

# Consolidated Financial Review for the First Quarter Ended June 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 three months ended June 30, 2011

### (1) Operating results (Cumulative)

	Three months ended	
	June 30, 2010	June 30, 2011
Net sales (Millions of yen)	144,889	153,117
Operating income (Millions of yen)	18,321	23,088
Ordinary income (Millions of yen)	19,063	23,751
Net income (Millions of yen)	14,727	16,636
Net income per share (Yen)	82.27	92.91
Fully diluted net income per share (Yen)	82.15	92.76
Comprehensive income:	Year ended 6/30/11: 16,772 million yen Year ended 6/30/10: 9,975 million yen	

### (2) Financial position

	As of March 31, 2011	As of June 30, 2011
Total assets (Millions of yen)	809,205	797,368
Net assets (Millions of yen)	584,801	587,874
Equity ratio (%)	70.8	72.2
Equity:	575,762 million yen (as of June 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	45.00	(Forecast)
Year-end dividend per share (Yen)	76.00	22.00	(Forecast)
Annual dividend per share (Yen)	114.00	67.00	(Forecast)

Note: Revision of dividends forecast : Yes

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

	Six months ending September 30, 2011	Year ending March 31, 2012
Net sales (Millions of yen)	335,000	640,000
Operating income (Millions of yen)	35,000	50,000
Ordinary income (Millions of yen)	36,000	52,000
Net income (Millions of yen)	23,000	34,000
Net income per share (Yen)	128.44	189.87

Note: Revision of earnings forecast : Yes

**4. Others**

(1) Important changes in subsidiaries during the current period: None

New: - Excluded: -

(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)

	As of March 31, 2011	As of June 30, 2011
1. Number of shares issued (including treasury stock)	180,610,911	180,610,911
2. Number of shares of treasury stock	1,554,231	1,543,571
3. Average number of shares outstanding	178,999,952	179,065,796

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, concerns about future developments persisted, but the global economy overall showed a steady change. Strong economies continued in China, India, and other emerging nations, however the momentum of economic growth has begun to slow. Meanwhile, the Japanese economy has only recently started to recover from the effects of the Great East Japan Earthquake.

In the electronics industry, in which the Tokyo Electron group conducts its business, the information terminals devices including smartphones remained strong, but the gap between supply and demand for semiconductors widened, and inventory adjustments have begun.

Consequently, consolidated net sales for the first quarter were 153,117 million yen (up 5.7% compared to the same period of the previous year). Consolidated operating income and ordinary income, respectively, were 23,088 million yen (up 26.0% compared to the same period of the previous year) and 23,751 million yen (up 24.6% compared to the same period of the previous year). Net income for the first quarter was 16,636 million yen (up 13.0% compared to the same period of the previous year).

The overview of each business segment is as described below.

#### **(i) Semiconductor Production Equipment**

Semiconductor makers continue to invest in miniaturization. Sales in the semiconductor production equipment segment were generally brisk, but orders fell because of a softening market for DRAM and inventory adjustments by semiconductor makers. As a result, net sales from external customers in this segment during the first quarter were 120,836 million yen (up 17.1% compared to the same period of the previous year).

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

Demand for production equipment for small- and medium-size liquid crystal panels used in smartphones was strong, but demand for equipment used to manufacture large liquid crystal panels was weak. As a result, net sales from external customers during the first quarter were 12,536 million yen (down 38.3% compared to the same period of the previous year).

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

Sluggish demand for semiconductor products used in consumer electronics were attributed to declining demand for flat-panel televisions and PCs, and the Great East Japan Earthquake. Sales of computer network-related equipment, on the other hand, were strong. As a result, net sales from external customers in this segment during the first quarter were 19,648 million yen (down 7.8% compared to the same period of the

previous year).

**(iv) Others**

Net sales from external customers in this segment during the first quarter were 96 million yen (up 0.5% compared to the same period of the previous year).

