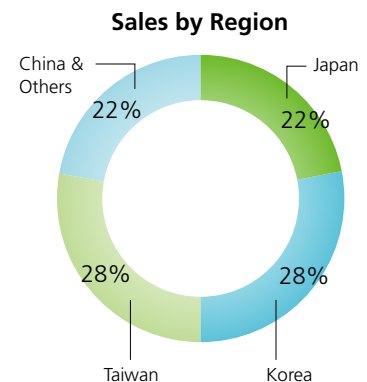


## Business Outlook

The applications for displays are expanding. In addition to large LCD panels used in televisions, demand for small- and medium-sized touch-panels used in smartphones and tablets is surging. Moreover, digital signage, electronic paper, and other applications using flat panels are expected to become popular in the near future. Going forward, China is expected to be the center of growing investment in large LCD panel manufacturing, while new rounds of investment in small- and medium-sized panel manufacturing are also forecast.

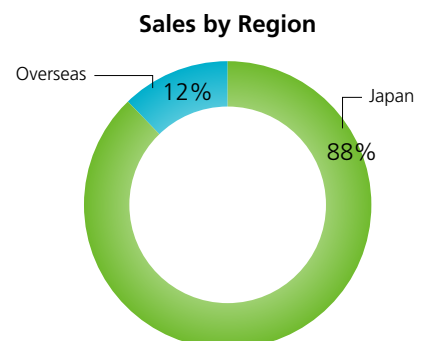
Tokyo Electron will focus on launching differentiated products that address high-speed and high-definition technologies. As competition intensifies, the Company will also strive to further reduce costs. In addition, Tokyo Electron will accelerate development of production equipment for OLED displays, considered to be the next-generation display in the post-LCD era, in preparation for market entry in the near future.

The thin-film silicon PV business Tokyo Electron is currently entering is still in its infancy. The business potential over the medium- to long-term, however, is significant as the technology will evolve in tandem with the global shift to renewable energy. Tokyo Electron has business alliances with Sharp Corporation of Japan and the Swiss company Oerlikon Solar Ltd., while also developing its own proprietary technologies. The Company plans on opening a new R&D center in Tsukuba, Ibaraki Prefecture, Japan in spring 2012, where it will research technologies for efficiency improvements and aim for the early establishment of the thin-film silicon PV business.



## Business Outlook

Though the Great East Japan Earthquake has introduced some opaque elements into the semiconductor market in the first half of 2011, overall the market is expected to remain on a steady growth track. In addition, though IT investment has been tepid, a recovery is still expected in the second half of the year. Amid this business environment, Tokyo Electron will reinforce both its sales structure and support services as a semiconductor trading company, promote its business outside Japan, and invest more in proprietary technology development to expand sales of its own brand "inrevium™" across Asia. Through these measures, the Company aims to increase revenue and profits.



## ENVIRONMENTAL, HEALTH AND SAFETY ACTIVITIES

Tokyo Electron's corporate missions include placing the highest priority on people's health and safety and taking the global environment into account when conducting business activities.

### Fundamental Policy

Tokyo Electron positions environmental, health and safety activities as one of its most important management issues to achieve both sustained corporate growth and the continued development of society. With that in mind, Tokyo Electron 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.

In order to accelerate our environmental response activities, in May 2008 we codified Tokyo Electron's environmental commitment, selecting "Technology for Eco Life" as a slogan to guide our environmental activities. One of the stipulated goals of this commitment is to develop production equipment that will enable customers to cut the total environmental burden of their factories in half by 2015, and also to cut the Company's own environmental burden from business activities and logistics in half by the same date. Moreover, to develop these environmental, health and safety initiatives, we believe that it is vital to promote communication with all stakeholders as well as to receive and give feedback. In line with this philosophy, we are also actively engaging in activities that contribute to society.

### EHS Management

Since 1997, Tokyo Electron has developed and implemented environmental management systems based on ISO 14001 standards, mainly for the plants conducting manufacturing operations, and obtained the relevant certification. Furthermore, to enhance the workability and effectiveness of the EHS Management System, we are raising the level of the continuous audits that check the system and its results. These audits are performed from various viewpoints: from within the workplace or the Group, or by a third party.

### Initiatives to Reduce the Environmental Burden of Products

#### Proactive Environmentally Conscious Product Design

Tokyo Electron believes that the promotion of product designs sensitive to the environment is vital. In particular, Tokyo Electron has positioned promotion of energy conservation in its products, as well as the reduction and replacement of regulated hazardous chemicals, as priority issues.

#### 1. Initiatives to Reduce the Environmental Impact During Equipment Usage

Based on our roadmap for reducing the environmental burden of all business departments, we developed our approach to such policies as reducing our energy requirements, and the industrial gases and chemical substances used. Doing so required working in

cooperation with our customers and adjusting our approach to each product's characteristics in a multi-faceted manner. We are actively implementing initiatives to achieve these goals. Furthermore, we are working to reduce the total environmental burden during product usage: not merely of our products, but also of the peripheral machinery owned by customers, as well as determining the optimal form of product usage.

#### 2. Initiatives Regarding Hazardous Substances in Products

As an environmental measure, Tokyo Electron promotes efforts to reduce hazardous chemical substances in its products. Chemical substances contained in the units and parts used in products are managed in a dedicated database. Tokyo Electron has positioned those products in which at least 98.5% of the constituent parts meet standards stipulated by the Europe RoHS directive\* as "equipment containing reduced amounts of chemicals." Shipment of these products first began in October 1, 2008.

\* Refers to the "Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment" directive in Europe (2002/95/EC) and amendments thereto. With the exception of certain applications excluded from its scope, this directive prohibits the inclusion of lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE over a maximum prescribed amount in products. (European Directive 2002/95/EC on the restriction of the use of certain hazardous substances in the manufacture of electrical and electronic equipment)

### Health and Safety Activities

Tokyo Electron promotes health and safety in all of its operations. This includes giving top priority to the health and safety of our employees and customers and designing products with safety in mind.

In fiscal 2011, the number of accidents and injuries, including those requiring first-aid alone, rose year on year across the entire Tokyo Electron Group, including overseas. The main reasons for this are judged to be increases in production and shortening of delivery periods initiated in order to expedite the launch of products to the market. Moving forward, all of Tokyo Electron will unite in promoting activities to prevent accidents across the board and maintain a safe environment at the workplace. Such activities will include the further strengthening of provision of safety education for workers, on-site safety measures, and site patrols by management supervisors.

For further details, see "Environmental and Social Report 2011" (to be published in October 2011).

<http://www.tel.com/eng/citizenship/ehsreport.htm>



### Tokyo Electron's Commitment

The Tokyo Electron Group has assessed the impact of its products on the environment throughout their entire lifecycle—from the procurement of major components, through manufacturing and

logistics to product use. Based on this assessment, we established an environmental goal for the year 2015 and are promoting measures to reduce environmental impact.

- We aim to develop equipment that enables a 50% reduction—compared to the 2007 levels—of the total environmental impact of new customer factories scheduled for completion in 2015.
- We aim to reduce the impact of our business and transportation activities on the environment by 50%, by 2015, compared to the 2007 levels.
- We will strive to achieve these commitments in partnership with our stakeholders.



### Progress on Achieving Environmental Commitment

Tokyo Electron has set a goal of achieving a 50% reduction of per-unit CO<sub>2</sub> emissions by 2015 compared with 2007. Already, we have the potential to achieve this target in our products per 300mm wafer unit produced. In terms of logistics, we are endeavoring to switch shipment from air to marine freight for deliveries to customers. To facilitate this switch, we are striving to shorten manufacturing

timelines to provide more time for shipping, and to reduce the number of parts to reduce weight, along with increasing local production. We will continue to work with customers in halving our logistics burden per ton-kilometer. At our manufacturing sites, we have continued to make environmental investments with the goal of reducing CO<sub>2</sub> emissions. In addition, we have taken concrete measures to conserve power in response to power consumption restrictions following the Great East Japan Earthquake. As part of these measures, we are speeding up plans to install solar power generation systems at the Yamanashi plant and the new Miyagi plant.

We have also instituted carbon offset initiatives based on Domestic CDM (Clean Development Mechanism) as part of the plan to halve emissions per unit of sales.

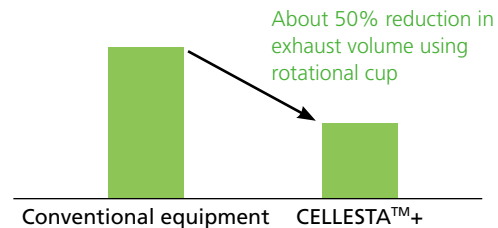
In recent years, it has become imperative to make significant reductions in the amount of power mobile electronics like smart-phones consume. We will continue to support the realization of more energy-efficient semiconductors and flat panel displays manufactured using our equipment as a way to contribute to the CO<sub>2</sub> reduction efforts of society at large.

### Cleaning System Initiatives

In addition to the high controllability required for miniaturizing and enhancing the performance of devices, the CELLESTA™+ single wafer cleaning system enables a smaller footprint (installation area) with 12 spinners\*<sup>1</sup> by reducing the size of the process chambers. Wafer spin chambers require spatter control of process liquids and atmosphere control, but the input and output of large amounts of air are necessary to control these during high-speed spin processing. The CELLESTA™+ uses the “rotational cup” concept, in which the spin chambers rotate in synchronization with the wafers. This provides not only a 50% reduction in exhaust air compared with conventional systems but also enables downsizing of process chambers and enhancing of productivity per unit area and C.o.O\*<sup>2</sup>.

\*1 Spinner: a device that creates thin films through centrifugal force by rapidly rotating flat and smooth base materials.

\*2 C.o.O (cost of ownership): total expenses required for installing, operating, and managing facilities/equipment, etc.



### Features of CELLESTA™+

1. High throughput: maximum 333 wafers/hour
2. New spinner model: 12 process spin chamber
3. Enables built-in chemical supply circulation unit
4. TEL original IPA drying technology enables watermark-free drying
5. New atomized spray (AS3) for high particle removal efficiency (PRE) with fine patterns and non-damaging cleaning
6. Utilizes the highly reliable CLEAN TRACK™ LITHIUS Pro™ coater/developer handling technology



### Status of Tokyo Electron Group's Environmental Initiatives

Organization dedicated to the environment	Corporate Environment Promotion Dept.
Highest responsibility for the environment	Board of Directors and Board of Executive Officers
Environmental audits	Internal and external audits each conducted yearly; other irregular inter-Group audits
Introduction of environmental management systems	Acquired ISO 14001 at 8 plants and offices
Zero emissions of waste	Achieved at all domestic manufacturing bases; recycled products used in-house
Setting of energy conservation targets	Implementing energy-saving products and energy-saving targets at plants and offices
Environmental training for employees	Conducted for all employees
Punished for violating environmental regulations?	Tokyo Electron has never been punished for this

## Tokyo Electron's Growth and Corporate Governance



**Tetsuro Higashi**  
Chairman of the Board

The Great East Japan Earthquake that occurred in March 2011 caused us to induce great concern among our shareholders. With your support, however, as of June 2011 we have restored Tokyo Electron's development and production functions to largely the same condition as before the disaster. We are confident we will be fully prepared to meet growing demand from our customers. I wish to extend my gratitude for the encouragement and support of all stakeholders. In addition, all of the Company's employees and executive officers are strongly determined to rebuild from the disaster and harbor strong ambitions to make Tokyo Electron an even stronger company. I myself once again feel proud of the strong resolve of the Company's employees and their high level of awareness in these respects.

The electronics industry in which the Company operates has given birth to a steady stream of technological innovation for more than half a century. This technological innovation in turn has generated new demand, spurring significant growth in the industry as a whole. Going forward, the electronics industry still offers significant scope for technological innovation. The industry's markets are set to further permeate every aspect of daily life, from advanced information and communications technology fields, to the automobile, healthcare-related and energy sectors. At the

same time, the electronics industry harbors huge growth potential as it expands to every region around the world. I believe that Tokyo Electron must remain a company that possesses "aspirations and vitality" and stay in the vanguard of the times by generating further technological innovation.

As chairman, I put particular emphasis on the following points when considering corporate governance. First, as company management is entrusted to us by the shareholders, it is extremely important for us to maximize corporate value over the medium and long terms. On the other hand, the second point is that I believe a corporation is an organic living structure which is formed by the Company's employees, and that it must therefore be a truly worthwhile, vibrant organization from the standpoint of the employees. In this sense, I believe that the essence of corporate governance lies in management's continuous efforts to develop systems and measures that ensure that the company remains attractive to both shareholders and employees.

From these perspectives, I intend to actively provide timely advice in support of the current execution system and the Company overall.

## CORPORATE GOVERNANCE

Against a backdrop of ongoing business globalization, Tokyo Electron maintains a management philosophy that puts emphasis on maximizing corporate value and enhancing shareholder satisfaction.

To this end, the Company is striving to strengthen corporate governance through a variety of measures. The Company is building a highly effective corporate governance structure, and upgrading and strengthening its internal control systems and risk management system. Efforts in this regard are founded on the following three basic principles.

### 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 statutory auditor system based on the Company Law, and furthermore has established its own Nomination Committee and Compensation Committee to increase the transparency and objectivity of management. Also, Tokyo Electron has adopted the executive officer system to separate the business execution function from the Board of Directors. Moreover, Tokyo Electron has been disclosing the individual remunerations of

representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

### The Board of Directors

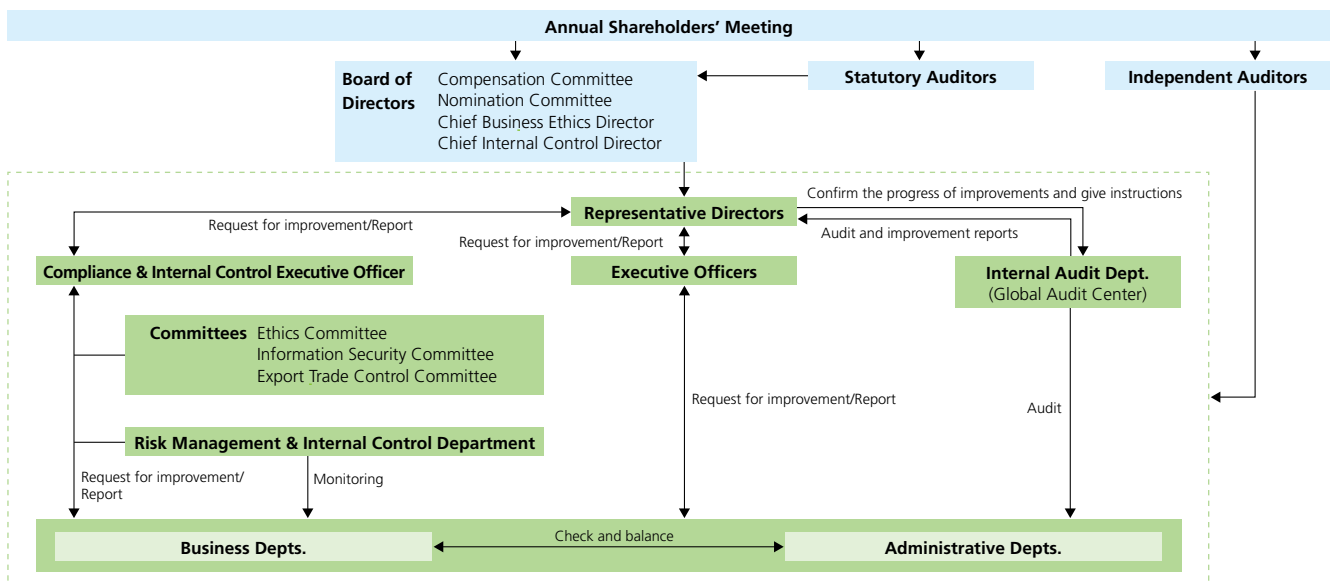
The Board of Directors consists of 15 directors, two of whom are external directors. In principle, the Board of Directors meets once a month, with additional meetings if necessary. (During fiscal 2011, the Board of Directors met on 11 occasions.) In order to ensure that the Company can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year. Furthermore, there are two committees whose activities are intended to improve corporate governance: the Compensation Committee and the Nomination Committee.

