

Consolidated Financial Review for the Year Ended March 31, 2010

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 year ended March 31, 2010

(1) Operating results (Cumulative)

	Year ended	
	March 31, 2009	March 31, 2010
Net sales (Millions of yen)	508,082	418,636
Operating income (Millions of yen)	14,710	(2,180)
Ordinary income (Millions of yen)	20,555	2,558
Net income (Millions of yen)	7,543	(9,033)
Net income per share (Yen)	42.15	(50.47)
Fully diluted net income per share (Yen)	42.07	-
Return on equity	1.4	(1.8)
Ordinary income to total assets	2.8	0.4
Operating income to net sales	2.9	(0.5)
Profit/loss on equity method:	Year ended 3/31/10: - million yen	
	Year ended 3/31/09: - million yen	

(2) Financial position

	As of March 31, 2009	As of March 31, 2010
Total assets (Millions of yen)	668,998	696,351
Net assets (Millions of yen)	529,265	523,369
Equity ratio (%)	77.5	73.5
Net assets per share (Yen)	2,896.55	2,859.37
Equity:	511,818 million yen (as of March 31, 2010)	
	518,387 million yen (as of March 31, 2009)	

(3) Cash flow

(Millions of yen)

	Year ended	
	March 31, 2009	March 31, 2010
Cash flow from operating activities	81,030	48,284
Cash flow from investing activities	(160,621)	9,613
Cash flow from financing activities	(46,015)	(287)
Cash and cash equivalents at end of period	65,883	123,939

2. Dividends

	Year ended March 31, 2009	Year ended March 31, 2010	Year ending March 31, 2011 (Forecast)
1Q-end dividend per share (Yen)	-	-	-
2Q-end dividend per share (Yen)	20.00	4.00	25.00
3Q-end dividend per share (Yen)	-	-	-
Year-end dividend per share (Yen)	4.00	8.00	37.00
Annual dividend per share (Yen)	24.00	12.00	62.00

	Year ended March 31, 2009	Year ended March 31, 2010	Year ending March 31, 2011 (Forecast)
Total dividend (Millions of yen)	4,294	2,147	-
Payout ratio (%)	56.9	-	20.2
Dividend on equity (%)	0.8	0.4	-

3. Earnings forecasts for the year ending March 31, 2011

Note: Percentages for full business year indicated changes from the previous term, and for interim period indicated changes from the previous interim period.

	Six months ending September 30, 2010		Year ending March 31, 2011	
		%		%
Net sales (Millions of yen)	315,000	104.7	660,000	57.7
Operating income (Millions of yen)	33,000	-	79,000	-
Ordinary income (Millions of yen)	34,000	-	80,000	-
Net income (Millions of yen)	22,000	-	55,000	-
Net income per share (Yen)	122.91	-	307.27	-

4. Others

- (1) Important changes in subsidiaries: : None
(Changes on specific subsidiaries with changes in scope of consolidation)
- (2) Changes in principles, procedures and display of accounting method concerning consolidated statement policies.
 1. Changes in accounting policies: None
 2. Other changes: None
- (3) Number of shares outstanding (common stock)
 1. Number of shares issued
 - As of March 31, 2010: 180,610,911 shares
 - As of March 31, 2009: 180,610,911 shares
 2. Number of shares of treasury stock
 - As of March 31, 2010: 1,614,225 shares
 - As of March 31, 2009: 1,643,398 shares

(Reference) Non-consolidated financial review for the year ended March 31, 2010**1. Financial highlights for the year ended March 31, 2010****(1) Operating results**

Note: Percentages indicate changes from the previous fiscal year.

	Year ended			
	March 31, 2009		March 31, 2010	
		%		%
Net sales (Millions of yen)	389,458	(49.3)	318,236	(18.3)
Operating income (Millions of yen)	8,405	(90.3)	(16,111)	-
Ordinary income (Millions of yen)	14,979	(84.4)	(13,985)	-
Net income (Millions of yen)	9,922	(80.7)	(16,838)	-
Net income per share (Yen)	55.45	-	(94.08)	-
Fully diluted net income per share (Yen)	55.33	-	-	-

(2) Financial position

	As of	As of
	March 31, 2009	March 31, 2010
Total assets (Millions of yen)	486,594	533,081
Net assets (Millions of yen)	349,048	334,495
Equity ratio (%)	71.5	62.5
Net assets per share (Yen)	1,943.93	1,859.91
Equity:	332,917 million yen (as of March 31, 2010)	
	347,899 million yen (as of March 31, 2009)	

Explanations on the appropriate use of earnings forecast:

The performance 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. Consequently, actual operating results may differ substantially from the projections in the financial review.

