

Consolidated Financial Review for the Second Quarter Ended September 30, 2011

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 six months ended September 30, 2011

(1) Operating results (Cumulative)

	Six months ended	
	September 30, 2010	September 30, 2011
Net sales (Millions of yen)	318,400	326,350
Operating income (Millions of yen)	42,342	36,859
Ordinary income (Millions of yen)	45,107	39,722
Net income (Millions of yen)	33,454	26,657
Net income per share (Yen)	186.88	148.85
Fully diluted net income per share (Yen)	186.60	148.63
Comprehensive income:	Year ended 9/30/11: 20,048 million yen	
	Year ended 9/30/10: 28,588 million yen	

(2) Financial position

	As of	As of
	March 31, 2011	September 30, 2011
Total assets (Millions of yen)	809,205	782,467
Net assets (Millions of yen)	584,801	591,219
Equity ratio (%)	70.8	74.0
Equity:	579,266 million yen (as of September 30, 2011)	
	572,741 million yen (as of March 31, 2011)	

2. Dividends

	Year ended March 31, 2011	Year ending March 31, 2012
2Q-end dividend per share (Yen)	38.00	53.00
Year-end dividend per share (Yen)	76.00	27.00 (Forecast)
Annual dividend per share (Yen)	114.00	80.00 (Forecast)

Note: Revision of dividends forecast : Yes

3. Earnings forecasts for the year ending March 31, 2012

	Year ending March 31, 2012
Net sales (Millions of yen)	630,000
Operating income (Millions of yen)	57,000
Ordinary income (Millions of yen)	60,500
Net income (Millions of yen)	40,000
Net income per share (Yen)	223.31

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 quartely 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: None
 4. Restatement: None

(4) Number of shares outstanding (common stock)

1. Number of shares issued (including treasury stock)

As of September 30, 2011:	180,610,911 shares
As of March 31, 2011:	180,610,911 shares
2. Number of shares of treasury stock

As of September 30, 2011:	1,485,306 shares
As of March 31, 2011:	1,554,231 shares
3. Average number of shares outstanding

Six months ended September 30, 2011:	179,086,953 shares
Six months ended September 30, 2010:	179,018,068 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 Second Quarter

(1) Qualitative Information on Consolidated Operating Results

During the first half of the current fiscal year, economic stagnation in the United States and other developed countries sparked by chaos in financial markets in Europe as well as other factors caused the sense of uncertainty over the future to increase. Domestic demand in China, India, and other emerging market countries continued to expand, but growth rates have started to slow. The Japanese economy is recovering from the effects of the Great East Japan Earthquake, but the slowdown of the global economy and the prolonged duration of yen remaining at high values compared to other currencies have made the recovery extremely modest.

In the electronics industry, the field in which the Tokyo Electron Group conducts its business, demand for televisions, PCs, and mobile phones was sluggish, and although information terminal devices including fast-selling smartphones are growing, this growth has not been sufficient to bring about a turnaround in the electronics component market.

Consequently, consolidated net sales for the first half of the current fiscal year were 326,350 million yen (up 2.5% compared to the same period of the previous year). Consolidated operating income and ordinary income, respectively, were 36,859 million yen (down 12.9% compared to the same period of the previous year) and 39,722 million yen (down 11.9% compared to the same period of the previous year). Net income for the first half was 26,657 million yen (down 20.3% compared to the same period of the previous year).

Overviews of each business segment are set forth below.

(i) Semiconductor Production Equipment

The main devices used to connect to the Internet are gradually shifting from PCs to mobile terminal devices such as smartphones. Although demand for flash memory and processors is expected to increase, the growth lacks vigor, and PC sales are slumping. As a result, semiconductor makers in production adjusting phase are reducing capital investment. Under these circumstances, net sales from external customers in this segment during the first half of the current fiscal year were 248,394 million yen (up 3.4% compared to the same period of the previous year).

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

In response to strong demand for small and medium-sized liquid crystal panels used in smartphones and other devices, panel makers are shifting production lines from large-sized to small and medium-sized liquid crystal panels. Demand for televisions is sluggish because of slumping demand in developed countries, and orders for production equipment were at low levels. Under these circumstances, net sales from external

customers in this segment during the first half of the current fiscal year were 36,677 million yen (up 11.6% compared to the same period of the previous year).