**(For reference)**

**Consolidated Operating Results**

(Millions of yen)

	FY2012 1Q	FY2011				
		Full Year	1Q	2Q	3Q	4Q
Net Sales	153,117	668,722	144,889	173,510	159,662	190,658
Semiconductor Production Equipment	120,836	511,331	103,166	137,063	115,373	155,728
Japan	20,943	87,940	18,404	28,547	16,927	24,060
U.S.	29,756	102,898	17,552	22,474	20,974	41,897
Europe	13,999	28,482	2,942	7,028	5,609	12,902
Korea	16,926	87,858	21,445	30,126	17,092	19,194
Taiwan	24,705	150,282	34,014	37,082	35,383	43,802
China	9,115	25,593	4,649	5,195	7,960	7,787
S.E.Asia	5,390	28,275	4,158	6,608	11,424	6,084
FPD/PV Production Equipment	12,536	66,721	20,306	12,553	21,992	11,867
Electronic Components & Computer Networks	19,648	90,216	21,321	23,754	22,222	22,917
Others	96	453	95	138	73	145
Operating Income	23,088	97,870	18,321	24,020	25,815	29,713
Ordinary Income	23,751	101,919	19,063	26,043	26,667	30,145
Net Income	16,636	71,924	14,727	18,726	18,667	19,802

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

**Production and Order Performance**

**1. Production**

(Millions of yen)

	FY2012 1Q	FY2011				
		Full Year	1Q	2Q	3Q	4Q
Semiconductor Production Equipment	127,147	507,161	109,682	128,388	142,537	126,553
FPD/PV Production Equipment	14,115	74,016	16,851	21,103	15,090	20,970
Total	141,262	581,177	126,534	149,491	157,628	147,523

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

**2. Orders Received**

(Millions of yen)

	FY2012 1Q	FY2011				
		Full Year	1Q	2Q	3Q	4Q
Semiconductor Production Equipment	112,692	567,971	133,205	150,278	128,631	155,856
FPD/PV Production Equipment	8,920	75,433	11,453	22,438	15,234	26,307
Electronic Components & Computer Networks	22,508	91,035	24,958	22,644	21,455	21,977
Others	96	453	95	138	73	145
Total	144,217	734,893	169,712	195,500	165,395	204,285

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)

	FY2012 1Q	FY2011			
		1Q	2Q	3Q	4Q
Semiconductor Production Equipment	220,798	202,342	215,557	228,815	228,942
FPD/PV Production Equipment	61,875	47,924	57,809	51,051	65,491
Electronic Components & Computer Networks	17,235	17,193	16,082	15,315	14,375
Others	-	-	-	-	-
Total	299,909	267,460	289,449	295,182	308,809

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 632,060 million yen, down 12,170 million yen compared to the end of the previous fiscal year.

Major contributing factors included 14,691 million yen in decrease in prepaid consumption tax, an 11,628 million yen decrease in trade notes and accounts receivable, and a 14,163 million yen increase in inventories.

Tangible fixed assets increased by 689 million yen from the end of the previous fiscal year, to 113,241 million yen.

Intangible fixed assets decreased by 196 million yen from the end of the previous fiscal year, to 4,016 million yen.

Investments and other assets decreased by 158 million yen compared to the end of the previous fiscal year, to 48,050 million yen.

As a result, total assets decreased by 11,836 million yen compared to the end of the previous fiscal year, to 797,368 million yen.

Current liabilities were down 16,167 million yen compared to the end of the previous fiscal year, to 151,870 million yen. Major contributing factors included a decrease in income taxes payable of 21,201 million yen.

Long-term liabilities increased by 1,257 million yen from the end of the previous fiscal year, to 57,622 million yen.

Net assets increased because a net income of 16,636 million yen was reported for the current first quarter and year-end dividends for the previous fiscal year of 13,608 million yen were paid. As a result, net assets at the end of the current first quarter were 587,874 million yen. The equity ratio was 72.2%.

## (ii) Cash Flow

Cash and cash equivalents at the end of the first quarter of the current fiscal year decreased by 54,865 million yen compared to the end of the previous fiscal year, to 110,184 million yen. The combined balance of cash and cash equivalents plus 174,000 million yen in time deposits and certificates of deposit with deposit terms of over three months (which are not included in cash and cash equivalents) was 284,184 million yen. The overall situation regarding cash flow during the first quarter of the current fiscal year is as follows.