**Compensation Committee:** This committee proposes the remuneration to be paid to representative directors at the Board meeting for approval.

**Nomination Committee:** This committee nominates candidates for directors to be selected at the annual shareholders' meeting, and nominates a candidate for CEO to be selected by the Board, which it submits at the Board meeting for approval.

Each of these committees is composed of members of the Board of Directors, excluding the representative directors, or statutory auditors.

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



### The Board of Statutory Auditors

The Company has four statutory auditors, two of whom are external auditors. The statutory auditors not only attend meetings of the Board of Directors, the Management Meeting and other important business meetings, but also conduct operations audits and accounting audits, and evaluate risk management, in addition to auditing the performance of duties by directors. During fiscal 2011, the board of statutory auditors met six times.

### The Executive Officer System

In order to further clarify the roles of the Board of Directors and executives in charge of business operations, Tokyo Electron has adopted the executive officer system. This system promotes fast decision-making and the quick establishment and execution of business strategies.

### Compensation for Corporate Directors and Statutory Auditors

The Company has introduced incentive systems, such as business results-based compensation and stock options linked to share prices. As regards business results-based compensation, effective from fiscal 2011, the Company revised its executive compensation system to link compensation more precisely to the elements of maximizing corporate value and enhancing shareholder value. To achieve this, Tokyo Electron has added ROE as an extra evaluation yardstick to the conventional one of net income.

1. The compensation for corporate directors is composed of two elements: a fixed monthly salary, and performance-linked annual compensation which is linked to earnings performance.
2. The total amount of performance-linked compensation for corporate directors is calculated by assessing the degree of achievement of ROE as well as net income, and is also adjusted to allow for any other important management targets designated for the period under review, for any special losses that occurred, and for any other special factors that should be considered. This compensation is split between cash bonuses and stock-based compensation at a ratio of roughly one to one having been changed from the previous ratio of two to one. As a result, the ratio of stock-based compensation increased. This change was made to allow corporate directors to share in both the benefits and the risks experienced by shareholders. The amount of performance-linked compensation is set at a maximum of a multiple of five times the annual fixed compensation. The stock-based compensation takes the form of new stock warrant contracts with an exercise price of one yen per share. The restricted period on exercising stock options is set at three years.

3. The earnings-linked compensation of external directors does not include stock-based compensation.
4. In order to ensure that statutory auditors maintain full independence from management pressures, the compensation of statutory auditors consists of a fixed monthly salary only.
5. Retirement allowances for corporate directors and statutory auditors were abolished at the end of fiscal 2005, as part of the revisions to Tokyo Electron's compensation system for executives.

### 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 basic policy for internal control systems in the Tokyo Electron Group decided by the Board of Directors. The Company is also implementing internal controls over financial reporting based on the Financial Instruments and Exchange Law.

### Internal Control Systems

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

### Internal Audit Department (Global Audit Center)

The Global Audit Center oversees the internal auditing activities of the entire Tokyo Electron Group. The Center is responsible for auditing the business activities of the Group's domestic and overseas bases, as well as their compliance and systems, and evaluating the effectiveness of internal control systems. When necessary, the Global Audit Center also provides guidance to operating divisions.

### Coordination Between Statutory Auditors and Internal Audit Department

The statutory auditors coordinate with the department responsible for internal auditing activities primarily by attending the Global Audit Center's report meetings, which were held 13 times during fiscal 2011.

### Coordination Between Statutory Auditors and Independent Auditors

The statutory auditors 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 statutory auditors.

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

## Compliance

Trust is the cornerstone of Tokyo Electron's business foundation. The fundamental requirements for maintaining trust are rigorous conformity to ethical standards and compliance with the law, by individual employees and by each of our organizations. In line with the basic policy for internal control systems in the Tokyo Electron Group, all Group employees are required to maintain high standards of ethics and to act with a clear awareness of compliance.

### Ethical Standards, Chief Business Ethics Director and Ethics Committee

In 1998, the Company formulated the "Tokyo Electron Code of Ethics" (revised in April 2011) 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 Company. The Tokyo Electron Code of Ethics prescribes a common code of behavior for all employees of Tokyo Electron and the Group, and the Company distributes it to all Group employees, including those overseas.



Tokyo Electron Code of Ethics

### Tokyo Electron Code of Ethics

#### Compliance/Internal Control Executive Officer

Since April 2009, 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 compliance regulations setting out basic compliance-related requirements in line with its code of ethics. 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 these rules 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: Hotline

In the event that an employee becomes aware of any activity which may violate laws, regulations or principles of business ethics, the Company operates an internal reporting system (Hotline) that employees may use to report their concerns. Strict confidentiality is maintained to protect the whistleblower and ensure that they are not subject to any disadvantage or repercussions.

## Disclosure Policy

Tokyo Electron is committed to disclosing information about the Company in a fair, prompt and accurate manner, to ensure that all stakeholders, including shareholders and other investors, can obtain an accurate, in-depth understanding of the Company and its activities, and evaluate the Company's corporate value appropriately. The Company also solicits feedback from its stakeholders as part of its information disclosure activities, and uses the feedback as a point of reference to guide corporate management.

#### Information Disclosure Standards

- Tokyo Electron complies fully with the Financial Instruments and Exchange Law, and the Tokyo Stock Exchange's listing regulations pertaining to marketable securities.

- Even when the information is not subject to the listing regulations pertaining to marketable securities, the Company discloses the information proactively, in a fair, prompt and accurate manner if the information is deemed useful in providing stakeholders with an accurate understanding of the Company.

#### Disclosure Practices

- If it is subject to the marketable securities listing regulations (material information), Tokyo Electron will release information simultaneously in a press release and via the Tokyo Stock Exchange's "Timely Disclosure Network" (TDnet), and will post the information on its website as soon as possible, following the official announcement.
- Even when it does not fall into the category of "material information," the Company will voluntarily disclose information which may be of interest to stakeholders in a fair, accurate, and easy-to-understand manner, either on its website or in printed form, through various means of communication.
- Tokyo Electron conducts meetings to discuss its financial results with securities analysts and investors; these meetings are also open to members of the press. The Company makes audio recordings of its fiscal year-end and mid-term financial results meetings, and posts these recordings on the Company's website. All of the documents distributed at its quarterly financial results meetings are also posted on the website.
- To ensure that foreign investors have fair and equal access to the information, the Company strives to disclose all information simultaneously in Japanese and English. However, due to the

time required for translation, there may be cases where the posting of English information to the website is delayed slightly.

#### Shareholder Measures

Tokyo Electron mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting, as one of its measures to vitalize these meetings and to promote smooth and efficient voting. It also sets the date of the Company's meeting to avoid days on which many such meetings are concentrated. In addition, shareholders are free to cast their votes via the Internet. Moreover, Tokyo Electron participates in the web-based voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ). To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries notices, resolutions and presentation materials of shareholders' meetings. An English version of the Notice of Annual General Meeting of Shareholders is also provided.



Tokyo Electron is a constituent  
of the FTSE4Good Global Index.

**FTSE4Good**

Since September 2003, Tokyo Electron has been chosen for the FTSE4Good Global Index, which is a CSR index provided by the FTSE Group. The FTSE Group is a world leading index firm, a joint venture between the Financial Times newspaper and the London Stock Exchange.

#### Does Tokyo Electron have these major components of corporate governance?

Compensation Committee	Yes	Composed of directors, excluding representative directors, or statutory auditors
Nomination Committee	Yes	Composed of directors, excluding representative directors, or statutory auditors
External directors	Yes	Two of the 15 directors are external directors
External auditors	Yes	Two of the four statutory auditors are external auditors
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 external directors and auditors
Retirement benefits system for executives	No	
Anti-takeover measures	No	



## BOARD OF DIRECTORS, STATUTORY AUDITORS AND EXECUTIVE OFFICERS

(As of July 1, 2011)

### Board of Directors



**Tetsuro Higashi**  
Chairman of the Board



**Tetsuo Tsuneishi**<sup>1</sup>  
Vice Chairman of the Board



**Hiroshi Takenaka**  
President & CEO  
Representative Director



**Hirofumi Kitayama**  
Representative Director



**Kiyoshi Sato**<sup>1</sup>  
Corporate Director



**Haruo Iwatsu**  
Corporate Director



**Kenji Washino**<sup>2</sup>  
Corporate Director



**Hikaru Ito**  
Corporate Director



**Takashi Nakamura**<sup>2,3,4</sup>  
Corporate Director



**Takaaki Matsuoka**  
Corporate Director



**Masami Akimoto**  
Corporate Director



**Yoshiteru Harada**<sup>1</sup>  
Corporate Director



**Hideyuki Tsutsumi**  
Corporate Director



**Hiroshi Inoue**<sup>\*</sup>  
Corporate Director/  
Chairman of the Board,  
Tokyo Broadcasting System  
Holdings, Inc.



**Masahiro Sakane**<sup>1 \*</sup>  
Corporate Director/  
Chairman of the Board,  
Komatsu Ltd.

### Statutory Auditors



**Mitsutaka Yoshida**<sup>2</sup>  
Statutory Auditor



**Mamoru Hara**  
Statutory Auditor



**Togo Tajika**<sup>\*</sup>  
Statutory Auditor



**Hiroshi Maeda**<sup>\*</sup>  
Statutory Auditor/  
Attorney-at-Law,  
Nishimura & Asahi

Notes:

1. Member of Compensation Committee
  2. Member of Nomination Committee
  3. Chief Business Ethics Director
  4. Chief Internal Control Director
- \* External Director, External Statutory Auditor

### Executive Officers

#### President & CEO

**Hiroshi Takenaka**

#### Executive Vice Presidents

**Hirofumi Kitayama**  
General Manager,  
Manufacturing Division (Quality)

**Kenji Washino**  
General Manager,  
Corporate Business Strategy

**Hikaru Ito**  
General Manager, SPE  
Senior General Manager,  
SPE Sales Division

#### Senior Vice Presidents

**Takashi Nakamura**  
General Manager,  
Corporate Administration Division  
Compliance/Internal Control

**Masami Akimoto**  
General Manager,  
System Development Division

**Takashi Ito**  
General Manager, PVE

**Chiaki Yamaguchi**  
General Manager, SPE Sales Division

**Gishi Chung**  
General Manager,  
SPE Process Development Division

**Shigetoshi Hosaka**  
General Manager,  
Corporate Development Division

#### Vice Presidents

**Yoshiteru Harada**  
Deputy General Manager,  
Corporate Administration Division

**Hideyuki Tsutsumi**  
General Manager, Etch Systems BU

**Tatsuya Nagakubo**  
General Manager,  
HR/Human Resources Development Center/  
Corporate Branding Promotion

**Yutaka Nanasawa**  
General Manager, Accounting/Finance/  
Export and Logistics Control

**Tetsuro Hori**  
General Manager, Legal/Intellectual Property

**Keisuke Koizumi**  
General Manager, Corporate Procurement  
General Manager, IT

**Toshihiko Nishigaki**  
General Manager, Clean Track BU

#### Seisu Ikeda (Yoh)

General Manager,  
Surface Preparation Systems BU

#### Toshiki Kawai

General Manager,  
Thermal Processing Systems BU  
General Manager,  
Single Wafer Deposition BU

#### Yuichi Abe

General Manager, Test Systems BU

#### Kiyoshi Sunohara

General Manager, Field Solutions BU

#### Takeshi Okubo

General Manager, RLSA

#### Masaaki Hata

General Manager, Taiwan &  
Asia Sales, SPE Sales Division

#### Tsuguhiko Matsuura

General Manager, FPD BU

#### Shinichi Sasahara

General Manager, FPD Sales  
General Manager, PV Project

\*BU stands for "business unit"

## RESEARCH AND DEVELOPMENT/INTELLECTUAL PROPERTY

### RESEARCH AND DEVELOPMENT

#### The Semiconductor Industry will Continue to Expand

Electronics loaded with semiconductors currently pervade every corner of the globe and semiconductors will play an ever more instrumental part in people's lives in the future. Semiconductor applications are also expanding. About 60% of semiconductors are currently used for computing and telecommunications, but as cloud computing and other types of network infrastructure become integrated into the energy, healthcare, agriculture, and other industries, it is clear there will be an increasing demand for semiconductors to support the new applications.

Technology is supporting this expansion. An important role of research and development is to create sophisticated technology in a timely manner. Tokyo Electron is improving the efficiency of its fundamental research activities by teaming up with universities and research consortia like SEMATECH and imec. As part of this approach, Tokyo Electron has decided to establish a new research facility in Tsukuba, Ibaraki Prefecture in the spring of 2012—TEL Technology Center Tsukuba—with the aim of leveraging the R&D-focused environment of Tsukuba to accelerate the pace of Tokyo Electron's research activities. The Company builds development facilities close to customers at the application stage in order to facilitate strong collaborative ties with customers and to accelerate commercialization of products.

From 2010, the corporate R&D division began to widen its research scope to include not only silicon (Si) integrated circuits, but also a range of new semiconductor materials, including compound semiconductors and organic semiconductors, along with new manufacturing technologies. Tokyo Electron is aiming to make a leap into a new semiconductor world through this combination of nanometer-level scaling technology and new materials.

#### Successfully Pushing the Boundaries of SPE Technology

The value of semiconductors is rooted in scaling, or miniaturization. Two technologies are pushing the boundaries of successful scaling: double patterning technology and extreme ultraviolet (EUV) lithography.

Tokyo Electron possesses a proprietary double patterning technology that uses the deposition of silicon oxide films at room temperature, enabling half pitch 13nm line and space patterns. The development of further improvements this year have successfully enabled scaling to 11nm patterns as Tokyo Electron continues to rewrite scaling records using current exposure tools.

EUV is regarded as the next-generation lithography technology. Tokyo Electron has not only developed an innovative coater/developer for EUV, but is enhancing process technology to minimize line edge roughness.

One technical issue that has threatened to impede higher levels of scaling is lowered yield caused by "variability" in transistor performance. One of the many causes of variability is the excess energy generated by the plasma and heat used in the manufacturing process.

Tokyo Electron is addressing this issue by developing low-temperature, low-energy plasma manufacturing technologies. One technology commercialized by Tokyo Electron is a novel dry etch system, Tactras™ RLSA™ Etch, which enables damage-free etching with low energy and high electron density.

New functional materials are indispensable to enable further scaling of semiconductors. Tokyo Electron develops CVD systems for making High-k/metal gates for logic devices, novel dielectric film and electrodes for DRAM capacitors, and phase change and resistive materials for the emerging memory devices.

Scaling is not the only hot topic in the industry. Three-dimensional (3D) memory cell stack and 3D chip stack technologies have also attracted significant attention in recent years.

In 3D memory cell stacks, flash memory cells are stacked vertically to increase density. Tokyo Electron has contributed to the development of this groundbreaking integration process with high aspect ratio contact hole (HARC) etching and metal filling technologies.

In 3D chip stacks, a multitude of complete chips are stacked to provide higher functionality. Tokyo Electron aims to be a top equipment supplier in this field as well, and has commercialized a high rate through-silicon via (TSV) etch system. Additionally, Tokyo Electron is also developing a dielectric polyimide deposition system for through holes.



#### TEL Technology Center Tsukuba to be opened in spring 2012

Tsukuba in Ibaraki Prefecture, the self-styled city of science and nature, is the ideal location for Tokyo Electron's new center. We shall pursue tie-ups with local research institutes and academic institutions to accelerate R&D for new base technologies and core technologies for semiconductor production equipment as well as for photovoltaic cell production equipment.