(iii) Electronic Components and Computer Networks

Demand for digital appliances including PCs and televisions is declining overall, and as a result, semiconductor and electronic component inventories are being adjusted. In the computer system segment, interest in the use of cloud computing and data centers continues to rise. Under these circumstances, net sales from external customers in this segment during the first half of the current fiscal year were 41,037 million yen (down 9.0% compared to the same period of the previous year).

(iv) Others

Net sales from external customers in this segment during the first half of the current fiscal year were 241 million yen (up 3.1% compared to the same period of the previous year).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2011 1H	FY2011 2H	FY2012		
			1H	1Q	2Q
Net Sales	318,400	350,321	326,350	153,117	173,232
Semiconductor Production Equipment	240,229	271,101	248,394	120,836	127,557
Japan	46,952	40,988	50,365	20,943	29,421
U.S.	40,026	62,871	53,579	29,756	23,823
Europe	9,970	18,511	30,988	13,999	16,988
Korea	51,571	36,287	37,883	16,926	20,957
Taiwan	71,097	79,185	44,163	24,705	19,458
China	9,844	15,748	15,800	9,115	6,685
S.E.Asia	10,766	17,509	15,613	5,390	10,222
FPD/PV Production Equipment	32,860	33,860	36,677	12,536	24,141
Electronic Components & Computer Networks	45,075	45,140	41,037	19,648	21,388
Others	234	218	241	96	145
Operating Income	42,342	55,528	36,859	23,088	13,770
Ordinary Income	45,107	56,812	39,722	23,751	15,970
Net Income	33,454	38,470	26,657	16,636	10,021

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

Production and Order Performance

1. Production

(Millions of yen)

	FY2011 1H	FY2011 2H	FY2012		
			1H	1Q	2Q
Semiconductor Production Equipment	238,071	269,090	232,433	127,147	105,286
FPD/PV Production Equipment	37,955	36,061	29,957	14,115	15,841
Total	276,026	305,151	262,390	141,262	121,127

- Note: 1. Amounts are based on sales prices.
2. The above amounts do not include consumption taxes.

2. Orders Received

(Millions of yen)

	FY2011 1H	FY2011 2H	FY2012		
			1H	1Q	2Q
Semiconductor Production Equipment	283,484	284,487	186,224	112,692	73,531
FPD/PV Production Equipment	33,891	41,542	10,633	8,920	1,713
Electronic Components & Computer Networks	47,602	43,433	42,092	22,508	19,584
Others	234	218	241	96	145
Total	365,212	369,681	239,192	144,217	94,974

- 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)

	FY2011 1H	FY2011 2H	FY2012	
			1Q	2Q
Semiconductor Production Equipment	215,557	228,942	220,798	166,773
FPD/PV Production Equipment	57,809	65,491	61,875	39,447
Electronic Components & Computer Networks	16,082	14,375	17,235	15,430
Others	-	-	-	-
Total	289,449	308,809	299,909	221,651

- 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 second quarter of the current fiscal year were 609,907 million yen, down 34,324 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 10,764 million yen decrease in prepaid consumption taxes, a 9,730 million yen decrease in inventories, and an 8,558 million yen decrease in short-term investments included in securities.

Tangible fixed assets increased by 10,258 million yen from the end of the previous fiscal year to 122,810

million yen.

Intangible fixed assets decreased by 144 million yen from the end of the previous fiscal year to 4,068 million yen.

Investments and other assets decreased 2,527 million yen from the end of the previous fiscal year to 45,681 million yen.

As a result, total assets decreased by 26,737 million yen compared to the end of the previous fiscal year to 782,467 million yen.

Current liabilities were down 34,891 million yen compared to the end of the previous fiscal year to 133,146 million yen. Major factors in the decline were a decrease in income taxes payable of 18,200 million yen and a decrease in trade notes and accounts payable of 11,705 million yen.

Long-term liabilities were up 1,736 million yen compared to the end of the previous fiscal year to 58,101 million yen.

Net assets increased because net income of 26,657 million yen was reported for the first half and year-end dividends for the previous fiscal year of 13,608 million yen were paid, and as a result, net assets at the end of the current second quarter were 591,219 million yen. The equity ratio was 74.0%.