Operating Results

(1) Analysis of Operating Results

(i) Business Environment during the Fiscal Year Ended March 31, 2010

During the fiscal year under review, conditions on the global economy as a whole remained adverse because of the financial crisis and economic recession, but the economic stimulus measures implemented by various countries did result in a moderate recovery in the second half of the year. Europe and the United States remained sluggish overall, but recovery was seen in Asia, particularly in China. In Japan, although the unemployment rate remained high and other conditions were unfavorable, exports and industrials experienced growth, resulting in a stemming of the decline in capital investment and steady improvement.

The electronics industry, in which the Tokyo Electron group conducts its business, faced stagnant demand for final products because of the economic downturn, but demand for PCs, mobile phones, flat-panel televisions, and other products recovered. Semiconductor and FPD related markets improved as prices rose in conjunction with higher demand, but capital investment has not yet made a full-scale recovery and the business environment remains severe.

(ii) Overview of Profits and Losses during the Fiscal Year Ended March 31, 2010

Faced with these challenging circumstances, the Group has redoubled its efforts to reduce fixed costs and worked to improve profitability, but sales were down in the main semiconductor production equipment business, causing a decline in financial results compared to the previous fiscal year. In the second half, however, orders in the semiconductor production equipment business recovered, and there was an improvement in the business environment in the fourth quarter (January to March 2010), including a return to profitability. Profits and losses for the fiscal year were as follows.

Consolidated net sales for the fiscal year decreased by 17.6% compared to the previous fiscal year, to 418,636 million yen. Domestic net sales decreased by 22.1%, to 162,608 million yen, and overseas net sales decreased 14.4%, to 256,028 million yen, with overseas net sales accounting for 61.2% of consolidated net sales. Consolidated orders for the fiscal year increased 30.7%, to 478,440 million yen, and consolidated order backlogs rose 32.7%, to 242,637 million yen.

Cost of sales for the fiscal year dropped 16.3%, to 310,320 million yen, and gross profit decreased 21.2%, to 108,316 million yen. As a result, gross profit margin decreased by 1.1 percentage points, to 25.9%.

Selling, general, and administrative (SG&A) expenses decreased 9.9%, to 110,496 million yen, with their ratio to consolidated net sales increasing by 2.3 percentage points to 26.4%.

As a result, operating losses were 2,180 million yen (compared to operating income of 14,710 million yen in the previous fiscal year), ordinary income decreased by 87.6%, to 2,558 million yen, with non-operating

income and expenses at 5,331 million yen and 591 million yen, respectively.

Loss on impairment and related expenses were reported in association with higher site efficiency, resulting in 10,326 million yen in unusual or infrequent loss (compared to 10,918 million yen in unusual or infrequent loss in the previous fiscal year).

Losses before income taxes for the fiscal year were 7,767 million yen (compared to 9,636 million yen in income before income taxes in the previous fiscal year), and the net loss was 9,033 million yen (compared to 7,543 million yen in net income in the previous fiscal year).

As a result, net loss per share was 50.47 yen (42.15 yen for the previous fiscal year).

(iii) Overview of Operations during the Fiscal Year Ended March 31, 2010 by Business Segment

Industrial Electronic Equipment Business Segment

Net sales from external customers for this segment during the fiscal year decreased by 19.3% compared to the previous fiscal year, to 334,163 million yen.

(a) Semiconductor Production Equipment Division

The global downturn in semiconductor demand since the year before last has caused a curtailment of capital investment. As a result, net sales to external customers in this division fell to 262,391 million yen, down 19.4% from the previous fiscal year. Despite this, demand for semiconductors rose, bolstered by global expansion of PCs, mobile phones, flat-panel televisions, and digital networks; the business environment took a turn for the better in the second half, including an increase in capital investment by semiconductor manufacturers.

Developments concerning new products during the fiscal year under review include the market launch of several new products including Tactras™ RLSA™ Etch, an etch system that uses a revolutionary breakthrough plasma technology; Trias™ e+, a new platform for single-wafer CVD; and NX Ti and NX TiN, next-generation metal CVD modules.