## Tackling Environment and Energy-related Issues

The Tokyo Electron Group is leveraging all of its resources to tackle the global issues of the environment and energy.

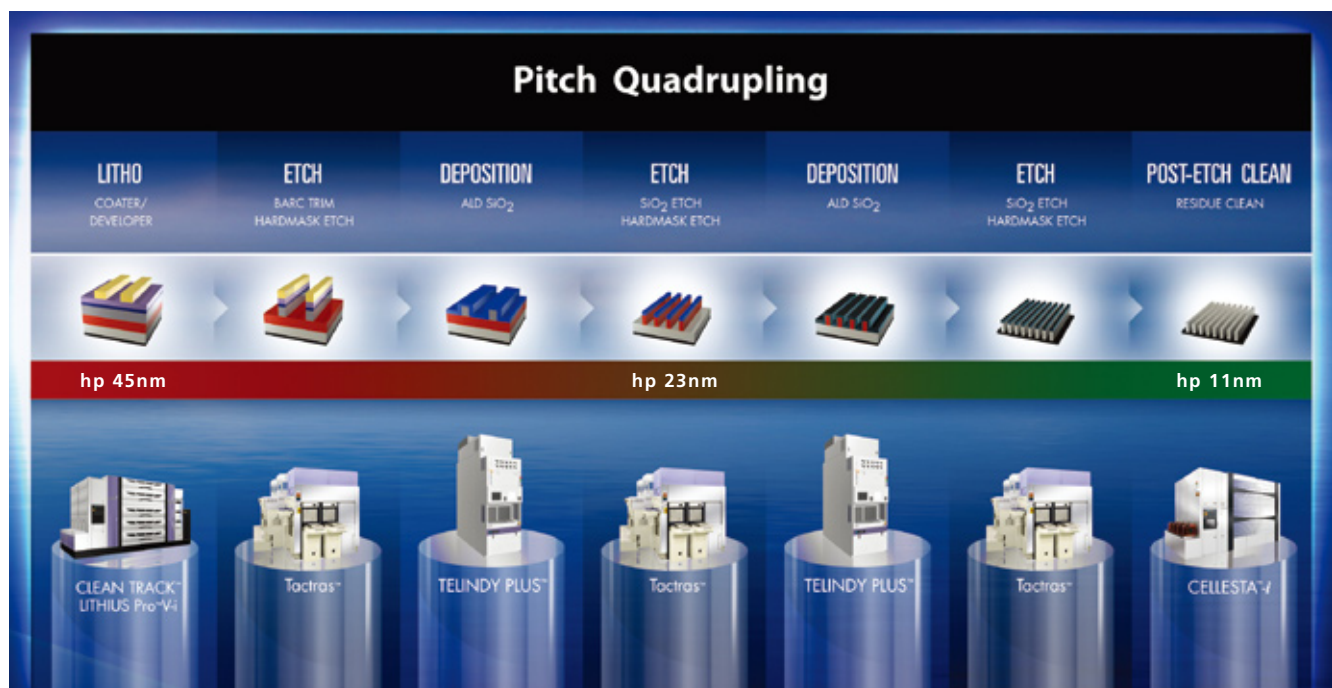
The first major contribution is through the development of energy-saving technology. In the area of power devices, which have the potential to greatly contribute to energy-saving, silicon carbide (SiC) semiconductors are regarded as a once-in-several-decades breakthrough. In 2010, Tokyo Electron began sales of a SiC epitaxial CVD system the Company had developed that is critical for the manufacture of SiC semiconductors. Lighting is another area where energy-saving technology is needed. Tokyo Electron is developing proprietary production equipment for organic electro-luminescence devices, which are regarded as the next generation of power-saving technology.

The second major contribution is through the development of photovoltaic cell (PV) production equipment. For the Si thin film PV, which has high growth potential, Tokyo Electron is leveraging its semiconductor and FPD production equipment technology to develop equipment with high productivity. Moreover, the Company is conducting R&D on high-efficiency, low-cost PV production equipment which uses materials other than Si thin films.

## Exploring New Fields

Tokyo Electron is exploring medicine, energy, and other fields where there is potential to apply its accumulated semiconductor production equipment (SPE) technology. Digital cameras and portable digital music players paved the way for NAND flash memory and are an example of how new products can drive the development of new manufacturing technologies. For this reason, Tokyo Electron's business units collaborate closely with the R&D division to study the possibility of entering new fields from both the market and technological perspectives.

To enhance new technology development, Tokyo Electron has formed collaborations with universities, business consortia, and venture companies that possess complementary technology. These collaborations are not limited to Japanese universities but include research programs in foreign countries as part of the Company's quest to achieve excellent research activities and pursue promising technologies through active collaborations worldwide.



Tokyo Electron achieved an extremely fine pattern with a half pitch of 11nm by applying its proprietary “double patterning” technology twice.

## INTELLECTUAL PROPERTY

### Policy for Intellectual Property Activities

Tokyo Electron understands that the significance of intellectual property activities at manufacturing companies is its contribution to increasing corporate revenues by supporting business activities. In order to make our intellectual property strategy effective, it is important to integrate this strategy with our technological and product strategies.

Thus, in building and implementing our intellectual property strategy, our primary goal is to differentiate our own products and bolstering our competitive advantages with our intellectual property rights, rather than generating income from licensing them to other companies.

Technologies are becoming increasingly advanced and complicated in our business fields; the risk in developing new products increases significantly unless we fully respect the intellectual property rights of other companies. From this viewpoint, Tokyo Electron appropriately monitors intellectual property held by other companies. To minimize the risks of disputes, we take appropriate approaches, including obtaining licenses from others if necessary.

### Management of Intellectual Property Activities

Tokyo Electron continues to conduct aggressive R&D activities to respond to the advanced needs of device manufacturers, who are our customers. In order to maintain our competitiveness based on the outcome of R&D activities, it is necessary that we steadily protect these achievements through our intellectual property rights. To cooperate closely with our R&D operations, patent engineers in charge of patent prosecutions are assigned to every plant that has R&D functions.

At the same time, Tokyo Electron must respond flexibly to dramatically changing markets and various technological trends in order to effectively conduct intellectual property activities. To

cooperate closely with sales and marketing departments and to grasp the market and technological trends, patent engineers in charge of surveys and external affairs related to intellectual properties are assigned to headquarters, which has sales and marketing functions. In addition, patent engineers assigned to the plant and headquarters, a sales or marketing division manager, and an R&D division manager have meetings periodically so that our intellectual property activities are conducted along with the market and technological trends.

### Status of Intellectual Property Rights

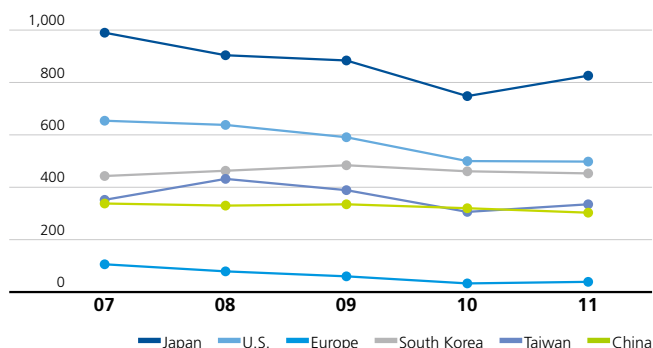
In addition to filing applications for core technologies vital to our strategies in each business division, Tokyo Electron vigorously builds a patent portfolio that also encompasses the technologies adjacent to core ones.

In each country, we always optimize the numbers of our patent applications and patents held, reflecting market and competitor trends in our business fields. The graph in this section shows the numbers of patent applications and patents held by Tokyo Electron in each country. In recent years, we have filed about 70% \*<sup>1</sup> of our applications globally, reflecting the importance of overseas markets for our business. In particular, we have been increasing the numbers of patent applications and patents held in South Korea and China. These numbers are based on our patent strategies reflecting the recent growing importance of the South Korean and Chinese markets for our business, as well as the rise of semiconductor and FPD production equipment manufacturers in South Korea.

\*<sup>1</sup> This figure is the percentage of patents filed overseas out of all our patents filed with the Japan Patent Office. The average among Japanese companies is about 25%.

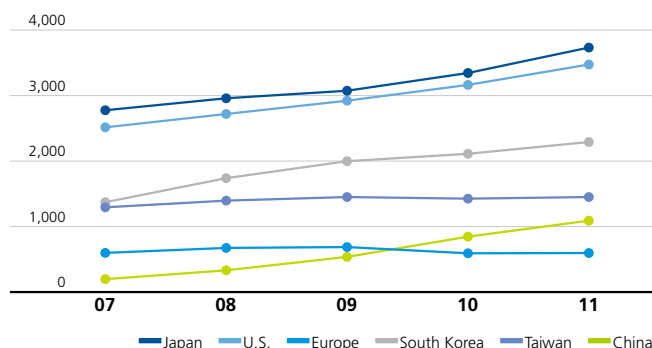
**Number of Tokyo Electron Patent Applications**

(Fiscal year)



**Number of Patents Held by Tokyo Electron**

(As of March 31)



## FINANCIAL SECTION

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## FINANCIAL REVIEW

### SALES AND INCOME

#### Operating Environment

During fiscal 2011, the global economy, notwithstanding regional differences, continued on a gradual recovery track. This was in part due to economic stimulus packages implemented by various governments. In Europe and the U.S., while growth in certain regions was hampered by deteriorating public finances, the region overall began to show signs of returning strength in the second half of the year. The emerging economies of Asia, China and India in particular grew strongly as some governments in the region boosted internal demand with stimulatory measures. The Japanese economy on the other hand remained at a standstill, despite signs of a rebound, held back by such factors as the continuing strength of the yen and high unemployment.

In the electronics industry, in which Tokyo Electron serves, the surge in demand for smartphones and tablets was reflected in increased capital investment by device manufacturers, our customers. Under these conditions, the Group posted a substantial increase in sales in our mainstay semiconductor production equipment division, paving the way for a sharp recovery in operating results for the Group as a whole.

The Great East Japan Earthquake caused minor damage to some of the Group's buildings and equipment, resulting in the temporary suspension of production and shipments, but there was almost no impact on consolidated sales and inventories during the fiscal year.

#### Sales

Net sales bounced back dramatically in fiscal 2011, increasing 59.7% year on year to ¥668.7 billion. Sales in Japan were up 12.0% year on year, to ¥182.2 billion, and overseas sales jumped 90.0% to ¥486.6 billion. Overseas sales as a share of total consolidated sales increased from 61.2% in fiscal 2010 to 72.8% in fiscal 2011.

Orders received during the fiscal year rose by 53.6%, to ¥734.9 billion, and the order backlog at the end of March 2011 increased 27.3% year on year, to ¥308.8 billion. Behind these increases was a new wave of aggressive investment in capital by device manufacturers, our customers, in response to increased demand for smartphones, tablets, and other mobile devices.

#### Gross Profit, SG&A Expenses and Operating Income

Cost of sales for the period was up 39.8% year on year, to ¥434.0 billion, and the cost of sales ratio was 64.9%, 9.2 percentage points better than in fiscal 2010. Contributing factors were the increase in the sales ratio of our more profitable semiconductor production equipment, the improvement in profit margins for all our semiconductor production equipment, and the successful curb on fixed-costs in response to rising sales. As a result, gross profit increased by 116.7% year on year, to ¥234.8 billion, and the gross profit margin jumped to 35.1%, from 25.9% in fiscal 2010.

SG&A expenses increased by 23.9% year on year, to ¥136.9 billion as a result of aggressive spending in research and development. As a percentage of consolidated net sales, however, the SG&A ratio fell to 20.5%, from 26.4% in the previous year. Consequently, an operating income of ¥97.9 billion and an operating margin of 14.6% were recorded in fiscal 2011, compared with the operating loss of ¥2.2 billion in fiscal 2010.

Sales and Income	Millions of Yen				
	2007	2008	2009	2010	2011
Net sales .....	¥851,975	¥906,092	¥508,082	¥418,637	<b>¥668,722</b>
Gross profit .....	272,649	311,298	137,408	108,316	<b>234,758</b>
Gross profit margin .....	32.0%	34.4%	27.0%	25.9%	<b>35.1%</b>
Selling, general and administrative expenses .....	128,670	142,800	122,697	110,497	<b>136,888</b>
Operating income (loss) .....	143,979	168,498	14,711	(2,181)	<b>97,870</b>
Operating margin .....	16.9%	18.6%	2.9%	(0.5)%	<b>14.6%</b>
Income (loss) before income taxes and minority interests .....	144,414	169,220	9,637	(7,768)	<b>99,579</b>
Net income (loss) .....	91,263	106,271	7,543	(9,033)	<b>71,924</b>

## Research & Development

R&D expenses are included in SG&A expenses. The Company views these expenses as the source of future growth and as such incurred ¥70.6 billion in R&D expenses in fiscal 2011, up 30.5% year on year.

Breaking down these costs by division, R&D investment in the semiconductor production equipment business focused on the development of next-generation models in various equipment fields, and on the development of original double-patterning technology that helps to promote further chip miniaturization, of film deposition technologies for new materials, and of extreme ultraviolet (EUV) lithography which is a promising next-generation lithography process. Tokyo Electron's R&D investments focused not only on existing business segments, but also on the development of production equipment for 3D chip stacking technology, OLED displays, photovoltaic (solar power) cells and other new product segments.

## Other Income (Expenses) and Net Income (Loss)

During fiscal 2011, Tokyo Electron posted ¥3.0 billion in revenue from development grants, ¥1.9 billion in reversals of allowance for doubtful accounts, ¥1.8 billion in expenses for Miyagi plant relocation, and ¥1.1 billion loss from natural disasters. As a result, other income (expenses) amounted to a net income of ¥1.7 billion.

This contributed to ¥99.6 billion in income before income taxes and minority interests, compared with a loss before income taxes and minority interests of ¥7.8 billion in fiscal 2010.

A net income for fiscal 2011 of ¥71.9 billion was recorded, compared to a net loss for fiscal 2010 of ¥9.0 billion. Net income per share was ¥401.73 in fiscal 2011, compared with a net loss per share of ¥50.47 in fiscal 2010.

## Comprehensive Income

From the fiscal year ended March 31, 2011, Tokyo Electron began applying the Accounting Standards for Presentation of Comprehensive Income (Accounting Standards Board of Japan Statement No. 25). As a result comprehensive income is included in the financial statements for the fiscal year under review. Tokyo Electron posted comprehensive income of ¥69.6 billion. This reflected mainly a loss of ¥3.6 billion due to foreign currency translation adjustments.

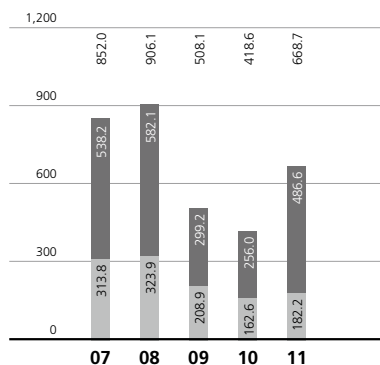
## Dividend Policy and Dividends

It is the policy of Tokyo Electron to pay dividends on the basis of business performance and earnings results. Previously the dividend payout ratio was set at 20% of consolidated net income. However, we raised the ratio from the year-end dividend to 35% to reflect the importance we place on returning profits to shareholders. As a result, the Company paid an interim dividend of ¥38 (at the previous ratio of 20.3%), and set the year-end dividend at ¥76 (at the new ratio of 35.4%). Thus, the total dividend applicable to fiscal 2011 was ¥114 (a combined ratio of 28.4%).

Meanwhile, the Company will continue its policy of actively funding research and development, capital investment, and human resources aimed at stimulating future earnings growth.

