

# Consolidated Financial Review for the First Quarter Ended June 30, 2012

Company name: **Tokyo Electron Limited**  
URL: <http://www.tel.com>  
Telephone number: (03) 5561-7000  
Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 8035)

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.  
2. Amounts are rounded down to the nearest million yen.

## 1. Financial highlights for the three months ended June 30, 2012

### (1) Operating results (Cumulative)

	Three months ended	
	June 30, 2011	June 30, 2012
Net sales (Millions of yen)	153,117	134,179
Operating income (Millions of yen)	23,088	9,283
Ordinary income (Millions of yen)	23,751	11,248
Net income (Millions of yen)	16,636	5,720
Net income per share (Yen)	92.91	31.93
Fully diluted net income per share (Yen)	92.76	31.88
Comprehensive income: Three months ended June 30, 2012: 2,649 million yen Three months ended June 30, 2011: 16,772 million yen		

### (2) Financial position

	As of March 31, 2012	As of June 30, 2012
Total assets (Millions of yen)	783,610	767,049
Net assets (Millions of yen)	598,602	596,323
Equity ratio (%)	74.9	76.2
Equity: 584,567 million yen (as of June 30, 2012) 586,789 million yen (as of March 31, 2012)		

## 2. Dividends

	Year ended March 31, 2012	Year ending March 31, 2013	
2Q-end dividend per share (Yen)	53.00	25.00	(Forecast)
Year-end dividend per share (Yen)	27.00	26.00	(Forecast)
Annual dividend per share (Yen)	80.00	51.00	(Forecast)

Note: Revision of dividends forecast : Yes

The interim dividend for the second quarter ending September 2012 is made up of ordinary dividend 15 yen and commemorative dividend 10 yen.

The year-end dividend for the year ending March 2013 is made up of ordinary dividend 16 yen and commemorative dividend 10 yen.

## 3. Earnings forecasts for the year ending March 31, 2013

	Six months ending September 30, 2012	Year ending March 31, 2013
Net sales (Millions of yen)	268,000	530,000
Operating income (Millions of yen)	9,500	20,000
Net income (Millions of yen)	6,000	14,000
Net income per share (Yen)	33.49	78.14

Note: Revision of earnings forecast : Yes

**4. Others**

- (1) Important changes in subsidiaries during the current period: None
- (2) Adoption of special accounting method in preparing quarterly financial statement: Yes
- (3) Changes in accounting policies, accounting estimation, and restatement
1. Changes in accounting policies along with changes in accounting standards: Yes
  2. Other changes of accounting policies besides number 1 above: None
  3. Changes in accounting estimates: Yes
  4. Restatement: None
- (4) Number of shares outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)
 

As of March 31, 2012:	180,610,911 shares
As of June 30, 2012:	180,610,911 shares
  2. Number of shares of treasury stock
 

As of March 31, 2012:	1,446,079 shares
As of June 30, 2012:	1,437,590 shares
  3. Average number of shares outstanding
 

As of June 30, 2011:	179,065,796 shares
As of June 30, 2012:	179,169,890 shares

Notification of the status of quarterly financial review procedures:

This quarterly financial report is outside the jurisdiction of auditing procedures outlined in the Financial Instruments and Exchange Act and remain incomplete at the time of announcing this report.

Explanations on the appropriate use of earnings forecast:

The performance forecast and estimate stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available. Consequently, actual operating results may differ substantially.

## Qualitative Information on Financial Results for the First Quarter

### (1) Qualitative Information on Consolidated Operating Results

During the first quarter of the current fiscal year, financial instability in Europe remained unresolved, feelings of uncertainty concerning China's economic growth rate appeared, and other signs of an overall slowing trend in the world economy were experienced. The pace of recovery of the Japanese economy was moderate as a result of the stagnation of the global economy.

In the electronics industry where the Tokyo Electron group conducts its business, smartphones continued to perform solidly, but sales of PCs and televisions remained sluggish, and there was limited recovery in the semiconductor and LCD panel market overall.

Under these circumstances, consolidated net sales in the first quarter of the current fiscal year were 134,179 million yen (down 12.4% from the same period of the previous year). Consolidated operating income was 9,283 million yen (down 59.8% from the same period of the previous year), and consolidated ordinary income was 11,248 million yen (down 52.6% from the same period of the previous year). Net income for the first quarter was 5,720 million yen (down 65.6% from the same period of the previous year).