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

As a result of curtailed and postponed capital investment by FPD panel manufacturers, net sales to external customers in this division declined to 71,361 million yen, down 19.0% from the previous fiscal year. However, demand for flat-panel televisions is rising rapidly, particularly in China, and there are signs that FPD panel manufacturers will increase production capacity. Consequently, a full-scale recovery in this division is expected. In the photovoltaic cell production equipment business, the market underwent a temporary slowdown including postponements of investment because of the economic slump, but it is expected to grow in the future because of the environmental measures being implemented worldwide.

(c) Others

Consolidated net sales for this division increased by 6.8% compared to the previous fiscal year, to 410 million yen.

Electronic Components and Computer Networks Business Segment

In the semiconductor and electronic devices business, economic stimulus measures had an impact on semiconductor products relating to consumer products, including digital home electronics such as flat-panel televisions and peripheral devices; and business was good through the first half of the fiscal year. In addition, efforts to increase sales to both existing and new customers resulted in higher sales of special-purpose ICs and microprocessors. In addition, sales of semiconductor products for industrial equipment and computers, which had been slumping, started to pick up towards the end of the fiscal year.

In the computer systems-related business, companies remain cautious about IT investment and sales of storage related products have been slow, but demand for maintenance services was strong.

As a result of these developments, net sales from external customers in this segment during the fiscal year under review were down 10.3% from the previous fiscal year to 84,473 million yen.

(For reference)
Consolidated

Year ended March 31, 2010			First		Second		Full Year	Year ended March 31, 2009
	1Q	2Q	Half	3Q	4Q	Half		
Net Sales	68,915	84,975	153,891	114,289	150,456	264,745	418,636	508,082
Industrial Electronic Equipment	50,470	62,621	113,091	93,260	127,811	221,072	334,163	413,874
Semiconductor Production Equipment	30,437	51,699	82,136	76,511	103,743	180,254	262,391	325,383
Japan	4,932	10,812	15,745	10,675	17,753	28,429	44,174	105,334
U.S.	12,430	8,364	20,795	13,273	21,487	34,760	55,555	65,374
Europe	2,833	2,315	5,148	2,433	3,355	5,788	10,937	30,389
Korea	2,861	8,823	11,684	13,391	19,640	33,032	44,716	37,546
Taiwan	5,917	16,619	22,537	27,913	26,344	54,258	76,795	49,308
China	483	2,106	2,589	3,149	1,877	5,026	7,616	11,087
S.E.Asia	979	2,656	3,635	5,675	13,283	18,959	22,595	26,343
FPD/PV Production Equipment	19,943	10,799	30,743	16,686	23,931	40,618	71,361	88,107
Others	89	121	211	63	136	199	410	384
Electronic Components & Computer Networks	18,445	22,354	40,799	21,028	22,644	43,673	84,473	94,207
Operating Income (Loss)	(14,388)	(7,232)	(21,620)	5,521	13,918	19,439	(2,180)	14,710
Ordinary Income (Loss)	(14,021)	(5,191)	(19,212)	6,573	15,198	21,771	2,558	20,555
Net Income (Loss)	(11,035)	(5,125)	(16,161)	(58)	7,186	7,127	(9,033)	7,543

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

(iv) Projected Operating Results for the Next Fiscal Year Ending March 31, 2011

Even though the economic environment remains somewhat instable, we expect the trend towards recovery to continue. In the semiconductor market, we expect capital investment by semiconductor manufacturers to increase against a backdrop of rising demand for final products. Given these circumstances, the Group will continue to focus on developing technologies and bolstering manufacturing, with that aim of establishing a commanding position. The financial forecast for the next fiscal year (the fiscal year ending March 31, 2011) is set forth below.

Consolidated Forecast

(Billions of yen, Y/Y change)

Year ending March 31, 2011			Interim		Full Year	
Net Sales			315.0	104.7%	660.0	57.7%
	Industrial		272.0	140.5%	570.0	70.6%
	Electronic	Semiconductor Production Equipment	240.0	192.2%	501.0	90.9%
	Equipment	FPD/PV Production Equipment	32.0	4.1%	69.0	-3.3%
		Others	0.0	-	0.0	-
	Electronic Components & Computer Networks		43.0	5.4%	90.0	6.5%
Operating Income			33.0	-	79.0	-
Ordinary Income			34.0	-	80.0	-
Net Income			22.0	-	55.0	-

(2) Analysis of Financial Conditions**(i) Financial Conditions**

Current assets at the end of the fiscal year rose 47,252 million yen from the end of the previous fiscal year, to 552,939 million yen. The major factors influencing this result were a 33,783 million yen increase in cash and deposits and certificates of deposit included in securities, and a 15,144 million yen increase in deferred income taxes.