### Domestic and Overseas Sales

(Billions of Yen)

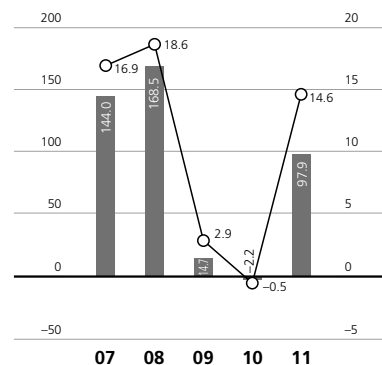


■ Domestic  
■ Overseas

### Operating Income (Loss) and Operating Margin

(Billions of Yen)

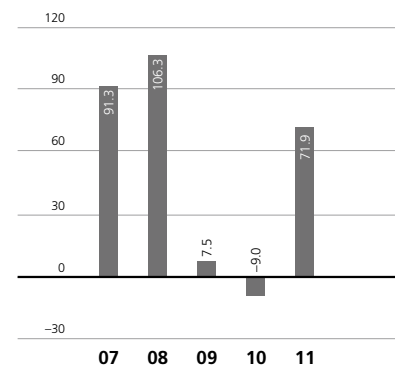
(%)



■ Operating Income (Loss)  
○ Operating Margin

### Net Income (Loss)

(Billions of Yen)



## PERFORMANCE BY SEGMENT

From this consolidated fiscal year, the reportable segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20). These reportable segments are semiconductor production equipment, FPD/PV production equipment, and electronic components and computer networks. As this is the first fiscal year for which this information has been provided, no data is presented for previous fiscal years and comparisons thereto.

### ■ Semiconductor Production Equipment

Net sales (including intersegment sales or transfers) for fiscal 2011 expanded to ¥511.3 billion due to robust levels of capital investment such as in the establishment of new operations by major customers. The segment profit and the segment profit margin stood at ¥120.8 billion and 23.6%, respectively.

The segment's net sales to external customers increased 94.9% year on year, to ¥511.3 billion. Orders in this segment rose 57.4% to ¥568.0 billion. The orders backlog rose 32.9% to ¥228.9 billion as of March 31, 2011.

For a business overview of this segment, please see pages 14 and 15.

### ■ FPD/PV (Flat-Panel Display and Photovoltaic Cell) Production Equipment

Net sales (including intersegment sales or transfers) in the segment stood at ¥66.7 billion. The segment profit and the segment profit margin were ¥6.6 billion and 10.0%, respectively. FPD production equipment sales were roughly on par with the previous year, supported by demand for sixth-generation and above mid-sized and large models, while sales of PV production equipment declined.

The segment's net sales to external customers decreased 6.5% to ¥66.7 billion. Orders in this segment rose 164.0% to ¥75.4 billion. The fiscal year-end orders backlog rose 15.3% to ¥65.5 billion.

For a business overview of this segment, please see pages 14 and 15.

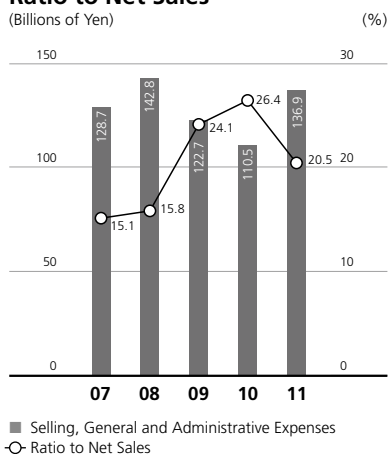
### ■ Electronic Components and Computer Networks

Net sales (including intersegment sales or transfers) in the segment stood at ¥91.3 billion as high-value-added products used in industrial equipment compensated for the slowdown in sales of consumer electronic products. Meanwhile the segment profit and the segment profit margin were ¥2.9 billion and 3.2%, respectively.

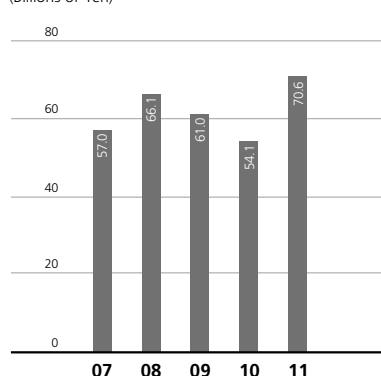
The segment's net sales to external customers increased 6.8% to ¥90.2 billion.

For a business overview of this segment, please see pages 14 and 15.

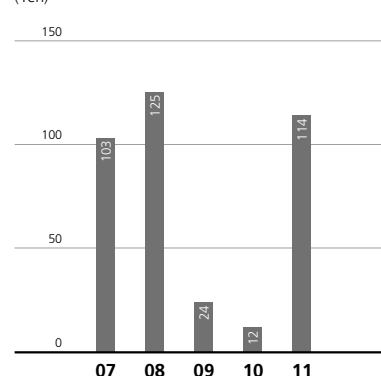
### Selling, General and Administrative Expenses and Ratio to Net Sales



### R&D Expenses



### Cash Dividends per Share





## ■ Others

Sales in the "Others" segment mainly include non-life insurance operations, travel services and other in-house services.

Net sales to external customers in the segment amounted to ¥0.5 billion, almost the same level as in fiscal 2010.

## Reference: Comparison Based on Segments Used Until Fiscal 2010

### ■ Industrial Electronic Equipment Segment

Sales in the industrial electronic equipment segment (including intersegment sales or transfers) were up 72.9% compared to fiscal 2010, to ¥579.0 billion. On the earnings front, an operating income of ¥95.1 billion was posted, compared with an operating loss of ¥4.3 billion in fiscal 2010. Sales to external customers were up 73.1% year on year, to ¥578.5 billion

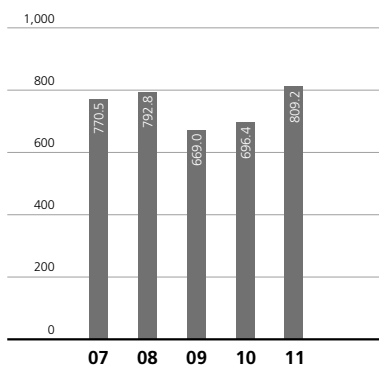
Sales to external customers were up 73.1% year on year, to ¥578.5 billion

### ■ Electronic Components and Computer Networks

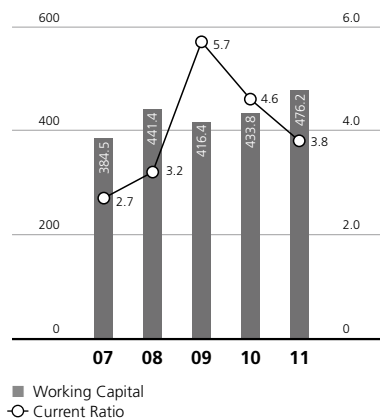
Net sales in this segment (including intersegment sales or transfers) increased 7.2% year on year, to ¥91.3 billion. As a result of the improved gross profit margin due to the product mix, operating income rose 32.0%, to ¥2.7 billion, and the operating margin improved to 3.0%, compared with 2.4% in fiscal 2010. Sales to external customers were up 6.8% year on year, to ¥90.2 billion.

Segment Information	Millions of yen						
	Reportable Segment			Other	Total	Eliminations and Corporate	Consolidated
	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks				
<b>2011:</b>							
Net sales							
Sales to external customers.....	¥511,332	¥66,721	¥90,216	¥ 453	¥668,722	¥ -	¥668,722
Intersegment sales or transfers.....	0	-	1,100	14,908	16,008	(16,008)	-
Total .....	511,332	66,721	91,316	15,361	684,730	(16,008)	668,722
Segment profit.....	120,846	6,641	2,907	1,916	132,310	(32,731)	99,579
Segment assets.....	239,707	42,812	50,255	2,094	334,868	474,337	809,205
Others							
Depreciation and amortization.....	7,369	543	456	354	8,722	8,985	17,707
Capital expenditures, including intangible and other assets ...	13,182	553	774	28	14,537	26,723	41,260

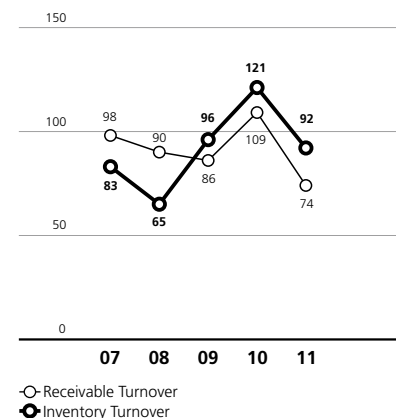
**Total Assets**  
(Billions of Yen)



**Working Capital and Current Ratio**  
(Billions of Yen) (Times)



**Receivable Turnover and Inventory Turnover**  
(Days)



## FINANCIAL POSITION AND CASH FLOWS

### Assets, Liabilities and Net Assets

#### ■ Assets

Current assets increased by ¥91.3 billion from the end of the previous fiscal year, to ¥644.2 billion, reflecting increases of ¥41.1 billion in liquidity on hand (cash and cash equivalents + short-term investments) and ¥30.5 billion in inventories. The turnover period for trade notes and accounts receivable decreased from 109 days in fiscal 2010 to 74 days in fiscal 2011, and the inventory turnover period decreased from 121 days in fiscal 2010, to 92 days in fiscal 2011.

Net property, plant and equipment increased by ¥20.4 billion year on year, to ¥112.6 billion, as ¥17.7 billion in depreciation and amortization was outweighed by ¥39.1 billion in fixed asset acquisitions.

Investments and other assets increased by ¥1.1 billion year on year, to ¥52.4 billion.

As a result, as of March 31, 2011, total assets stood at ¥809.2 billion, an increase of ¥112.9 billion year on year.

#### ■ Liabilities and Net Assets

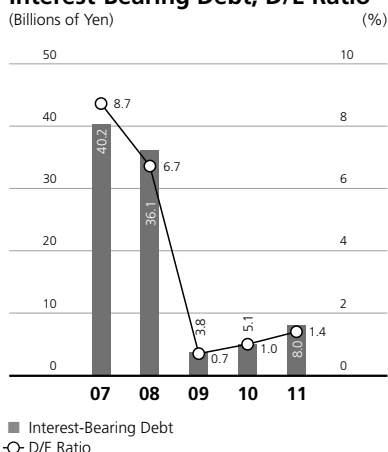
Current liabilities increased by ¥48.9 billion, from the end of fiscal 2010, to ¥168.0 billion. This reflected a ¥21.0 billion rise in income taxes payable, and a ¥9.8 billion increase in customer advances. The balance of interest-bearing debt, which consists only of short-term borrowings, stood at ¥8.0 billion as of March 31, 2011. The debt/equity ratio rose to 1.4%, 0.4 points higher than the end of March 2010.

Non-current liabilities increased by ¥2.5 billion, to ¥56.4 billion.

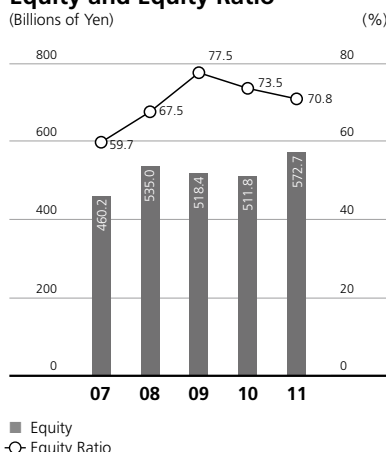
Net assets increased by ¥61.4 billion year on year, to ¥584.8 billion. This reflected an increase in retained earnings of ¥63.7 billion resulting from a net income of ¥71.9 billion and ¥8.2 billion in dividends paid, as well as other factors including a drop of ¥3.6 billion in foreign currency translation adjustments. As a result, the equity ratio fell from 73.5% at the end of March 2010 to 70.8% as of March 31, 2011, and ROE rose to 13.3%, from negative 1.8% in fiscal 2010.

Financial Position	Millions of Yen				
	2007	2008	2009	2010	2011
Total current assets.....	¥610,363	¥640,234	¥505,687	¥552,939	<b>¥644,231</b>
Net property, plant and equipment .....	104,930	104,106	99,906	92,128	<b>112,552</b>
Total investments and other assets.....	55,221	48,478	63,405	51,285	<b>52,422</b>
Total assets.....	770,514	792,818	668,998	696,352	<b>809,205</b>
Total current liabilities.....	225,855	198,821	89,272	119,162	<b>168,038</b>
Total liabilities.....	300,703	247,573	139,733	172,982	<b>224,403</b>
Total net assets (Total shareholders' equity) .....	469,811	545,245	529,265	523,370	<b>584,802</b>

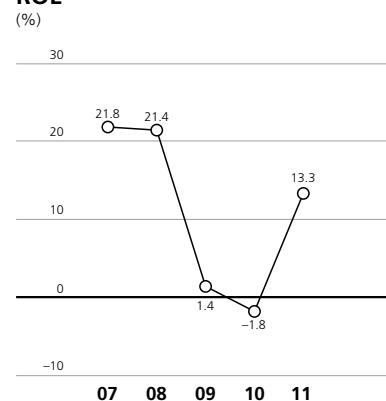
#### Interest-Bearing Debt, D/E Ratio



#### Equity and Equity Ratio



#### ROE



## Capital Expenditures\*<sup>1</sup> and Depreciation and Amortization\*<sup>2</sup>

Total capital expenditures climbed by 162.4% year on year in fiscal 2011, to ¥39.1 billion. Spending focused on the acquisition of factory facilities for a plant under construction in a suburb of Sendai City in Miyagi Prefecture, and on evaluation and measuring equipment used for product development. Depreciation and amortization fell by 11.5% year on year, to ¥17.7 billion.

\*<sup>1</sup> Capital expenditures represent only the gross increase in property, plant and equipment.

\*<sup>2</sup> Depreciation does not include amortization and losses on impairment of goodwill.

## Cash Flows

Cash flows from operating activities showed a net inflow of ¥83.2 billion, ¥35.0 billion more than in fiscal 2010. The main contributors were ¥99.6 billion in income before income taxes and minority interests, ¥17.7 billion in depreciation and amortization, and a ¥9.6 billion increase in customer advances. Major negative factors included a ¥36.5 billion increase in inventories, a ¥13.3 billion increase in trade notes and accounts receivable, and ¥7.6 billion in income taxes paid.

Investing activities used net cash of ¥35.9 billion, compared to net cash of ¥9.6 billion provided in fiscal 2010. This mainly reflected a ¥33.5 billion outflow to purchase property, plant and equipment.

Financing activities used net cash of ¥5.2 billion, compared with ¥0.3 billion in fiscal 2010. The main outflow was ¥8.2 billion in dividends paid.

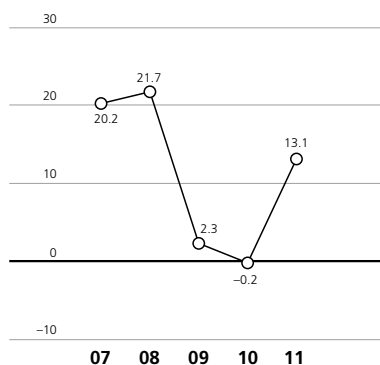
As a result, the balance of cash and cash equivalents at the end of March 2011 stood at ¥165.0 billion, an increase of ¥41.1 billion from the ¥123.9 billion balance at the end of fiscal 2010.