The overview of each business segment is as described below.

#### (i) Semiconductor Production Equipment

Smartphones failed to drive the semiconductor market as a whole, and semiconductor prices were soft. In response, semiconductor manufacturers invested in equipment in some cutting-edge development fields, but investment in equipment for memory was limited and overall there was no large-scale investment. Under these circumstances, net sales from external customers in this segment during the first quarter of the current fiscal year were 108,703 million yen (down 10.0% from the same period of the previous year).

#### (ii) FPD/PV (Flat Panel Display/Photovoltaic Panel) Production Equipment

Demand for televisions and PCs did not recover and demand for LCD panel production equipment was sluggish. Under these circumstances, net sales from external customers in this segment during the first quarter of the current fiscal year were 4,769 million yen (down 62.0% from the same period of the previous year).

#### (iii) Electronic Components and Computer Networks

Sales of general-purpose ICs increased as a result of business acquired by a TEL consolidated subsidiary from AMSC Co., Ltd., but demand declined because of the poor business confidence and the sales of other electronic components and information communications equipment were sluggish. Under these

circumstances, net sales from external customers in this segment during the first quarter of the current fiscal year were 20,605 million yen (up 4.9% from the same period of the previous year).

**(iv) Others**

Net sales from external customers in this segment during the first quarter of the current fiscal year were 101 million yen (up 5.2% compared to the same period of the previous year).

**(For reference)**

**Consolidated Operating Results**

(Millions of yen)

	FY 2012 Full Year					FY 2013 1Q
		1Q	2Q	3Q	4Q	
Net Sales	633,091	153,117	173,232	129,164	177,576	134,179
Semiconductor Production Equipment	477,873	120,836	127,557	91,596	137,882	108,703
Japan	82,887	20,943	29,421	16,641	15,881	10,032
U.S.	114,821	29,756	23,823	28,641	32,601	26,629
Europe	49,325	13,999	16,988	9,545	8,792	10,457
Korea	108,740	16,926	20,957	20,647	50,209	24,214
Taiwan	75,018	24,705	19,458	9,687	21,166	29,338
China	25,395	9,115	6,685	3,931	5,663	5,666
S.E.Asia	21,683	5,390	10,222	2,501	3,568	2,363
FPD/PV Production Equipment	69,888	12,536	24,141	16,633	16,577	4,769
Electronic Components & Computer Networks	84,867	19,648	21,388	20,865	22,964	20,605
Others	461	96	145	68	151	101
Operating Income	60,443	23,088	13,770	6,094	17,489	9,283
Ordinary Income	64,046	23,751	15,970	6,998	17,326	11,248
Net Income	36,725	16,636	10,021	755	9,312	5,720

Note: Offset elimination has been carried out on the dealing between segments.

**Production and Order Performance**

**1. Production**

(Millions of yen)

	FY 2012 Full Year					FY 2013 1Q
		1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	452,364	127,147	105,286	97,098	122,832	96,681
FPD/PV Production Equipment	55,855	14,115	15,841	16,035	9,863	2,121
Total	508,220	141,262	121,127	113,134	132,695	98,803

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

**2. Orders Received**

(Millions of yen)

	FY 2012 Full Year	FY 2012				FY 2013 1Q
		1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	437,615	112,692	73,531	144,971	106,419	76,029
FPD/PV Production Equipment	18,598	8,920	1,713	5,078	2,885	2,829
Electronic Components & Computer Networks	84,276	22,508	19,584	20,441	21,741	22,631
Others	461	96	145	68	151	101
<b>Total</b>	<b>540,950</b>	<b>144,217</b>	<b>94,974</b>	<b>170,560</b>	<b>131,197</b>	<b>101,590</b>

Note: 1. Offset elimination has been carried out on the dealing between segments.

2. The above amounts do not include consumption taxes.

**3. Orders Backlog**

(Millions of yen)

	FY 2012				FY 2013 1Q
	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	220,798	166,773	220,148	188,684	157,737
FPD/PV Production Equipment	61,875	39,447	27,892	14,200	12,260
Electronic Components & Computer Networks	17,235	15,430	15,006	13,783	15,809
Others	-	-	-	-	-
<b>Total</b>	<b>299,909</b>	<b>221,651</b>	<b>263,048</b>	<b>216,669</b>	<b>185,807</b>

Note: 1. Offset elimination has been carried out on the dealing between segments.