Cash flow from operating activities increased by 8,173 million yen compared to the same period of the previous fiscal year, to 18,038 million yen. Major factors contributing the increase included cash flow income from 23,423 million yen in income before income taxes, a 14,688 million yen decrease in prepaid consumption tax, and an 11,412 million yen decrease in trade notes and accounts receivable. Major adverse factors included 27,744 million yen in income taxes paid and a 15,650 million yen increase in inventories.

Cash flow from investing activities was 58,748 million yen compared to the 4,441 million yen in the same period of the previous fiscal year, primarily the result of the 4,112 million yen payment for the purchase of tangible fixed assets, and the 54,000 million yen increase in time deposits and certificates of deposit.

Cash flow from financing activities was 14,209 million yen as compared to 3,715 million yen in the same period of the previous fiscal year, mainly as a result of payment of 13,608 million yen in dividends.

### Consolidated Cash Flow (Summary)

(Millions of yen)

	Three month ended June 30, 2010	Three month ended June 30, 2011
Cash flow from operating activities	9,864	18,038
Income before income taxes	19,250	23,423
Depreciation and amortization	3,726	4,744
Decrease in trade notes and accounts receivable (increase)	(6,786)	11,412
Decrease in inventories (increase)	(14,490)	(15,650)
Increase in accounts payable (decrease)	2,756	686
Others	5,407	(6,578)
Cash flow from investing activities	(4,441)	(58,748)
Decrease in time deposits (increase)	-	(54,000)
Others (purchase of fixed assets)	(4,441)	(4,748)
Cash flow from financing activities	(3,715)	(14,209)
Effect of exchange rate changes on cash and cash equivalents	(925)	53
Net increase in cash and cash equivalents (decrease)	782	(54,865)
Cash and cash equivalents at beginning of period	123,939	165,050
Cash and cash equivalents at end of period	124,721	110,184
Cash and cash equivalents and time deposits terms of over three months at the end of period	244,721	284,184

### (3) Qualitative Information on Forecasts for Consolidated Financial Results

Semiconductor device prices fell because of the effects of inventory adjustments of smartphones, tablet PCs, and other products, and semiconductor makers are rapidly adopting more cautious attitudes concerning capital investment. As a result, although no changes were made to the financial forecasts for the first half of the fiscal year, sales in the semiconductor production equipment segment in the second half are expected to fall below the previous prediction, and the Company has revised its consolidated financial forecasts for the full fiscal year announced on May 13, 2011.

#### Consolidated Forecast

(Billions of yen, Y/Y change)

	FY2012(E)			
	1st Half		Full Year	
Net Sales	335.0	5.2%	640.0	-4.3%
Semiconductor Production Equipment	253.0	5.3%	470.0	-8.1%
FPD/PV Production Equipment	38.0	15.6%	75.0	12.4%
Electronic Components & Computer Networks	44.0	-2.4%	95.0	5.3%
Operating Income	35.0	-17.3%	50.0	-48.9%
Ordinary Income	36.0	-20.2%	52.0	-49.0%
Net Income	23.0	-31.2%	34.0	-52.7%

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

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 June 30, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposit	52,992	50,184
Trade notes and accounts receivable	136,385	124,756
Securities	232,057	234,000
Merchandise and finished goods	111,918	124,366
Work in process	43,246	43,574
Raw materials and supplies	13,760	15,148
Others	55,024	41,101
Allowance for doubtful accounts	(1,153)	(1,071)
Total current assets	<u>644,231</u>	<u>632,060</u>
<b>Long-term assets</b>		
Tangible fixed assets	112,551	113,241
Intangible fixed assets		
Others	4,212	4,016
Total intangible fixed assets	<u>4,212</u>	<u>4,016</u>
Investments and other assets		
Others	50,240	50,075
Allowance for doubtful accounts	(2,031)	(2,024)
Total investments and other assets	<u>48,209</u>	<u>48,050</u>
Total long-term assets	<u>164,973</u>	<u>165,307</u>
<b>Total assets</b>	<u>809,205</u>	<u>797,368</u>