Total liquidity on hand, which includes short-term investments as well as cash and cash equivalents, increased by ¥41.1 billion year on year, from ¥243.9 billion at the end of March 2010 to ¥285.1 billion at the end of March 2011

Cash Flows	Millions of Yen				
	2007	2008	2009	2010	2011
Cash flows from operating activities .....	¥ 54,297	¥116,939	¥ 81,030	¥ 48,285	¥ <b>83,239</b>
Cash flows from investing activities .....	(25,293)	(30,186)	(160,622)	9,613	<b>(35,882)</b>
Cash flows from financing activities .....	(34,719)	(27,033)	(46,016)	(288)	<b>(5,237)</b>
Cash and cash equivalents at end of year.....	134,390	193,493	65,883	123,940	<b>165,051</b>

### ROA

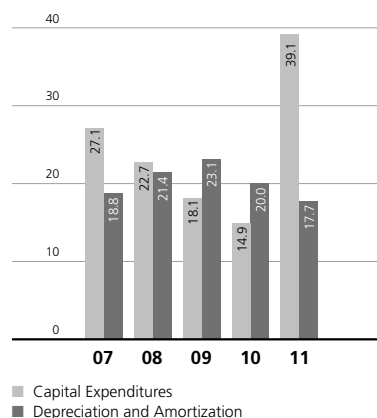
(%)



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

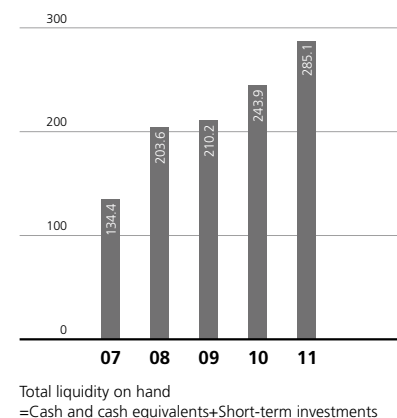
### Capital Expenditures and Depreciation and Amortization

(Billions of Yen)



### Total Liquidity on Hand

(Billions of Yen)



## **BUSINESS-RELATED AND OTHER RISKS**

The following are possible risks that may have an 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.

### **(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) 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 and risk 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, unavoidable occurrences (such as infectious diseases), financial or stock markets, government or other regulations, supply systems of suppliers, 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			
	2011	2011	2010	2009
Net sales <sup>1</sup> .....	<b>\$8,042,357</b>	<b>¥ 668,722</b>	¥ 418,637	¥ 508,082
Semiconductor production equipment .....	<b>6,149,513</b>	<b>511,332</b>	262,392	325,383
FPD/PV production equipment <sup>2</sup> .....	<b>802,417</b>	<b>66,721</b>	71,361	88,107
Computer networks .....	—	—	—	—
Electronic components and computer networks .....	<b>1,084,979</b>	<b>90,216</b>	84,473	94,207
Other .....	<b>5,448</b>	<b>453</b>	411	385
Operating income (loss) .....	<b>1,177,029</b>	<b>97,870</b>	(2,181)	14,711
Income (loss) before income taxes .....	<b>1,197,582</b>	<b>99,579</b>	(7,768)	9,637
Net income (loss) .....	<b>864,991</b>	<b>71,924</b>	(9,033)	7,543
Comprehensive income (loss) <sup>3</sup> .....	<b>837,017</b>	<b>69,598</b>	(4,751)	—
Domestic sales .....	<b>2,190,800</b>	<b>182,165</b>	162,609	208,871
Overseas sales .....	<b>5,851,557</b>	<b>486,557</b>	256,028	299,211
Depreciation and amortization <sup>4</sup> .....	<b>212,953</b>	<b>17,707</b>	20,002	23,068
Capital expenditures <sup>5</sup> .....	<b>470,716</b>	<b>39,140</b>	14,919	18,108
R&D expenses .....	<b>848,683</b>	<b>70,568</b>	54,074	60,988
Total assets .....	<b>9,731,870</b>	<b>809,205</b>	696,352	668,998
Total net assets (Total shareholders' equity) .....	<b>7,033,097</b>	<b>584,802</b>	523,370	529,265
Number of employees .....		<b>10,343</b>	10,068	10,391
		U.S. dollars		
Net income (loss) per share of common stock: <sup>6</sup>				
Basic .....	<b>\$ 4.83</b>	<b>¥ 401.73</b>	¥ (50.47)	¥ 42.15
Diluted <sup>7</sup> .....	<b>4.82</b>	<b>401.06</b>	—	42.07
Net assets per share of common stock .....	<b>38.47</b>	<b>3,198.66</b>	2,859.37	2,896.55
Cash dividends per share of common stock .....	<b>1.37</b>	<b>114.00</b>	12.00	24.00
Number of shares outstanding (thousands) .....		<b>180,611</b>	180,611	180,611
Number of shareholders .....		<b>44,896</b>	39,285	42,509
ROE .....		<b>13.3</b>	(1.8)	1.4
Operating margin .....		<b>14.6</b>	(0.5)	2.9
Equity ratio .....		<b>70.8</b>	73.5	77.5
Asset turnover (times) .....		<b>0.89</b>	0.61	0.70
		U.S. dollars		
Net sales per employee .....	<b>\$ 777,571</b>	<b>¥ 64,655</b>	¥ 41,581	¥ 48,896

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

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

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

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

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

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

7 Dilution is not assumed for the years ended March 31, 2010, 2003 and 2002.

8 Effective from fiscal 2005, Tokyo Electron changed its method of revenue recognition upon receiving 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.

9 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.

Millions of yen							
2008	2007	2006	2005	2004	2003	2002	2001
¥ 906,092	¥ 851,975	¥ 673,686	¥ 635,710	¥ 529,654	¥ 460,580	¥ 417,825	¥ 723,880
726,440	642,625	486,883	457,191	425,747	364,689	325,715	619,001
68,016	100,766	81,176	75,038	—	—	—	—
—	19,169	17,497	15,966	18,448	17,193	17,031	14,054
111,181	88,294	86,881	86,249	84,229	77,380	73,658	89,211
455	1,121	1,249	1,266	1,230	1,318	1,421	1,614
168,498	143,979	75,703	63,983	22,280	1,119	(18,310)	121,086
169,220	144,414	75,328	55,775	14,936	(23,010)	(22,919)	99,132
106,271	91,263	48,006	61,601	8,297	(41,554)	(19,938)	62,012
—	—	—	—	—	—	—	—
323,946	313,816	262,532	232,678	242,318	190,513	186,516	299,272
582,146	538,159	411,154	403,032	287,336	270,067	231,309	424,608
21,413	18,820	19,170	21,463	24,963	27,374	26,294	21,679
22,703	27,129	13,335	9,876	11,007	12,359	30,946	49,403
66,073	56,962	49,182	43,889	44,150	50,123	53,827	52,911
792,818	770,514	663,243	644,320	561,632	524,901	556,915	729,511
545,245	469,811	376,900	332,165	275,800	252,904	307,579	333,281
10,429	9,528	8,901	8,864	8,870	10,053	10,171	10,236
Yen							
¥ 594.01	¥ 511.27	¥ 267.61	¥ 343.63	¥ 46.37	¥ (238.57)	¥ (113.85)	¥ 353.76
592.71	509.84	267.32	343.54	45.78	—	—	344.75
2,989.70	2,573.72	2,112.30	1,863.28	1,543.73	1,456.23	1,756.73	1,901.38
125.00	103.00	55.00	45.00	10.00	8.00	8.00	38.00
180,611	180,611	180,611	180,611	180,611	175,698	175,691	175,691
43,324	41,289	46,272	60,857	60,873	49,259	37,116	42,781
Percent							
21.4	21.8	13.5	20.3	3.1	(14.8)	(6.2)	20.4
18.6	16.9	11.2	10.1	4.2	0.2	(4.4)	16.7
67.5	59.7	56.8	51.6	49.1	48.2	55.2	45.7
1.16	1.19	1.03	1.05	0.97	0.85	0.65	1.18
Thousands of yen							
¥ 86,882	¥ 89,418	¥ 75,687	¥ 71,718	¥ 59,713	¥ 45,815	¥ 41,080	¥ 70,719

**CONSOLIDATED BALANCE SHEETS**Tokyo Electron Limited and Subsidiaries  
As of March 31, 2011 and 2010

<b>ASSETS</b>	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Current assets:</b>			
Cash and cash equivalents.....	<b>¥165,051</b>	¥123,940	<b>\$1,984,979</b>
Short-term investments .....	<b>120,000</b>	120,000	<b>1,443,175</b>
Trade notes and accounts receivable.....	<b>136,385</b>	124,462	<b>1,640,229</b>
Allowance for doubtful accounts.....	<b>(1,154)</b>	(176)	<b>(13,879)</b>
Inventories .....	<b>168,925</b>	138,450	<b>2,031,569</b>
Deferred income taxes.....	<b>27,610</b>	26,625	<b>332,051</b>
Prepaid expenses and other current assets.....	<b>27,414</b>	19,638	<b>329,693</b>
Total current assets .....	<b>644,231</b>	552,939	<b>7,747,817</b>
 <b>Property, plant and equipment:</b>			
Land.....	<b>25,773</b>	26,356	<b>309,958</b>
Buildings .....	<b>121,598</b>	120,430	<b>1,462,393</b>
Machinery and equipment.....	<b>104,699</b>	98,943	<b>1,259,158</b>
Construction in progress .....	<b>19,509</b>	3,739	<b>234,624</b>
Total property, plant and equipment .....	<b>271,579</b>	249,468	<b>3,266,133</b>
Less: Accumulated depreciation.....	<b>159,027</b>	157,340	<b>1,912,531</b>
Net property, plant and equipment .....	<b>112,552</b>	92,128	<b>1,353,602</b>
 <b>Investments and other assets:</b>			
Investment securities .....	<b>15,726</b>	14,721	<b>189,128</b>
Deferred income taxes.....	<b>20,728</b>	20,506	<b>249,285</b>
Intangible assets.....	<b>4,212</b>	5,586	<b>50,655</b>
Other assets .....	<b>13,787</b>	17,925	<b>165,809</b>
Allowance for doubtful accounts.....	<b>(2,031)</b>	(7,453)	<b>(24,426)</b>
Total investments and other assets.....	<b>52,422</b>	51,285	<b>630,451</b>
<b>Total assets</b> .....	<b>¥809,205</b>	¥696,352	<b>\$9,731,870</b>

See accompanying Notes to Consolidated Financial Statements.



**LIABILITIES AND NET ASSETS**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Current liabilities:</b>			
Short-term borrowings .....	¥ 7,996	¥ 5,106	\$ 96,164
Trade notes and accounts payable .....	63,766	61,585	766,878
Customer advances .....	31,925	22,077	383,945
Income taxes payable .....	25,328	4,356	304,606
Accrued employees' bonuses .....	11,131	6,044	133,867
Accrued warranty expenses .....	7,594	5,268	91,329
Accrued expenses and other current liabilities .....	20,298	14,726	244,113
Total current liabilities .....	168,038	119,162	2,020,902
<b>Accrued pension and severance costs</b> .....	52,826	50,528	635,309
<b>Other liabilities</b> .....	3,539	3,292	42,562
Total liabilities .....	224,403	172,982	2,698,773
<b>Contingent liabilities</b>			
<b>Net assets:</b>			
<b>Shareholders' equity</b> .....	54,961	54,961	660,986
Common stock			
Authorized: 300,000,000 shares			
Issued: 180,610,911 shares as of March 31, 2011 and 2010			
Capital surplus .....	78,046	78,034	938,617
Retained earnings .....	457,658	393,970	5,504,005
Treasury stock, at cost .....	(10,484)	(10,900)	(126,085)
1,554,231 and 1,614,225 shares			
as of March 31, 2011 and 2010, respectively			
<b>Accumulated other comprehensive income</b>			
Unrealized gains on investment securities .....	2,807	2,504	33,758
Deferred losses on hedging instruments .....	(12)	(68)	(144)
Foreign currency translation adjustments .....	(10,234)	(6,683)	(123,079)
<b>Share subscription rights</b> .....	1,499	1,578	18,028
<b>Minority interests</b> .....	10,561	9,974	127,011
Total net assets .....	584,802	523,370	7,033,097
<b>Total liabilities and net assets</b> .....	¥809,205	¥696,352	\$9,731,870

**CONSOLIDATED STATEMENTS OF OPERATIONS**Tokyo Electron Limited and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Net sales</b> .....	<b>¥ 668,722</b>	¥ 418,637	<b>\$8,042,357</b>
Cost of sales .....	<b>433,964</b>	310,321	<b>5,219,050</b>
<b>Gross profit</b> .....	<b>234,758</b>	108,316	<b>2,823,307</b>
Selling, general and administrative expenses .....	<b>136,888</b>	110,497	<b>1,646,278</b>
<b>Operating income (loss)</b> .....	<b>97,870</b>	(2,181)	<b>1,177,029</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	<b>696</b>	1,055	<b>8,370</b>
Interest expenses .....	<b>(44)</b>	(47)	<b>(529)</b>
Revenue from development grants .....	<b>3,027</b>	1,842	<b>36,404</b>
Reversal of allowance for doubtful accounts .....	<b>1,892</b>	17	<b>22,754</b>
Foreign exchange gain (loss) .....	<b>(143)</b>	153	<b>(1,720)</b>
Gain on sale of property, plant and equipment .....	<b>34</b>	283	<b>409</b>
Loss on disposal of property, plant and equipment .....	<b>(625)</b>	(978)	<b>(7,517)</b>
Loss on impairment of property, plant and equipment and intangible assets....	<b>(811)</b>	(7,553)	<b>(9,753)</b>
Cost for building demolition .....	<b>(227)</b>	–	<b>(2,730)</b>
Maintenance cost for closed domestic facilities .....	<b>(186)</b>	–	<b>(2,237)</b>
Loss from natural disasters .....	<b>(1,114)</b>	–	<b>(13,397)</b>
Expenses for plant relocation .....	<b>(1,839)</b>	–	<b>(22,117)</b>
Expenses for integration of domestic facilities .....	–	(1,909)	–
Other, net .....	<b>1,049</b>	1,550	<b>12,616</b>
<b>Income (loss) before income taxes and minority interests</b> .....	<b>99,579</b>	(7,768)	<b>1,197,582</b>
Income taxes:			
Current .....	<b>29,483</b>	5,747	<b>354,576</b>
Deferred .....	<b>(2,712)</b>	(5,021)	<b>(32,616)</b>
<b>Income (loss) before minority interests</b> .....	<b>72,808</b>	(8,494)	<b>875,622</b>
Minority interests .....	<b>884</b>	539	<b>10,631</b>
<b>Net income (loss)</b> .....	<b>¥ 71,924</b>	¥ (9,033)	<b>\$ 864,991</b>
<b>Per share of common stock:</b>			
	Yen		U.S. dollars
Net income (loss) — basic .....	<b>¥ 401.73</b>	¥ (50.47)	<b>\$ 4.83</b>
Net income — diluted .....	<b>401.06</b>	–	<b>4.82</b>
Net assets .....	<b>3,198.66</b>	2,859.37	<b>38.47</b>
Cash dividends .....	<b>114.00</b>	12.00	<b>1.37</b>

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Tokyo Electron Limited and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Income (loss) before minority interests</b> .....	<b>¥72,808</b>	¥(8,494)	<b>\$875,622</b>
<b>Other comprehensive income (loss):</b>			
Changes in fair value of investment securities.....	<b>303</b>	3,349	<b>3,644</b>
Changes in deferred gains or losses on hedging instruments .....	<b>72</b>	(151)	<b>866</b>
Foreign currency translation adjustments.....	<b>(3,585)</b>	545	<b>(43,115)</b>
Total other comprehensive income (loss).....	<b>(3,210)</b>	3,743	<b>(38,605)</b>
<b>Comprehensive income (loss)</b> .....	<b>69,598</b>	(4,751)	<b>837,017</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company .....	<b>68,732</b>	(5,269)	<b>826,602</b>
Owners of minority interests.....	<b>866</b>	518	<b>10,415</b>