2. The above amounts do not include consumption taxes.

**(2) Qualitative Information on Consolidated Financial Conditions****(i) Financial Conditions**

Current assets at the end of the first quarter of the current fiscal year were 569,563 million yen, down 37,486 million yen compared to the end of the previous fiscal year. Major contributing factors included a 26,710 million yen decrease in trade notes and accounts receivable, a 13,606 million yen decrease in prepaid consumption tax, a 13,153 million yen decrease in short-term investments included in securities, and an 18,220 million yen increase in cash and deposits.

Tangible fixed assets increased by 2,445 million yen from the end of the previous fiscal year, to 129,330 million yen.

Intangible fixed assets increased by 15,466 million yen from the end of the previous fiscal year, to 20,169 million yen as a result of a 15,543 million yen increase in goodwill and other factors.

Investments and other assets increased by 3,013 million yen from the end of the previous fiscal year, to 47,984 million yen.

As a result, total assets decreased by 16,561 million yen compared to the end of the previous fiscal year, to 767,049 million yen.

Current liabilities were down 14,327 million yen compared to the end of the previous fiscal year, to 110,467

million yen. A major factor in the decrease was a decrease in trade notes and accounts payable of 11,361 million yen.

Long-term liabilities were up 45 million yen compared to the end of the previous fiscal year, to 60,258 million yen.

Net assets were down 2,279 million yen compared to the end of the previous fiscal year, to 596,323 million yen. The major factors were an increase from reporting a net income of 5,720 million yen for the current first quarter, a decrease from payment of 4,837 million yen in year-end dividends in the previous fiscal year, and a 2,180 million yen decrease in translation adjustments owing to the yen's appreciation. The equity ratio was 76.2%.

#### **(ii) Cash Flow**

Cash and cash equivalents at the end of the first quarter of the current fiscal year decreased by 15,926 million yen compared to the end of the previous fiscal year, to 142,849 million yen. The combined balance of cash and cash equivalents, plus 109,842 million yen in time deposits and short-term investments with deposit terms of over three months (which are not included in cash and cash equivalents), increased by 5,067 million yen from the end of the previous fiscal year, to 252,692 million yen. The overall situation regarding cash flow during the first quarter of the current fiscal year is as described below.

Cash flow from operating activities increased by 17,826 million yen compared to the same period of the previous fiscal year to 35,864 million yen. Major factors contributing to the increase included cash flow income from 11,231 million yen in income before income taxes, a 26,010 million yen decrease in trade notes and accounts receivable, and a 13,541 million yen decrease in prepaid consumption tax. Major adverse factors included an 11,425 million yen decrease in accounts payable.

Cash flow from investing activities was 46,065 million yen, compared to 58,748 million yen in the same period of the previous fiscal year. This was primarily the result of 15,830 million yen in expenditures for the acquisition of subsidiary company shares in conjunction with changes in the scope of consolidation, 7,326 million yen in expenditures for the acquisition of tangible fixed assets, and a 21,000 million yen increase in time deposits and short-term investments.

Cash flow from financing activities was 4,889 million yen, mainly as a result of the payment of 4,837 million yen in dividends. Cash flow from financing activities in the same period of the previous fiscal year was 14,209 million yen.

**Consolidated Cash Flow (Summary)**

(Millions of yen)

	Three month ended June 30, 2011	Three month ended June 30, 2012
Cash flow from operating activities	18,038	35,864
Income before income taxes	23,423	11,231
Depreciation and amortization	4,744	5,585
Decrease in trade notes and accounts receivable (increase)	11,412	26,010
Decrease in inventories (increase)	(15,650)	5,112
Increase in accounts payable (decrease)	686	(11,425)
Others	(6,578)	(650)
Cash flow from investing activities	(58,748)	(46,065)
Decrease in time deposits (increase)	(54,000)	(21,000)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(15,830)
Others (purchase of fixed assets)	(4,748)	(9,234)
Cash flow from financing activities	(14,209)	(4,889)
Effect of exchange rate changes on cash and cash equivalents	53	(835)
Net increase in cash and cash equivalents (decrease)	(54,865)	(15,926)
Cash and cash equivalents at beginning of period	165,050	158,776
Cash and cash equivalents at end of period	110,184	142,849
Cash and cash equivalents and time deposits and short-term investments with deposit terms of over three months (which are not included in cash and cash equivalents) at end of period	284,184	252,692