(ii) Cash Flow

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 63,945 million yen from the end of the previous fiscal year to 101,104 million yen. The combined balance of cash and cash equivalents plus 175,500 million yen in time deposits and short-term investments with deposit terms of over three months decreased by 8,445 million yen from the end of the previous fiscal year to 276,604 million yen. The overall situation regarding cash flow during the first half of the current fiscal year is as described below.

Cash flow from operating activities decreased by 14,476 million yen compared to the same period of the previous year to 26,711 million yen. Major positive factors included 39,225 million yen in income before income taxes, 10,671 million yen decrease in prepaid consumption taxes, and 10,523 million yen in depreciation and amortization. The major negative factors included the payment of income taxes of 29,126 million yen and a decrease in trade notes and accounts payable of 10,198 million yen.

Cash flow from investing activities was 72,489 million yen compared to 15,986 million yen for the same period of the previous year, primarily the result of a 15,175 million yen payment for the purchase of tangible fixed assets and a 60,499 million yen increase in short-term investments.

Cash flow from financing activities was negative 16,750 million yen compared to positive 317 million yen in the same period of the previous year, mainly as a result of payment of 13,608 million yen in dividends.

3. Qualitative Information on Forecasts for Consolidated Financial Results

There is no change to the sales forecast for semiconductor production equipment segment, our main business, the previous forecasts concerning sales in the FPD/PV production equipment segment and the electronic components and computer networks segment were revised downward slightly. Also, income is expected to improve as a result of measures to maintain and strengthen product competitiveness and to cut costs. Accordingly, the consolidated financial forecast for the entire fiscal year announced on August 1, 2011 was revised.

Consolidated Forecast (Billions of yen, Y/Y change)

	FY2012(E)	
Net Sales	630.0	-5.8%
Semiconductor Production Equipment	470.0	-8.1%
FPD/PV Production Equipment	71.5	7.2%
Electronic Components & Computer Networks	88.0	-2.5%
Others	0.5	10.3%
Operating Income	57.0	-41.8%
Ordinary Income	60.5	-40.6%
Net Income	40.0	-44.4%

Note: The financial forecasts and estimates stated in this interim 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

TOKYO ELECTRON

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
ASSETS		
Current assets		
Cash and deposit	52,992	53,105
Trade notes and accounts receivable	136,385	131,253
Securities	232,057	223,499
Merchandise and finished goods	111,918	107,975
Work in process	43,246	37,410
Raw materials and supplies	13,760	13,808
Others	55,024	44,023
Allowance for doubtful accounts	(1,153)	(1,168)
Total current assets	<u>644,231</u>	<u>609,907</u>
Long-term assets		
Tangible fixed assets	112,551	122,810
Intangible fixed assets		
Others	4,212	4,068
Total intangible fixed assets	<u>4,212</u>	<u>4,068</u>
Investments and other assets		
Others	50,240	47,695
Allowance for doubtful accounts	(2,031)	(2,013)
Total investments and other assets	<u>48,209</u>	<u>45,681</u>
Total long-term assets	<u>164,973</u>	<u>172,560</u>
Total assets	<u>809,205</u>	<u>782,467</u>

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	53,612	41,906
Accrued employees' bonuses	11,130	10,689
Accrued warranty expenses	7,594	8,179
Other allowance	675	293
Others	95,024	72,076
Total current liabilities	<u>168,038</u>	<u>133,146</u>
Long-term liabilities		
Accrued pension and severance costs	52,230	53,508
Other allowance	595	606
Others	3,538	3,987
Total long-term liabilities	<u>56,365</u>	<u>58,101</u>
Total liabilities	<u>224,403</u>	<u>191,248</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,045	78,023
Retained earnings	457,658	470,653
Treasury stock	(10,484)	(10,018)
Total shareholders' equity	<u>580,180</u>	<u>593,618</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,807	882
Deferred gains or losses on hedges	(12)	16
Translation adjustments	(10,234)	(15,252)
Total accumulated other comprehensive income	<u>(7,439)</u>	<u>(14,352)</u>
Subscription rights to shares	1,499	1,258
Minority interests	10,560	10,694
Total net assets	<u>584,801</u>	<u>591,219</u>
Total liabilities and net assets	<u>809,205</u>	<u>782,467</u>