Tangible fixed assets decreased by 7,778 million yen from the end of the previous fiscal year, to 92,127 million yen.

Intangible fixed assets decreased by 5,174 million yen from the end of the previous fiscal year, to 5,586 million yen.

Investments and other assets decreased 6,945 million yen from the end of the previous fiscal year, to 45,698 million yen.

As a result, total assets increased by 27,353 million yen from the end of the previous fiscal year, to 696,351 million yen.

Current liabilities increased by 29,889 million yen from the end of the previous fiscal year, to 119,161 million yen. Major factor in the increase was an increase in trade notes and accounts payable of 27,965 million yen.

Long-term liabilities increased by 3,359 million yen from the end of the previous fiscal year, to 53,820 million

yen.

Net assets were down 5,895 million yen from the end of the previous fiscal year, to 523,369 million yen as a result of posting a net loss of 9,033 million yen, 715 million yen in deductions for payment of the year-end dividend for the previous fiscal year and 715 million yen for payment of the interim dividend, and other factors. The equity ratio was 73.5%.

(ii) Cash Flow

The balance of cash and cash equivalents at the end of the fiscal year increased from 65,883 million yen at the end of the previous fiscal year by 58,056 million yen to 123,939 million yen. The combined balance of cash and cash equivalents plus time deposits and negotiable certificates of deposit with deposit terms of over three months, which are not included in cash and cash equivalents, increased from 210,156 million yen at the end of the previous fiscal year by 33,783 million yen to 243,939 million yen. Cash flows during the fiscal year under review were as follows.

Cash flow from operating activities during the fiscal year was 48,284 million yen, 32,745 million yen lower than the previous fiscal year. Major positive factors included depreciation and amortization of 20,001 million yen, loss on impairment of 7,553 million yen, and an increase in accounts payable of 27,975 million yen. The major negative factors were a 7,767 million yen net loss before income taxes, a decrease in customer advances of 6,380 million yen, an increase in accounts receivable of 4,890 million yen, and an increase in inventories of 4,868 million yen.

Cash flow from investing activities was a positive 9,613 million yen, compared to the negative 160,621 million yen in the previous year; mainly as a result of 24,347 million yen in income from a net decrease in time deposits and 14,194 million yen in payment for purchase of tangible fixed assets.

Cash flow from financing activities was 287 million yen, primarily as a result of the payment of 1,431 million yen in dividends. Cash flow from financing activities in the previous fiscal year was 46,015 million yen.

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Equity ratio (%)	77.5	73.5
Equity ratio at market value (%)	97.4	159.4
Interest-bearing debt to cash flow ratio (times)	0.0	0.1
Interest coverage ratio (times)	401.23	1047.59

Equity ratio: (Equity / Total assets) x 100

Equity ratio at market value: (Market capitalization / Total assets) x 100

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest expenses

* All indicators are calculated using financial figures on a consolidated basis.

* Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end × Number of shares outstanding at fiscal year-end after deduction of treasury stock.

* Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flow. Interest-bearing debt includes all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest paid in the consolidated statement of cash flow.

(3) Basic Policy for Profit Allocation and Payment of Dividends for Current and Next Fiscal Years

The dividend policy of the Company is to link dividend payments to business performance and earnings on an ongoing basis. Its basic policy for returning profits to shareholders is to maintain a payout ratio of around 20% based on consolidated net income. In addition, a portion of income will be retained as an internal reserve so the Company can actively invest in the areas of R&D, capital, overseas business, M&As for future growth, with the aim enhancing its corporate value.

In the fiscal year ended March 31, 2010 under review, although the Company posted a loss in the first half, we declared an interim dividend of four yen per share in order to meet our shareholders' expectations for continually earning stable dividends; and we also intend to pay a year-end dividend of eight yen per share for the same reason and in light of performance in the second half.

As a result, the dividend for the entire fiscal year including the interim dividend is 12 yen per share.