### 3. Qualitative Information on Forecasts for Consolidated Financial Results

With the slowing global economy resulting in slowing semiconductor demand in turn, semiconductor device makers are limiting capital investment. As a result, sales in the semiconductor production equipment segment, our main business, are expected to fall short of the initial prediction, and we have revised our prior consolidated forecasts for the first half and full fiscal year that we released on April 27, 2012.

Consolidated Forecast	(Billions of yen, Y/Y change)			
	FY2013(E)			
	1st Half		Full Year	
Net Sales	268.0	-17.9%	530.0	-16.3%
Semiconductor Production Equipment	216.0	-13.0%	416.0	-12.9%
FPD/PV Production Equipment	9.0	-75.5%	18.0	-74.2%
Electronic Components & Computer Networks	43.0	4.8%	96.0	13.1%
Operating Income	9.5	-74.2%	20.0	-66.9%
Net Income	6.0	-77.5%	14.0	-61.9%

Note: Offset elimination has been carried out on the dealing between segments.

Note: The financial forecasts and estimates stated in this financial review are based on certain assumptions judged to be reasonable at the present time in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on performance.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products (and their success or failure), and global conditions in the semiconductor production equipment business. Consequently, actual sales and profits may differ substantially from the projections stated in this financial review.



# Consolidated Balance Sheet

	(Millions of yen)	
	As of March 31, 2012	As of June 30, 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposit	35,834	54,055
Trade notes and accounts receivable	150,305	123,595
Securities	211,790	198,636
Merchandise and finished goods	101,789	100,287
Work in process	35,104	31,329
Raw materials and supplies	12,575	12,506
Others	61,026	50,272
Allowance for doubtful accounts	(1,376)	(1,119)
<b>Total current assets</b>	607,050	569,563
<b>Long-term assets</b>		
Tangible fixed assets	126,885	129,330
Intangible fixed assets		
Goodwill	-	15,543
Others	4,703	4,626
<b>Total intangible fixed assets</b>	4,703	20,169
Investments and other assets		
Others	48,819	51,678
Allowance for doubtful accounts	(3,848)	(3,693)
<b>Total investments and other assets</b>	44,971	47,984
<b>Total long-term assets</b>	176,560	197,485
<b>Total assets</b>	783,610	767,049

# Consolidated Balance Sheet

TOKYO ELECTRON

	(Millions of yen)	
	As of March 31, 2012	As of June 30, 2012
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	46,986	35,625
Income taxes payable	4,288	8,468
Accrued warranty expenses	8,903	8,594
Other allowance	9,077	3,260
Others	55,537	54,518
<b>Total current liabilities</b>	<b>124,794</b>	<b>110,467</b>
<b>Long-term liabilities</b>		
Accrued pension and severance costs	54,646	54,862
Other allowance	619	568
Others	4,947	4,827
<b>Total long-term liabilities</b>	<b>60,213</b>	<b>60,258</b>
<b>Total liabilities</b>	<b>185,007</b>	<b>170,725</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	471,186	472,063
Treasury stock	(9,747)	(9,689)
<b>Total shareholders' equity</b>	<b>594,422</b>	<b>595,358</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,575	2,575
Deferred gains or losses on hedges	(51)	(27)
Translation adjustments	(11,157)	(13,338)
<b>Total accumulated other comprehensive income</b>	<b>(7,633)</b>	<b>(10,790)</b>
<b>Subscription rights to shares</b>	<b>1,156</b>	<b>1,167</b>
<b>Minority interests</b>	<b>10,656</b>	<b>10,588</b>
<b>Total net assets</b>	<b>598,602</b>	<b>596,323</b>
<b>Total liabilities and net assets</b>	<b>783,610</b>	<b>767,049</b>