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Tokyo Electron Limited and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen										
	Shareholders' equity				Accumulated other comprehensive income						Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on investment securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Share subscription rights	Minority interests		
Balance as of March 31, 2009..	¥54,961	¥78,114	¥404,435	¥(11,112)	¥ (842)	¥ 67	¥ (7,236)	¥1,149	¥ 9,729	¥529,265	
Cash dividends.....	-	-	(1,432)	-	-	-	-	-	-	(1,432)	
Net loss.....	-	-	(9,033)	-	-	-	-	-	-	(9,033)	
Repurchase of treasury stocks ..	-	-	-	(58)	-	-	-	-	-	(58)	
Disposal of treasury stocks .....	-	(80)	-	270	-	-	-	-	-	190	
Other, net.....	-	-	-	-	3,346	(135)	553	429	245	4,438	
Balance as of March 31, 2010..	¥54,961	¥78,034	¥393,970	¥(10,900)	¥2,504	¥ (68)	¥ (6,683)	¥1,578	¥ 9,974	¥523,370	
Cash dividends.....	-	-	(8,236)	-	-	-	-	-	-	(8,236)	
Net income.....	-	-	71,924	-	-	-	-	-	-	71,924	
Repurchase of treasury stocks ..	-	-	-	(37)	-	-	-	-	-	(37)	
Disposal of treasury stocks .....	-	12	-	453	-	-	-	-	-	465	
Other, net.....	-	-	-	-	303	56	(3,551)	(79)	587	(2,684)	
Balance as of March 31, 2011..	¥54,961	¥78,046	¥457,658	¥(10,484)	¥2,807	¥ (12)	¥(10,234)	¥1,499	¥10,561	¥584,802	

	Thousands of U.S. dollars										
	Shareholders' equity				Accumulated other comprehensive income						Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on investment securities	Deferred losses on hedging instruments	Foreign currency translation adjustments	Share subscription rights	Minority interests		
Balance as of March 31, 2010..	\$660,986	\$938,473	\$4,738,064	\$(131,088)	\$30,114	\$(818)	\$ (80,373)	\$18,978	\$119,951	\$6,294,287	
Cash dividends.....	-	-	(99,050)	-	-	-	-	-	-	(99,050)	
Net income.....	-	-	864,991	-	-	-	-	-	-	864,991	
Repurchase of treasury stocks...	-	-	-	(445)	-	-	-	-	-	(445)	
Disposal of treasury stocks .....	-	144	-	5,448	-	-	-	-	-	5,592	
Other, net.....	-	-	-	-	3,644	674	(42,706)	(950)	7,060	(32,278)	
Balance as of March 31, 2011..	\$660,986	\$938,617	\$5,504,005	\$(126,085)	\$33,758	\$(144)	\$(123,079)	\$18,028	\$127,011	\$7,033,097	

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Tokyo Electron Limited and Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests .....	¥ 99,579	¥ (7,768)	\$ 1,197,582
Depreciation and amortization .....	17,707	20,002	212,953
Amortization of goodwill.....	242	242	2,910
Loss on impairment of property, plant and equipment and intangible assets ..	811	7,553	9,753
Increase in accrued pension and severance costs .....	2,317	2,810	27,865
Decrease in prepaid pension expenses .....	282	570	3,391
Increase (decrease) in allowance for doubtful accounts .....	(4,341)	121	(52,207)
Increase in accrued employees' bonuses .....	5,087	1,079	61,179
Increase (decrease) in accrued warranty expenses .....	2,352	(837)	28,286
Interest and dividend income.....	(696)	(1,055)	(8,370)
Interest expenses.....	44	47	529
Gain on sale of property, plant and equipment .....	34	283	409
Loss on disposal of property, plant and equipment .....	625	978	7,517
Increase in trade notes and accounts receivable .....	(13,319)	(4,890)	(160,180)
Increase in inventories .....	(36,533)	(4,869)	(439,363)
(Increase) decrease in prepaid consumption tax .....	(8,025)	568	(96,512)
Increase in accrued consumption tax .....	2,305	1,127	27,721
Increase in trade notes and accounts payable .....	1,667	27,975	20,048
Increase (decrease) in customer advances .....	9,575	(6,380)	115,153
(Increase) decrease in specific doubtful receivables.....	5,303	(140)	63,776
Other, net .....	5,106	4,065	61,408
<b>Subtotal</b> .....	<b>90,122</b>	<b>41,481</b>	<b>1,083,848</b>
Receipts from interest and dividends.....	746	1,171	8,972
Interest paid.....	(46)	(46)	(553)
Income taxes (paid) refunded .....	(7,583)	5,679	(91,197)
<b>Net cash provided by operating activities</b> .....	<b>83,239</b>	<b>48,285</b>	<b>1,001,070</b>
<b>Cash flows from investing activities:</b>			
Payment for purchases of short-term investments.....	(360,000)	(449,000)	(4,329,525)
Proceeds from sale of short-term investments.....	360,000	473,347	4,329,525
Payment for purchase of property, plant and equipment.....	(33,542)	(14,195)	(403,391)
Proceeds from sale of property, plant and equipment .....	509	488	6,121
Payment for acquisition of intangible assets.....	(926)	(786)	(11,137)
Payment for purchase of investment securities.....	(643)	(18)	(7,733)
Other, net .....	(1,280)	(223)	(15,393)
<b>Net cash provided by (used in) investing activities</b> .....	<b>(35,882)</b>	<b>9,613</b>	<b>(431,533)</b>
<b>Cash flows from financing activities:</b>			
Increase in short-term borrowings .....	2,891	1,299	34,768
Decrease in treasury stock, net .....	428	132	5,147
Dividends paid.....	(8,236)	(1,432)	(99,050)
Other, net .....	(320)	(286)	(3,848)
<b>Net cash used in financing activities</b> .....	<b>(5,237)</b>	<b>(287)</b>	<b>(62,983)</b>
Effect of exchange rate changes on cash and cash equivalents.....	(1,009)	446	(12,134)
<b>Net increase in cash and cash equivalents</b> .....	<b>41,111</b>	<b>58,057</b>	<b>494,420</b>
Cash and cash equivalents at beginning of year .....	123,940	65,883	1,490,559
<b>Cash and cash equivalents at end of year</b> .....	<b>¥ 165,051</b>	<b>¥ 123,940</b>	<b>\$ 1,984,979</b>

See accompanying Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tokyo Electron Limited and Subsidiaries

### 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, which is not required for fair presentation, 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 ¥83.15 to \$1.00, the approximate rate as of March 31, 2011. 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 32 and 30 subsidiaries for the years ended March 31, 2011 and 2010, respectively.

Investments in affiliates in which the Company's ownership is 20% to 50% are accounted for by the equity method.

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

The fiscal year-end of all entities is March 31, except for three consolidated foreign subsidiaries, which use a December 31 year-end, and adjustment is made for any significant transactions between the different fiscal year-ends.

#### (b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates, except for those hedged by forward exchange contracts, which are translated at the contracted rates. Resulting exchange gains and losses are included in earnings for the year.

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

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

#### (c) 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 or held-to-maturity debt securities. 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.

#### (d) Inventories

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

#### (e) 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

#### (f) Intangible assets

Intangible assets, which primarily comprise of capitalized costs for computer software and goodwill, are amortized by the straight-line method over their estimated useful lives. Capitalized costs for computer software for internal use are amortized over a period of 2 to 5 years. Goodwill is evaluated on an individual basis and amortized over a period not exceeding 20 years.

#### (g) 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.

#### (h) 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.

**(i) Accrued pension and severance costs**

The Company and its domestic subsidiaries provide an accrual for defined benefit employees' pension and severance costs based on the projected benefit obligation and fair value of pension assets on the account settlement date. 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 fiscal year after they are recognized, 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 statutory auditors 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 statutory auditors after April 1, 2005, and at the general shareholders' meeting in June 2005, it was resolved that the severance pay for directors and statutory auditors until March 31, 2005 would be paid at the termination of their service and the decision regarding the payment amount for each director and statutory auditor was delegated to the board of directors and statutory auditors. As discussed in note 9, the accruals for severance costs for directors and statutory auditors are included in accrued pension and severance costs in the consolidated balance sheets.

**(j) 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.

**(k) Leases**

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

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

**(l) Derivatives and hedge accounting**

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

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

**(m) 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.

**(n) Revenue recognition**

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

**(o) Per share information**

Net income (loss) 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.

**(p) Research and development expenses**

Research and development expenses are charged to earnings as incurred and amounted to ¥70,568 million (\$848,683 thousand) and ¥54,074 million for the years ended March 31, 2011 and 2010, respectively.

**(q) Cash equivalents**

For purposes of the consolidated statements of cash flows, Tokyo Electron considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

**(r) Short-term investments**

Short-term investments consist of time deposits and certificates of deposit with original maturities of more than three months.

**(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, 2011.

As described in note 3(c), the consolidated balance sheet and consolidated statement of changes in net assets for the year ended March 31, 2010 has been modified to conform with the new presentation rules for the year ended March 31, 2011. Also, the Company prepared a consolidated statement of comprehensive income for the year ended March 31, 2010 as well as that for the year ended March 31, 2011.

**3. Change in Accounting Policies and Adoption of New Accounting Standards****(a) Accounting standards for asset retirement obligations**

Effective from April 1, 2010, the Company and its domestic subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (Statement No. 18 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standards for Assets Retirement Obligations" (Guidance No. 21 issued by the Accounting Standards Board of Japan). The adoption of this standard had no significant impact on the consolidated financial statements.

**(b) Accounting standard for disclosures about segments of an enterprise and related information**

As mentioned in note 17, effective from the year ended March 31,

2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Statement No. 17 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Guidance No. 20 issued by the Accounting Standards Board of Japan). The accounting standards require the Company to adopt a management approach as the segment reporting method. As a result of the adoption of this standards, the Company changed the basis of segmentation and segment measures.

#### (c) Accounting standard for presentation of comprehensive income

Effective from the year ended March 31, 2011, the Company adopted the new accounting standard, "Accounting Standard for Presentation of Comprehensive Income" (Statement No. 25 issued by the Accounting Standards Board of Japan). As a result of the adoption of this standards, the Company prepared the consolidated statement of comprehensive income for the year ended March 31, 2011.

#### (d) Accounting standard for consolidated financial statement

Effective from the year ended March 31, 2011, the Company adopted "Partial amendments to the accounting standards of financial statements" (Cabinet office ordinance No. 5) in accordance with "Accounting Standard for Consolidation Financial Statement" (Statement No. 22 issued by Accounting Standards Board of Japan). As a result of the adoption of this standard, the Company added a subtotal of "Income (loss) before minority interests" in the consolidated statements of operations for the years ended March 31, 2011 and 2010.

### 4. Investment Securities

Investment securities, which solely comprise of other securities, as of March 31, 2011 and 2010 are as follows:

2011:	Millions of yen	
	Cost	Carrying value
Securities with market prices		
Equity securities.....	¥ 9,763	¥ 14,445
Securities without market prices		
Unlisted stock.....	365	370
Other .....	911	911
Total .....	¥ 11,039	¥ 15,726

2010:	Millions of yen	
	Cost	Carrying value
Securities with market prices		
Equity securities.....	¥ 9,277	¥ 13,615
Securities without market prices		
Unlisted stock.....	194	194
Other .....	912	912
Total .....	¥ 10,383	¥ 14,721

2011:	Thousands of U.S. dollars	
	Cost	Carrying value
Securities with market prices		
Equity securities.....	\$117,414	\$173,722
Securities without market prices		
Unlisted stock.....	4,390	4,450
Other .....	10,956	10,956
Total .....	\$132,760	\$189,128

Losses on devaluation of investment securities were ¥34 million (\$409 thousand) and ¥72 million for the years ended March 31, 2011 and 2010, respectively.

Net gain on sale of investment securities was ¥91 million (\$1,094 thousand) for the year ended March 31, 2011.

No gain on sale of investment securities was recognized for the year ended March 31, 2010.

### 5. Inventories

Inventories as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished products.....	¥111,918	¥ 87,202	\$1,345,977
Work in process, raw materials and supplies.....	57,007	51,248	685,592
Total .....	¥168,925	¥138,450	\$2,031,569

The amounts of change in inventory provision included in cost of sales in the consolidated statements of operations for the years ended March 31, 2011 and 2010 were an increase of ¥1,202 million (\$14,456 thousand) and a decrease of ¥3,581 million, respectively.

### 6. Impairment of Property, Plant and Equipment and Intangible Assets

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

The Company and its domestic subsidiaries recognized losses on impairment of property, plant and equipment of ¥811 million (\$9,753 thousand), which is included in the consolidated statement of operations for the year ended March 31, 2011. The losses on impairment of property, plant and equipment were attributed to buildings, machinery and equipment in Japan primarily of the Yokohama warehouse in Kanagawa, which was determined to be sold.

The Company and its domestic subsidiaries recognized losses on impairment of property, plant and equipment of ¥4,786 million, which is included in the consolidated statement of operations for the year ended March 31, 2010. The loss on impairment of property, plant and equipment was attributed to land, buildings and equipment in Japan primarily of the Sagami Plant in Kanagawa, the Saga Plant in Saga and the Kansai Technology Center in Hyogo, all of which are not expected to be used after integration of domestic production and development centers.

Since TEL Epion Inc. ("Epion") determined to adversely change its future business plan made upon acquisition of Epion due to change of the industry business environment in the year ended March 31, 2010, Epion recognized loss on impairment of intangible assets of ¥2,767 million, which is also included in the consolidated statement of operations for the year ended March 31, 2010.

### 7. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2011 and 2010.

### 8. Short-term Borrowings

Short-term borrowings represent 365-day notes issued by Tokyo Electron to banks and bore interest at an average annual rate of 0.39 % and 0.49 % as of March 31, 2011 and 2010, respectively.

As of March 31, 2011, Tokyo Electron has unused lines of credit amounting to ¥142,184 million (\$1,709,970 thousand).



## 9. Accrued Pension and Severance Costs

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

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

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Benefit obligation .....	¥(89,350)	¥(84,097)	\$(1,074,564)
Fair value of plan assets .....	41,282	38,732	496,476
Funded status .....	(48,068)	(45,365)	(578,088)
Unrecognized actuarial difference ..	(90)	(288)	(1,082)
Unrecognized prior service cost.....	25	125	300
Net amount recognized .....	(48,133)	(45,528)	(578,870)

Amounts recognized in the consolidated balance sheets consist of:

	Millions of yen	Thousands of U.S. dollars	
	2011	2010	2011
Prepaid pension and severance costs (Note 1) .....	4,097	4,379	49,272
Accrued pension and severance costs (Note 2) .....	(52,230)	(49,907)	(628,142)
Net amount recognized .....	¥(48,133)	¥(45,528)	\$ (578,870)

Notes: 1. The prepaid pension and severance costs as of March 31, 2011 and 2010 is included in other assets in the consolidated balance sheets.  
2. The provision for accrued pension and severance costs for directors and statutory auditors (¥596 million (\$7,167 thousand) as of March 31, 2011 and ¥621 million as of March 31, 2010) is not included.