Plans call for the dividend for the next fiscal year (the fiscal year ending March 31, 2011) to be 62 yen per share for the entire year (a 25 yen interim dividend and a 37 yen year-end dividend), in accordance with the outlook for the year's net income.

(4) Business-related and Other Risks

The following are possible risks that may have an impact on the Company's operating results, stock prices, or financial position.

(i) Impact from Changes in the Semiconductor Market

The Company has been able to achieve a high profit margin by concentrating resources in the high-tech field, including semiconductor production equipment, where technologies undergo rapid change and the Company is able to display its strength. The semiconductor market may enjoy broad growth through technological change, while on the other hand, the size of the market may temporarily contract due to an imbalance of supply and demand. Therefore, the Company has been actively involved in business structural reforms to be able to generate profit even when such rapid changes take place. However, the possibility does exist that business results will be negatively impacted by an unexpectedly broad contraction in the size of the market, resulting in order write-offs, excess capacity and head-count, or increased inventories.

(ii) Impact from Transactions Concentrated on Particular Customers

The Company has been successful in expanding its business transactions with the world's leading semiconductor manufacturers both inside and outside of Japan by providing products equipped with superior, cutting-edge technology and offering a service system with high customer satisfaction. However, since the Company's net sales may at times be temporarily concentrated on particular customers due to the timing of large-scale capital investments by major semiconductor manufacturers, there is the possibility of a negative impact on business results from intensified sales competition.

(iii) Impact from Research and Development

The Company has created cutting-edge technologies through its ongoing implementation of proactive R&D investment and activities, including miniaturization, vacuum, plasma, thermal-processing, coating/developing, cleaning, wafer-transfer, and clean technologies. By promptly introducing new products on the market that are equipped with these technologies, the Company has successfully obtained a large market share in each of the product fields, along with a high profit margin. However, the possibility does exist that the ill-timed introduction of new products may have a negative impact on the Company's performance.

(iv) Safety-related impact

The Company always carries out operations, including development, manufacturing, sales, services, and administration, with the necessity of paying attention to safety and health in mind. In accordance with this basic principle, the Company is making an active and continued effort to improve the safety of its products and eliminate any harmful impact on health. If damage were to be caused to customers or orders were to be canceled, or some other unexpected event were to occur due to a problem arising from the safety of the Company's products or other causes, it would likely adversely affect the performance of the Company.

(v) Impact from Quality Issues

The Company has been proactively developing superior, cutting-edge technologies utilized in new products that are promptly introduced onto the market, while at the same time establishing a quality assurance system, including obtaining ISO 9001 certification. The Company has also worked to establish a world-class service system, and this has resulted in a large number of customers adopting our products. However, because of the cutting-edge nature of our technologies, in addition to other factors, many of the technologies developed are in unknown fields, and the possibility exists that business results may be negatively affected by the unforeseen appearance of defective products.

(vi) Impact of Intellectual Property Rights

In order for the Company to set its products apart from rival products and enhance its competitive strength,

the Company has promoted an R&D strategy for the prompt development of cutting-edge technologies, together with business and intellectual property strategies. This has made it possible for the Company to obtain many of its own proprietary technologies, thereby successfully ensuring a large market share and high profit margin in each product field. However, partly because the Company's products use many of the consolidated and optimized cutting-edge technologies, there may be cases where a negative impact on business results arises from avoiding the use of third-party technologies and intellectual property rights.

(vii) Impact of Fluctuating Foreign Exchange Rates

By succeeding in actively developing overseas operations, the Company has increased the proportion of its overseas sales. As a rule, the Company carries out export transactions on a yen-basis in order to avert exchange-related risks, but there are some exports involving foreign currency. In these cases, the Company employs an exchange risk hedge, such as a forward exchange contract at the time an order is placed. However, since for overseas customers, exchange-related risks can arise from fluctuations in prices due to drastic exchange fluctuations, this may have an indirectly negative impact on the Company's performance.

(viii) Other Risks

The Company has been active in creating new high-growth and high-revenue businesses, pursuing even higher revenue in existing businesses, and improving its structure so that it can earn profits even as the market shrinks. It has also worked to promote environmental protection activities and restructure its compliance and risk management systems. However, to the extent that the Company performs its operations, it is subject - just like other companies in the same or different industries - to the impact from factors that include the global or local economic environment, natural disasters, wars, terrorism, unavoidable incidents (such as infectious diseases), financial or stock markets, government regulation, provision systems of suppliers, market conditions for products and real estate, securing of personnel domestically or overseas, competition over standardization, loss of important personnel, etc., and thus it can be assumed that the Company's business performance will be negatively affected at times by such factors.