# Consolidated Statement of Income

	(Millions of yen)	
	Three months ended June 30, 2011	Three months ended June 30, 2012
Net sales	153,117	134,179
Cost of sales	94,646	90,067
<b>Gross profit</b>	<b>58,470</b>	<b>44,111</b>
Selling, general & administrative expenses		
Research and development expenses	18,176	17,928
Others	17,204	16,899
Total selling, general & administrative expenses	35,381	34,827
<b>Operating income</b>	<b>23,088</b>	<b>9,283</b>
Non-operating income		
Foreign currency translation gain	-	513
Others	842	1,516
Total non-operating income	842	2,029
Non-operating expenses		
Maintenance and operation cost of closed business base	44	17
Compensation expenses	-	14
Foreign currency translation loss	63	-
Others	71	32
Total non-operating expenses	179	64
<b>Ordinary income</b>	<b>23,751</b>	<b>11,248</b>
Unusual or infrequent profit		
Gain on sale of fixed assets	3	1
Gain on collection written-off claims	1,437	-
Others	38	-
Total unusual or infrequent profit	1,478	1
Unusual or infrequent loss		
Loss on disposal of property, plant and equipment	4	17
Loss from earthquake damage	980	-
Loss on revaluation of investment securities	800	-
Others	22	-
Total unusual or infrequent loss	1,806	17
<b>Income before income taxes</b>	<b>23,423</b>	<b>11,231</b>
Income taxes	6,592	3,255
Prior year's corporate tax	-	2,194
Income before minority interests	16,831	5,782
Minority interests	195	62
<b>Net income</b>	<b>16,636</b>	<b>5,720</b>

# Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2011	Three months ended June 30, 2012
<b>Income before minority interests</b>	16,831	5,782
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	334	(1,000)
Deferred gains or losses on hedges	44	70
Translation adjustments	(437)	(2,202)
Total other comprehensive income	(58)	(3,132)
<b>Comprehensive income</b>	<u>16,772</u>	<u>2,649</u>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners	16,566	2,563
Comprehensive income attributable to minority interests	205	86

## Segment Information

### (i) Overview of reportable segments

The reportable segments by the company provide separate financial information pertaining to the various segments of the company, which is reviewed periodically by the management to evaluate corporate performance as well as make decisions about the allocation of management resources.

The corporate structure consists of product and service segments based on business units (BUs), and the reportable segments are as follows: Semiconductor Production Equipment, FPD/PV (Flat Panel Display and Photovoltaic Panel) Production Equipment, and Electronic Components and Computer Networks.

The Semiconductor Production Equipment segment consists of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The FPD/PV Production Equipment segment consists of coaters/developers, plasma etch/ash systems used in the manufacturing of flat panel displays, and plasma CVD systems used in the manufacturing of thin film silicon PV panels, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The Electronic Components and Computer Networks segment consists of semiconductor products centering on integrated circuits (IC), other electronic components, computer networks and software, etc., and we are engaged in the design, development, procurement, and sales, etc. for such products.

### (ii) Net sales and profit/loss in reportable segments

Three months ended June 30, 2012

(Millions of yen)

	Reportable Segment			Others
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	108,703	4,769	20,828	3,077
Segment income or loss	16,798	(1,685)	201	496

	Total Segment	Eliminations	Consolidated Total
Net sales	137,378	(3,198)	134,179
Segment income or loss	15,811	(4,579)	11,231

#### Notes:

1. The "Others" segment includes all other businesses which are not included in the reported business segments, such as the transportation of products, etc. of the Tokyo Electron Group companies, equipment leasing and insurance, etc.
2. The eliminations of segment income amounting to 4,579 million yen includes corporate expenses pertaining to the corporate account which are not allocated to any specific reportable segments. The corporate account expenses are mainly R&D expenses of 4,683 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
3. Segment income is adjusted against net income before taxes in consolidated income statement.

## Segment Information

(iii) Impairment losses on fixed assets and goodwill, etc. in reportable segments

Significant impairment losses related to fixed assets: None

Significant changes in goodwill amount:

During the first quarter, TEL acquired all the shares of U.S.-based NEXX Systems, Inc. which became a consolidated subsidiary. As a result of this transaction, 15,310 million yen in goodwill arose in the semiconductor production equipment segment. As the allocation of the goodwill amount to the acquisition value is not complete, this is a provisional calculation of the amount.

Significant income related to negative goodwill: None