Net pension cost of the plans is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost .....	¥5,474	¥5,358	\$65,833
Interest cost .....	1,666	1,572	20,036
Expected return on plan assets.....	(767)	(676)	(9,224)
Amortization of actuarial difference .....	286	697	3,439
Amortization of prior service cost...	100	101	1,203
Net pension cost .....	¥6,759	¥7,052	\$81,287

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

	2011 and 2010
Allocation method of benefit obligation.....	<b>Straight-line method</b>
Discount rate .....	<b>2.00%</b>
Expected rate of return on plan assets.....	<b>2.00%</b>
Amortization period of actuarial difference .....	<b>4 years</b>
Amortization period of prior service cost .....	<b>4 years</b>

## 10. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Deferred tax assets</b>			
Accrued pension and severance costs .....	¥21,172	¥20,099	\$254,624
Elimination of unrealized profit in inventories .....	10,309	1,836	123,981
Tax credit for research and development.....	5,910	5,499	71,076
Devaluation of inventories.....	4,716	4,282	56,717
Accrued employees' bonuses .....	4,471	2,425	53,770
Accrued warranty expenses.....	2,795	1,907	33,614
Loss on impairment of property, plant and equipment and intangible assets.....	2,258	2,114	27,156
Accrued business taxes .....	1,581	–	19,014
Net operating loss carryforwards....	1,475	14,717	17,739
Other.....	8,619	9,100	103,656
Total gross deferred tax assets.....	63,306	61,979	761,347
Less valuation allowance .....	(9,031)	(10,458)	(108,611)
Total deferred tax assets.....	54,275	51,521	652,736
<b>Deferred tax liabilities</b>			
Undistributed earnings of foreign subsidiaries .....	(3,087)	(2,957)	(37,125)
Net unrealized gains on investment securities .....	(1,916)	(1,705)	(23,043)
Prepaid pension and severance costs .....	(1,635)	(1,773)	(19,663)
Other.....	(1,532)	(1,161)	(18,425)
Total gross deferred tax liabilities....	(8,170)	(7,596)	(98,256)
Net deferred tax assets.....	¥46,105	¥43,925	\$554,480

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2011 and 2010 as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets.....	¥27,610	¥26,625	\$332,051
Investments and other assets .....	20,728	20,506	249,285
Other current liabilities.....	(1)	(1,062)	(12)
Other liabilities.....	(2,232)	(2,144)	(26,844)

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

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those 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 deferred tax assets are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2011 and 2010.

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 40.69% for the years ended March 31, 2011 and 2010.

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Statutory tax rate in Japan .....	<b>40.69 %</b>	40.69 %
Adjustments:		
Tax credit of research and development.....	<b>(7.22)</b>	-
Effect of elimination of unrealized profit in inventories .....	<b>(4.15)</b>	(27.86)
Difference in statutory tax rates of subsidiaries.....	<b>(2.26)</b>	6.54
Change in valuation allowance .....	<b>(1.89)</b>	(18.14)
Expenses not deductible for tax purposes.....	<b>0.86</b>	(5.28)
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries.....	<b>(0.13)</b>	(4.28)
Others, net .....	<b>0.98</b>	1.02
Effective tax rate .....	<b>26.88 %</b>	(9.35)%

## 12. 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.

A summary of stock options outstanding and exercisable as of March 31, 2011 and 2010 is as follows:

Tokyo Electron Limited	2011			2010	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted- average exercise price Yen
		Yen	U.S. dollars		
Outstanding at the beginning of year.....	<b>1,779,100</b>	<b>¥5,720</b>	<b>\$ 68.79</b>	2,052,300	¥5,927
Granted.....	-	-	-	-	-
Exercised.....	<b>67,100</b>	<b>1</b>	<b>0.01</b>	40,000	1
Expired (forfeited) .....	<b>415,200</b>	<b>8,625</b>	<b>103.73</b>	233,200	8,520
Outstanding at the end of year .....	<b>1,296,800</b>	<b>5,086</b>	<b>61.17</b>	1,779,100	5,720
Exercisable at the end of year.....	<b>1,120,500</b>	<b>5,886</b>	<b>70.79</b>	1,504,200	6,765

## 11. 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 maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general shareholders' meeting on June 23, 2006, in accordance with Japanese laws and regulations, the Company altered its articles to 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.

At the board of directors' meeting held on May 13, 2011, the distribution of cash dividends amounting to ¥13,608 million (\$163,656 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011 since they are recognized in the period in which they are resolved at the board of directors' meeting.

No options to purchase shares of the Company were authorized and granted for the year ended March 31, 2011 and 2010.

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

## Tokyo Electron Device Limited

	2011			2010	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		Yen
Outstanding at the beginning of year.....	650	¥308,698	\$3,712.54	650	¥308,698
Granted.....	-	-	-	-	-
Exercised.....	-	-	-	-	-
Expired (forfeited).....	-	-	-	-	-
Outstanding at the end of year.....	650	308,698	3,712.54	650	308,698
Exercisable at the end of year.....	650	308,698	3,712.54	650	308,698

### 13. Leases

As mentioned in note 2 (k), effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions". As permitted under the standards, finance leases which commenced on or before March 31, 2008 continue to be accounted for as operating leases. Pro forma information of leased property acquired on or before March 31, 2008 including acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expense of finance leases that do not transfer ownership of leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2011 and 2010, are as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost.....	¥947	¥955	\$11,389
Accumulated depreciation.....	690	540	8,298
Net leased property.....	¥257	¥415	\$ 3,091

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year.....	¥139	¥159	\$1,672
Due over one year.....	118	256	1,419
Total.....	¥257	¥415	\$3,091

Lease payments relating to finance leases accounted for as operating leases amounted to ¥158 million (\$1,900 thousand) and ¥167 million, which approximated the corresponding depreciation on the respective leased property computed by the straight-line method over the lease terms, for the years ended March 31, 2011 and 2010, respectively.

Future minimum lease payments on non-cancelable operating leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year.....	¥1,984	¥1,744	\$23,861
Due over one year.....	4,361	1,052	52,447
Total.....	¥6,345	¥2,796	\$76,308

### 14. Fair Value of Financial Instruments

#### Policy for Financial Instruments

Tokyo Electron limits its fund management to short-term bank deposits and certificates of deposit, 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 certificates of deposit and the Company and its listed subsidiary 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 and income taxes 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 15 for detailed discussion on derivative financial instruments.

#### Fair Value of Financial Instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2011 and 2010, respectively are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 4).

	Millions of yen	
	Carrying amount	Estimated fair value <sup>1</sup>
<b>2011:</b>		
<b>Assets</b>		
Cash and cash equivalents.....	¥165,051	¥165,051
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,154 million).....	135,231	135,231
Short-term investments.....	120,000	120,000
Investment securities.....	14,445	14,445
<b>Liabilities</b>		
Trade notes and accounts payable.....	53,612	53,612
Income taxes payable.....	25,328	25,328
<b>Derivatives (see note 15)</b>		
Hedge accounting not applied.....	327	327
Hedge accounting applied.....	(44)	(44)
<b>2010:</b>		
<b>Assets</b>		
Cash and cash equivalents.....	¥123,940	¥123,940
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥176 million).....	124,286	124,286
Short-term investments.....	120,000	120,000
Investment securities.....	13,615	13,615
<b>Liabilities</b>		
Trade notes and accounts payable.....	52,359	52,359
<b>Derivatives (see note 15)</b>		
Hedge accounting not applied.....	124	124
Hedge accounting applied.....	(165)	(165)

	Thousands of U.S. dollars	
	Carrying amount	Estimated fair value <sup>1</sup>
<b>2011:</b>		
<b>Assets</b>		
Cash and cash equivalents.....	<b>\$1,984,979</b>	<b>\$1,984,979</b>
Trade notes and accounts receivable, net of allowance for doubtful accounts (\$13,879 thousand).....	<b>1,626,350</b>	<b>1,626,350</b>
Short-term investments .....	<b>1,443,175</b>	<b>1,443,175</b>
Investment securities .....	<b>173,722</b>	<b>173,722</b>
<b>Liabilities</b>		
Trade notes and accounts payable .....	<b>644,762</b>	<b>644,762</b>
Income taxes payable .....	<b>304,606</b>	<b>304,606</b>
<b>Derivatives (see note 15)</b>		
Hedge accounting not applied.....	<b>3,933</b>	<b>3,933</b>
Hedge accounting applied.....	<b>(529)</b>	<b>(529)</b>

Note: 1. Fair value calculation of financial instruments

Cash and cash equivalents, trade notes and accounts receivable, short-term investments and trade notes, accounts payable and income taxes payable  
The carrying amounts approximate fair value because of the short maturity of these instruments.  
Investment securities  
The fair values of marketable securities are based on quoted market prices.  
See note 4 for further information by classification of investment securities.  
Derivatives  
See note 15 for detailed discussion on derivative financial instruments.

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

	Millions of yen	
	Within 1 year	After 1 through 5 years
<b>2011:</b>		
Cash and cash equivalents .....	<b>¥165,051</b>	¥ -
Trade notes and accounts receivable .....	<b>136,385</b>	-
Short-term investments.....	<b>120,000</b>	-

	Millions of yen	
	Within 1 year	After 1 through 5 years
<b>2010:</b>		
Cash and cash equivalents .....	¥123,940	¥ -
Trade notes and accounts receivable .....	124,462	-
Short-term investments.....	120,000	-

	Thousands of U.S. dollars	
	Within 1 year	After 1 through 5 years
<b>2011:</b>		
Cash and cash equivalents .....	<b>\$1,984,979</b>	\$ -
Trade notes and accounts receivable .....	<b>1,640,229</b>	-
Short-term investments.....	<b>1,443,175</b>	-

3. Repayment schedule of short-term borrowings and capital lease obligations is as follows:

	Millions of yen		
	Within 1 year	After 1 through 2 years	After 2 through 5 years
<b>2011:</b>			
Short-term borrowings.....	<b>¥7,996</b>	¥ -	¥ -
Capital lease obligations.....	<b>127</b>	<b>103</b>	<b>64</b>

	Millions of yen		
	Within 1 year	After 1 through 2 years	After 2 through 5 years
<b>2010:</b>			
Short-term borrowings.....	¥5,106	¥ -	¥ -
Capital lease obligations.....	26	24	1

	Thousands of U.S. dollars		
	Within 1 year	After 1 through 2 years	After 2 through 5 years
<b>2011:</b>			
Short-term borrowings.....	<b>\$96,164</b>	\$ -	\$ -
Capital lease obligations.....	<b>1,527</b>	<b>1,239</b>	<b>770</b>

(Supplementary information)

Effective from the year ended March 31, 2010, the Company and its domestic subsidiaries adopted "Accounting Standard for Financial Instruments" (Statement No. 10 (revised 2008) issued by the Accounting Standards Board of Japan) and "Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No. 19 issued by the Accounting Standards Board of Japan).

## 15. Derivative Financial Instruments

Tokyo Electron is subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Company and its listed domestic subsidiary enter into forward foreign exchange contracts in order to hedge such risks, but do not enter into such transactions for speculative purposes. The Company and its domestic subsidiary implement a ratio analysis of the total cumulative cash flow fluctuations to assess effectiveness of hedging. Execution and management of all derivative transactions are conducted pursuant to the internal management rule for derivatives and the assessment of effectiveness of hedging activities is reported on a semiannual basis to the Corporate Director in charge of Finance.

The estimated fair values of the derivative financial instruments as of March 31, 2011 and 2010 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
	Contract amount	Fair value	Unrealized gains (losses)
<b>2011:</b>			
Sell U.S. dollars .....	<b>¥ 7,405</b>	<b>¥ (72)</b>	<b>¥ (72)</b>
Sell Korean won.....	<b>1,235</b>	<b>350</b>	<b>350</b>
Buy U.S. dollars.....	<b>4,763</b>	<b>49</b>	<b>49</b>
Total .....	<b>¥13,403</b>	<b>¥327</b>	<b>¥327</b>

	Millions of yen		
	Contract amount	Fair value	Unrealized gains (losses)
<b>2010:</b>			
Sell U.S. dollars .....	¥ 7,268	¥ (240)	¥ (240)
Sell Korean won.....	1,235	290	290
Buy U.S. dollars.....	5,211	74	74
Total .....	¥13,714	¥ 124	¥ 124

	Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gains (losses)
<b>2011:</b>			
Sell U.S. dollars .....	<b>\$ 89,056</b>	<b>\$ (865)</b>	<b>\$ (865)</b>
Sell Korean won.....	<b>14,853</b>	<b>4,209</b>	<b>4,209</b>
Buy U.S. dollars.....	<b>57,282</b>	<b>589</b>	<b>589</b>
Total .....	<b>\$161,191</b>	<b>\$3,933</b>	<b>\$3,933</b>

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

2. Designated derivative financial instruments

	Millions of yen		Thousands of U.S. dollars	
	Contract amount	Fair value	Contract amount	Fair value
<b>2011: Hedge accounting</b>				
Sell U.S. dollars .....	<b>¥ 6,411</b>	<b>¥(54)</b>	<b>\$ 77,102</b>	<b>\$(649)</b>
Sell Korean won.....	<b>37</b>	<b>11</b>	<b>445</b>	<b>132</b>
Buy U.S. dollars.....	<b>4,099</b>	<b>(1)</b>	<b>49,296</b>	<b>(12)</b>
Total .....	<b>¥10,547</b>	<b>¥(44)</b>	<b>\$126,843</b>	<b>\$(529)</b>

	Millions of yen	
	Contract amount	Fair value
<b>2010: Hedge accounting</b>		
Sell U.S. dollars .....	¥ 9,003	¥(193)
Sell Korean won.....	96	23
Buy U.S. dollars.....	3,859	5
Total .....	¥12,958	¥(165)

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
	2011	2010	2011
Sell U.S. dollars .....	¥ 90	¥614	\$1,082
Buy U.S. dollars.....	62	206	746
<b>Total .....</b>	<b>¥152</b>	<b>¥820</b>	<b>\$1,828</b>

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 (Trade notes and accounts receivable) and liabilities (Trade notes and accounts payable).

## 16. Other Income (Expenses)

As discussed in note 6, losses on impairment of property, plant and equipment of ¥811 million (\$9,753 thousand) were recognized for the year ended March 31, 2011 and losses on impairment of property, plant and equipment and intangible assets of ¥7,553 million were recognized for the year ended March 31, 2010.

Reversal of allowance for doubtful accounts of ¥1,892 million (\$22,754 thousand) for the year ended March 31, 2011 is related to the subsequent collection of specific accounts receivable.

Expenses for plant relocation of ¥1,839 million (\$22,117 thousand) were recognized as a result of the transfer of etch system business.

Loss from natural disasters of ¥1,114 million (\$13,397 thousand) for the year ended March 31, 2011 represents losses relating to the Great East Japan Earthquake which occurred on March 11, 2011, which mainly consists of fixed costs during the inactive period and repair costs for damaged facilities.

Expenses for integration of domestic facilities of ¥1,909 million, including expenses for transportation of machineries is recognized for the year ended March 31, 2010.

## 17. 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, its discrete financial information is available and its operating result is regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance.

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

Products of the SPE segment consist of coat-ers/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, services and distributes such products.

Products of the FPD/PV Production Equipment segment consist of coat-ers/developers, plasma etch/ash system used in the manufacture of flat panel displays, and plasma CVD systems used in the manufacture of thin film silicon PV cells. The FPD/PV segment principally develops, manufactures, services and distributes such products.

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

### Basis of measurement of reported segment net sales, segment profit, segment assets and other items

The accounting policies applied in each reportable segment are generally consistent with that 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 these assets have been allocated to reportable segments on a systematic basis.