Consolidated Statement of Income

	(Millions of yen)	
	Six months ended September 30, 2010	Six months ended September 30, 2011
Net sales	318,400	326,350
Cost of sales	209,683	212,807
Gross profit	108,717	113,543
Selling, general & administrative expenses		
Research and development expenses	34,120	41,148
Others	32,254	35,534
Total selling, general & administrative expenses	66,375	76,683
Operating income	42,342	36,859
Non-operating income		
Foreign currency translation gain	86	986
Others	2,860	2,109
Total non-operating income	2,947	3,096
Non-operating expenses		
Maintenance and operation cost of closed business bases	104	68
Others	77	164
Total non-operating expenses	182	233
Ordinary income	45,107	39,722
Unusual or infrequent profit		
Gain on collection written-off claims	-	1,437
Reversal of allowance for doubtful accounts	309	-
Others	196	184
Total unusual or infrequent profit	506	1,621
Unusual or infrequent loss		
Loss from earthquake damage	-	938
Loss on revaluation of investment securities	-	811
Others	564	368
Total unusual or infrequent loss	564	2,118
Income before income taxes	45,049	39,225
Provision for income taxes and enterprise taxes	11,193	12,242
Income before minority interests	33,856	26,983
Minority interests	402	325
Net income	33,454	26,657

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2010	Six months ended September 30, 2011
Income before minority interests	33,856	26,983
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(1,369)	(1,924)
Deferred gains or losses on hedges	173	51
Translation adjustments	(4,071)	(5,061)
Total other comprehensive income (loss)	<u>(5,267)</u>	<u>(6,935)</u>
Comprehensive income	<u>28,588</u>	<u>20,048</u>
(Breakdown)		
Comprehensive income attributable to owners	28,187	19,744
Comprehensive income attributable to minority interests	401	303

Consolidated Cash Flow

TOKYO ELECTRON

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Cash flow from operating activities		
Income before income taxes	45,049	39,225
Depreciation and amortization	7,819	10,523
Increase in accrued pension and severance costs (decrease)	1,344	1,320
Increase in accrued employees' bonuses (decrease)	3,853	(359)
Increase in accrued warranty expenses (decrease)	1,662	699
Interest and dividend revenue	(414)	(491)
Decrease in trade notes and accounts receivable (increase)	1,434	2,446
Decrease in inventories (increase)	(31,377)	6,013
Increase in accounts payable (decrease)	6,785	(10,198)
Decrease in prepaid consumption tax (increase)	2,512	10,671
Increase in accrued consumption tax (decrease)	21	(2,610)
Increase in customer advances (decrease)	4,827	891
Others	1,133	(2,700)
Subtotal	44,653	55,430
Receipts from interest and dividends	446	425
Interest paid	(18)	(18)
Income taxes paid or refund (paid)	(3,894)	(29,126)
Net cash generated by operating activities	41,187	26,711
Cash flow from investing activities		
Decrease in time deposits (increase)	-	5,000
Decrease in short-term investments (increase)	80	(60,499)
Payment for purchase of tangible fixed assets	(13,814)	(15,175)
Others	(2,253)	(1,814)
Net cash used in investing activities	(15,986)	(72,489)
Cash flow from financing activities		
Net increase in short-term borrowings (decrease)	1,502	(2,844)
Dividends paid	(1,431)	(13,608)
Others	247	(297)
Net cash generated by financing activities	317	(16,750)
Effect of exchange rate changes on cash and cash equivalents	(1,054)	(1,416)
Net increase in cash and cash equivalents (decrease)	24,463	(63,945)
Cash and cash equivalents at beginning of period	123,939	165,050
Cash and cash equivalents at end of period	148,403	101,104

Segment Information

TOKYO ELECTRON

(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 Cell) 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 (Flat Panel Display and Photovoltaic Cell) Production Equipment segment consists of coaters/developers, plasma etch/ash system used in the manufacturing of flat panel displays, and plasma CVD systems used in the manufacturing of thin film silicon PV cells, 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

Six months ended September 30, 2011

(Millions of yen)

	Reportable Segment			Others*1
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	248,394	36,677	41,787	7,896
Segment income	50,271	2,932	1,249	994
	Total Segments	Eliminations*2	Consolidated Total*3	
Net sales	334,754	(8,404)	326,350	
Segment income	55,447	(16,221)	39,225	

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 16,221 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 13,440 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 income before income taxes in the consolidated statement of income.

(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: None

Significant income related to negative goodwill: None