(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	53,612	54,167
Other allowance	19,401	12,757
Others	95,024	84,945
<b>Total current liabilities</b>	<u>168,038</u>	<u>151,870</u>
<b>Long-term liabilities</b>		
Accrued pension and severance costs	52,230	52,883
Other allowance	595	600
Others	3,538	4,138
<b>Total long-term liabilities</b>	<u>56,365</u>	<u>57,622</u>
<b>Total liabilities</b>	<u>224,403</u>	<u>209,493</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	54,961	54,961
Capital surplus	78,045	78,035
Retained earnings	457,658	460,686
Treasury stock	(10,484)	(10,412)
<b>Total shareholders' equity</b>	<u>580,180</u>	<u>583,270</u>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,807	3,142
Deferred gains or losses on hedges	(12)	11
Translation adjustments	(10,234)	(10,662)
<b>Total accumulated other comprehensive income</b>	<u>(7,439)</u>	<u>(7,508)</u>
<b>Subscription rights to shares</b>	1,499	1,516
<b>Minority interests</b>	10,560	10,596
<b>Total net assets</b>	<u>584,801</u>	<u>587,874</u>
<b>Total liabilities and net assets</b>	<u>809,205</u>	<u>797,368</u>

## Consolidated Statement of Income

	(Millions of yen)	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Net sales	144,889	153,117
Cost of sales	95,742	94,646
<b>Gross profit</b>	<b>49,146</b>	<b>58,470</b>
Selling, general & administrative expenses		
Research and development expenses	14,836	18,176
Others	15,988	17,204
Total selling, general & administrative expenses	30,825	35,381
<b>Operating income</b>	<b>18,321</b>	<b>23,088</b>
Non-operating income		
Revenue from development grants	474	278
Others	411	563
Total non-operating income	886	842
Non-operating expenses		
Foreign currency translation loss	54	63
Maintenance and operation cost of closed business bases	56	44
Others	32	71
Total non-operating expenses	144	179
<b>Ordinary income</b>	<b>19,063</b>	<b>23,751</b>
Unusual or infrequent profit		
Gain on collection written-off claims	-	1,437
Reversal of allowance for doubtful accounts	310	-
Others	12	41
Total unusual or infrequent profit	322	1,478
Unusual or infrequent loss		
Loss from earthquake damage	-	980
Loss on revaluation of investment securities	-	800
Effect of accounting standard adoption for asset retirement obligations	42	-
Others	93	26
Total unusual or infrequent loss	135	1,806
<b>Income before income taxes</b>	<b>19,250</b>	<b>23,423</b>
Provision for income taxes and enterprise taxes	4,392	6,592
Income before minority interests	14,857	16,831
Minority interests	130	195
<b>Net income</b>	<b>14,727</b>	<b>16,636</b>

## Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2010	Three months ended June 30, 2011
<b>Income before minority interests</b>	14,857	16,831
<b>Other comprehensive income (loss)</b>		
Valuation difference on available-for-sale securities	(1,666)	334
Deferred gains or losses on hedges	221	44
Translation adjustments	(3,437)	(437)
Total other comprehensive income (loss)	<u>(4,882)</u>	<u>(58)</u>
<b>Comprehensive income</b>	<u>9,975</u>	<u>16,772</u>
<b>(Breakdown)</b>		
Comprehensive income of attributable to owners	9,807	16,566
Comprehensive income attributable to minority interests	167	205

# 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

Three months ended June 30, 2011

( Millions of yen)

	Reportable Segment			Others
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	120,836	12,536	20,022	3,961
Segment income	28,330	859	735	605

  

	Total Segment	Eliminations	Consolidated Total
Net sales	157,356	(4,239)	153,117
Segment income	30,530	(7,106)	23,423

### 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 7,106 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 6,032 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 quarterly net income before taxes in the quarterly 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: None
  - Significant income related to negative goodwill: None