**Information about reported segment net sales, segment profit, segment assets and other items**

Reportable segment information as of and for the year ended March 31, 2011 is as follows:

	Millions of yen						
	Reportable Segment				Total	Eliminations and Corporate	Consolidated
	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks	Other			
<b>2011:</b>							
Net sales							
Sales to external customers.....	¥511,332	¥66,721	¥90,216	¥ 453	¥668,722	¥ -	¥668,722
Intersegment sales or transfers.....	0	-	1,100	14,908	16,008	(16,008)	-
Total .....	511,332	66,721	91,316	15,361	684,730	(16,008)	668,722
Segment profit.....	120,846	6,641	2,907	1,916	132,310	(32,731)	99,579
Segment assets.....	239,707	42,812	50,255	2,094	334,868	474,337	809,205
Others							
Depreciation and amortization .....	7,369	543	456	354	8,722	8,985	17,707
Capital expenditures, including intangible and other assets ...	13,182	553	774	28	14,537	26,723	41,260

	Thousands of U.S. dollars						
	Reportable Segment				Total	Eliminations and Corporate	Consolidated
	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks	Other			
<b>2011:</b>							
Net sales							
Sales to external customers.....	\$6,149,513	\$802,417	\$1,084,979	\$ 5,448	\$8,042,357	\$ -	\$8,042,357
Intersegment sales or transfers.....	0	-	13,229	179,290	192,519	(192,519)	-
Total .....	6,149,513	802,417	1,098,208	184,738	8,234,876	(192,519)	8,042,357
Segment profit.....	1,453,349	79,868	34,961	23,043	1,591,221	(393,639)	1,197,582
Segment assets.....	2,882,826	514,877	604,390	25,183	4,027,276	5,704,594	9,731,870
Others							
Depreciation and amortization .....	88,623	6,530	5,484	4,258	104,895	108,058	212,953
Capital expenditures, including intangible and other assets ...	158,533	6,651	9,308	337	174,829	321,383	496,212

Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, leasing and insurance.

2 (1) "Eliminations and Corporate" segment profit totaling ¥32,731 million (\$393,639 thousand) includes corporate expenses not allocated to any reportable segments. The corporate expenses mainly consist of research and development costs of ¥22,719 million (\$ 273,229 thousand) pertaining to fundamental research and element research, not allocated to any of the reportable segments.

(2) "Eliminations and Corporate" segment assets totaling ¥474,337 million (\$5,704,594 thousand) consists mainly of cash and cash equivalents, short-term investments, buildings, not allocated to any of the reportable segments.

3 "Eliminations and Corporate" capital expenditures totaling ¥26,723 million (\$321,383 thousand), consists mainly of capital expenditures for buildings not allocated to any of the reportable segments.

4. Reported segment income is reconciled to Income before income taxes and minority interests in the consolidated statement of operations.

## (Supplementary Information)

As mentioned in note 3 (b), from the year ended March 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Statement No. 17 issued by the Accounting Standards Board of Japan), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Guidance No. 20 issued by the Accounting Standards Board of Japan). Since it is impractical to revise previously reported segment information, the Company discloses current period segment information on the old basis of segmentation and segment measures as follows:

	Millions of yen				
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
<b>2011:</b>					
1. Net sales and operating income					
Net sales					
(1) Sales to external customers.....	¥578,506	¥90,216	¥668,722	¥ -	¥668,722
(2) Intersegment sales or transfers.....	536	1,100	1,636	(1,636)	-
Total .....	579,042	91,316	670,358	(1,636)	668,722
Operating expenses .....	483,934	88,570	572,504	(1,652)	570,852
Operating income.....	¥ 95,108	¥ 2,746	¥ 97,854	¥ 16	¥ 97,870
2. Assets, depreciation and amortization expenses, impairment losses and capital expenditures					
Assets.....	¥762,227	¥50,254	¥812,481	¥(3,276)	¥809,205
Depreciation and amortization expenses .....	17,494	456	17,950	-	17,950
Capital expenditures, including intangible and other assets.....	40,486	774	41,260	-	41,260

	Millions of yen				
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
<b>2010:</b>					
1. Net sales and operating income (loss)					
Net sales					
(1) Sales to external customers.....	¥334,164	¥84,473	¥418,637	¥ -	¥418,637
(2) Intersegment sales or transfers.....	785	673	1,458	(1,458)	-
Total .....	334,949	85,146	420,095	(1,458)	418,637
Operating expenses .....	339,218	83,066	422,284	(1,466)	420,818
Operating income (loss).....	¥ (4,269)	¥ 2,080	¥ (2,189)	¥ 8	¥ (2,181)
2. Assets, depreciation and amortization expenses, impairment losses and capital expenditures					
Assets.....	¥654,026	¥45,649	¥699,675	¥(3,323)	¥696,352
Depreciation and amortization expenses .....	19,759	485	20,244	-	20,244
Loss on impairment of property, plant and equipment and intangible assets.....	7,553	-	7,553	-	7,553
Capital expenditures, including intangible and other assets.....	16,070	122	16,192	-	16,192

	Thousands of U.S. dollars				
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
<b>2011:</b>					
1. Net sales and operating income					
Net sales					
(1) Sales to external customers.....	\$6,957,378	\$1,084,979	\$8,042,357	\$ -	\$8,042,357
(2) Intersegment sales or transfers.....	6,446	13,229	19,675	(19,675)	-
Total .....	6,963,824	1,098,208	8,062,032	(19,675)	8,042,357
Operating expenses .....	5,820,012	1,065,183	6,885,195	(19,867)	6,865,328
Operating income.....	\$1,143,812	\$ 33,025	\$1,176,837	\$ 192	\$1,177,029
2. Assets, depreciation and amortization expenses, impairment losses and capital expenditures					
Assets.....	\$9,166,891	\$ 604,378	\$9,771,269	\$(39,399)	\$9,731,870
Depreciation and amortization expenses .....	210,391	5,484	215,875	-	215,875
Capital expenditures, including intangible and other assets.....	486,903	9,309	496,212	-	496,212

Notes: 1. Method of classifying business segments: Business segments are classified after considering similarities in types of products and services, as well as sales methods.

## 2. Major products in each business segment:

Business segment	Major products
Industrial electronic equipment	Semiconductor production equipment, FPD production equipment, PV production equipment and others
Electronic components and computer networks	Semiconductor products, boards, electronic components, computer networks and software

3. Depreciation expenses and capital expenditures include those for long-term prepaid expenses.

**Other Information**

(1) Domestic and overseas net sales by destination for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net sales			
Japan.....	¥182,165	¥162,609	\$2,190,800
Taiwan.....	169,276	91,474	2,035,791
Korea.....	106,374	55,641	1,279,302
United States of America.....	103,013	52,948	1,238,882
Others.....	107,894	55,965	1,297,582
Total.....	¥668,722	¥418,637	\$8,042,357

Note: For the reporting of domestic and overseas net sales, overseas net sales (other than Japan) include export sales of the Company and its domestic subsidiaries and sales of foreign subsidiaries, except for export sales to Japan.

(2) Geographical segment information as of and for the years ended March 31, 2011 and 2010 are as follows:

2011:	Millions of yen			Thousands of U.S. dollars		
	Japan	Other regions	Total	Japan	Other regions	Total
Property, plant and equipment	¥97,775	¥14,777	¥112,552	\$1,175,887	\$177,715	\$1,353,602

2010:	Millions of yen			Eliminations and corporate	Consolidated
	Japan	Other regions	Total		
1. Net sales and operating income (loss)					
Net sales					
(1) Sales to external customers.....	¥369,382	¥49,255	¥418,637	¥ -	¥418,637
(2) Intersegment sales or transfers.....	31,856	26,089	57,945	(57,945)	-
Total.....	401,238	75,344	476,582	(57,945)	418,637
Operating expenses.....	402,436	74,027	476,463	(55,645)	420,818
Operating income (loss).....	¥ (1,198)	¥ 1,317	¥ 119	¥ (2,300)	¥ (2,181)
2. Total assets.....	¥665,518	¥67,453	¥732,971	¥(36,619)	¥696,352

Notes: 1. For the reporting of geographical segment information, net sales and operating income (loss) are separated based on the location of the Company and its subsidiaries. Assets are separated by geographic location.

2. Other regions comprise primarily Taiwan, the United States of America and Korea.

(3) Major customer information

Net sales to external customers that represent 10 percent or more of the company's total net sales are as follows:

Name of customer	Related reportable segment	Millions of yen	Thousands of U.S. dollars
		2011	2011
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD/PV production equipment	¥101,074	\$1,215,562

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

**18. Subsequent Event****Grant of Stock Options under the Stock Options Plans**

On May 13, 2011, the Company's board of directors decided to submit a resolution to the shareholders' meeting for approval of the issuance of stock subscription rights to directors and selected employees of Tokyo Electron. The issuance of stock subscription rights is intended to enable the grant of stock options. Under these stock option plans, options to purchase up to 105,900 shares of the Company at an exercise price of ¥1 (\$0.01), will be granted to directors of the Company as of March 31, 2011 (excluding outside directors and directors who resigned on June 17, 2011), and options to purchase up to 140,000 shares of the Company at an exercise

price of ¥1 (\$0.01), will be granted to certain executive officers of the Company as of March 31, 2011, certain directors of the Company who resigned on June 17, 2011, certain directors and executive officers of domestic subsidiaries and certain chairmen, presidents, and vice chairmen of overseas subsidiaries as of March 31, 2011, who was determined by a resolution at a board of directors meeting subsequent to the approval of grant at the general meeting of shareholders. This grant of stock options was approved at the general meeting of the shareholders of the Company on June 17, 2011.



**INDEPENDENT AUDITORS' REPORT**

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To the Board of Directors of  
Tokyo Electron Limited:

We have audited the accompanying consolidated balance sheets of Tokyo Electron Limited and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokyo Electron Limited and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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*

Tokyo, Japan  
June 17, 2011

## GROUP COMPANIES

As of April 1, 2011, the Tokyo Electron Group was made up of the parent company and its 31 consolidated subsidiaries.

Company	Main business
<b>JAPAN</b>	
Consolidated subsidiaries	
Tokyo Electron Yamanashi Limited	Manufacture and development
Tokyo Electron Kyushu Limited	Manufacture and development
Tokyo Electron Tohoku Limited	Manufacture and development
Tokyo Electron Miyagi Limited	Manufacture and development
Tokyo Electron TS Limited	Manufacture and development
Tokyo Electron Technology Development Institute, Inc.	Manufacture and development
Tokyo Electron Software Technologies Limited	Development
Tokyo Electron PV Limited	Development
Tokyo Electron FE Limited	Field solutions
Tokyo Electron Device Limited	Sales
Tokyo Electron BP Limited	Logistics, leasing, facility management, etc.
Tokyo Electron Agency Limited	Nonlife insurance
Pan Electron Limited	Sales
<b>AMERICA</b>	
Consolidated subsidiaries	
Tokyo Electron U.S. Holdings, Inc.	Holding company
Tokyo Electron America, Inc.	Sales and field support
Tokyo Electron Massachusetts, LLC	Manufacture and development
Timbre Technologies, Inc.	Development
TEL Technology Center, America, LLC	Development
TEL Epion Inc.	Development
TEL Venture Capital, Inc.	Identification and evaluation of new technologies
<b>EUROPE</b>	
Consolidated subsidiaries	
Tokyo Electron Europe Limited	Sales and field support
Tokyo Electron Israel Limited	Field support
<b>ASIA</b>	
Consolidated subsidiaries	
Tokyo Electron Korea Limited	Sales and field support
Tokyo Electron Korea Solution Limited	Field solutions
Tokyo Electron Taiwan Limited	Sales and field support
Tokyo Electron (Kunshan) Limited	Manufacture
Tokyo Electron (Shanghai) Limited	Sales and field support
Tokyo Electron (Shanghai) Logistic Center Limited	Logistics
Tokyo Electron Device Hong Kong Limited	Sales
Tokyo Electron Device Singapore Pte. Ltd.	Sales
Tokyo Electron India Private Limited	Sales and field support

## INVESTOR INFORMATION

(As of March 31, 2011)

### 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	44,896

### Common Stock Listed on:

The Tokyo Stock Exchange 1st Section (#8035)

### Independent Auditors:

KPMG AZSA LLC

### Administrator of Shareholders' Register:

The Chuo Mitsui Trust and Banking Co., Ltd.  
33-1 Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

### For Further Information, Contact:

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Corporate Communications Department  
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Akasaka Biz Tower  
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### URL:

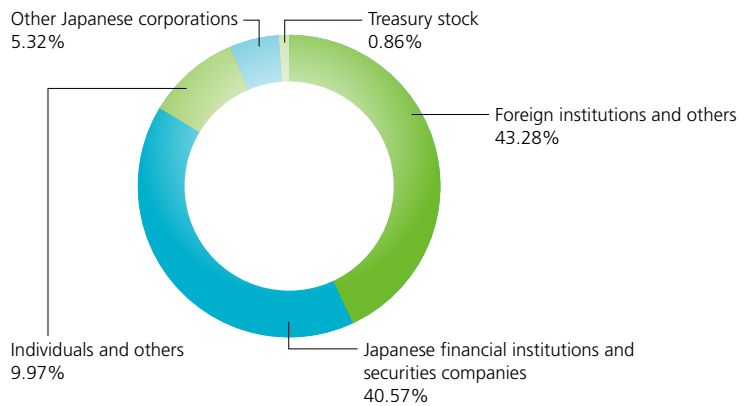
<http://www.tel.com>

### Principal Shareholders:

	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	18,707	10.44
Japan Trustee Services Bank, Ltd. (trust account)	13,726	7.66
Tokyo Broadcasting System Holdings, Inc.	7,727	4.31
The Chase Manhattan Bank 385036	4,564	2.54
JPMorgan Securities Japan Co., Ltd.	3,923	2.19
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	3,398	1.89
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	3,319	1.85
Japan Trustee Services Bank, Ltd. (trust account 9)	3,300	1.84
JPMorgan Chase Bank 380055	3,179	1.77
State Street Bank and Trust Company 505225	2,919	1.63

Shares of less than one thousand have been rounded down in the "Number of shares held."  
Voting share ratio is calculated by the number of shares held excluding treasury stocks (1,554,231 shares).

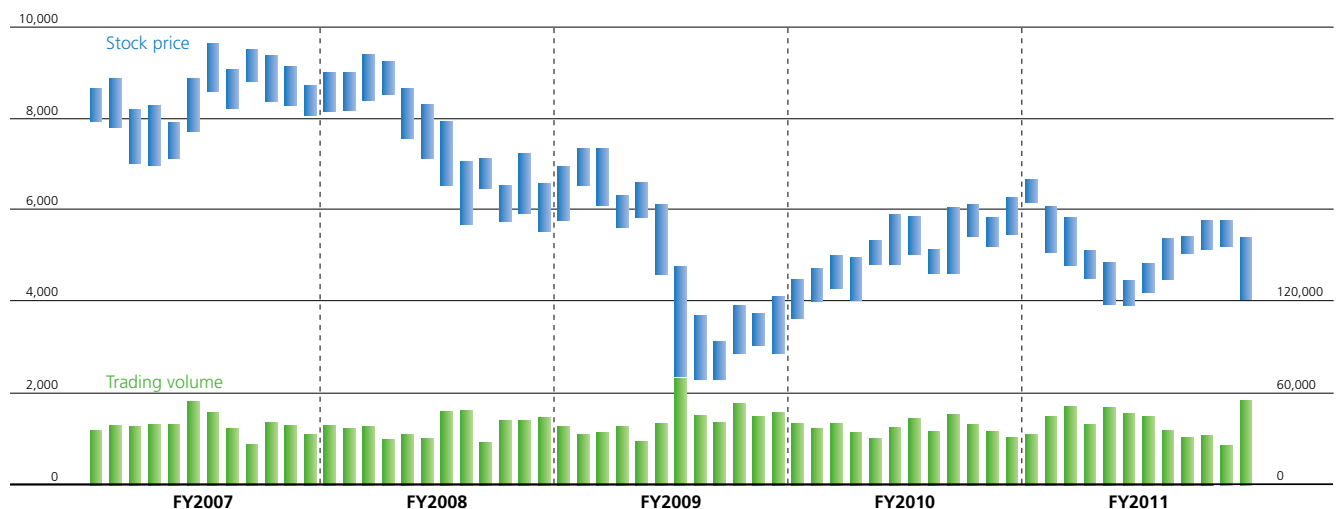
### Distribution of Ownership Among Shareholders:



### Stock Price and Trading Volume

(Yen)

(Thousands of shares)





**TOKYO ELECTRON**

**TOKYO ELECTRON LIMITED**

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