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.

Management Policy

(1) Basic Management Policy

The basic management policy of the Group is to raise its corporate value through profit-oriented operations by placing the highest priority on customers, enhancing product and technology development capabilities, and invigorating its workforce.

Under this basic fundamental policy, the Group will engage in the development of vibrant and internationally competitive companies with high growth potential and profitability that are attractive to investors.

(2) Management Tasks

The Group is active primarily in the electronics industry, which is subject to rapid technological innovation; and it has adopted the following fundamental principles: Provide valuable technologies and services to the world as a top supplier in cutting-edge fields, in order to enhance people's health and quality of life; exercise greater leadership with regard to environmental issues and the development of a society that nurtures people's dreams; and become a vibrant, optimistic company that shares a sense of mission with all its employees.

To implement these fundamental principles, we have adopted the following concrete management policies.

1. Be an innovative company that creates groundbreaking technologies.
(Continuously conduct research and development and nurture personnel who can establish a select few outstanding technical groups.)
2. Be a highly-competitive global leader.
(Create structures that allow the Company to exercise global leadership in terms of technological and cost competitiveness.)
3. Offer solutions that best meet customer needs
(Provide the customers with the optimal goods and services at all times in response to their individual needs.)
4. Contribute globally environmental measures
(Develop technologies to reduce environmental impact and curtail power consumption, and contribute to addressing environmental issues.)

Tokyo Electron has been in business for nearly half a century, with a focus on the production equipment industry, during which time it has supported social infrastructure development by playing a leading role on a global scale within that industry. Moving forward, we will continue to exercise leadership by making the following issues our top priorities.

1. Reinforce Research and Development
Continuous research and development is essential for creating technological innovation and providing new products that are a step ahead of those of our competitors. We are actively expanding our research and development capabilities through measures that include the creation of a new technology center in Taiwan last year and the launch of new collaborative programs with

research institutions in Europe and the United States. We have also developed an etch system that uses a new type of plasma source and made the preparations needed to increase our sales. We will continue to focus our efforts on the development of highly-competitive new products that meet customer needs. In addition, the Company is using the semiconductor and FPD production equipment technologies that it has established over many years to cultivate and develop new businesses, with the aim of providing valuable products. One such initiative was the launch of the photovoltaic cell production equipment business in 2008.

2. Reinforce Manufacturing Capabilities

We are reorganizing our domestic bases with the aim of creating structures that integrate development and manufacturing; and we have decided to commence construction of the new plant in Taiwacho, Miyagi Prefecture that was previously postponed. At the new plant, scheduled to be completed in 2011, we will establish new production methods that reduce the cost and lead time of manufacturing while also enhancing quality managements.

3. Strengthening the Offering of Optimal Solutions

We are deepening each of our partnerships with customers, starting with the earlier stages of the business process, including not only the areas of sales and services structures but also development. We are also enhancing our ability to provide customers with proposals that meet a wide range of their needs by combining our equipment products as a means of flexibly and promptly responding to changes in the business environment.

4. Measures to Address Environmental Issues

We are conducting activities designed to reduce internal environmental impact and working to contribute to environmental measures in the semiconductor industry and throughout the entire industry by developing production equipment that can halve environmental impact at customer plants by the year 2015.

To help foster the personnel who will carry out these activities, companywide skills development programs will continue to be implemented and linked to future growth. In addition, with respect to our financial situation, although we have adequate shareholders' equity and cash on hand, we will continue our effort to streamline inventory levels, reduce manufacturing lead times, maintain and enhance profitability, along with other ongoing measures to maximize cash flow and reinforce our solid financial footing.

In the areas of compliance, corporate ethics, and risk management, which we have always given the utmost attention, we will assess and analyze various risks that the Group faces and implement the necessary countermeasures under the direction of the Company executives responsible for compliance and internal controls. We will also reinforce such measures based on internal control policies adopted pursuant to Board of Directors resolutions.

The Group will continue, on the basis of its profit-oriented management, to further enhance its corporate value by means of placing the customers first, improving product and technology development capabilities, strengthening international competitiveness, and motivating employees.

Consolidated Balance Sheet

TOKYO ELECTRON

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
ASSETS		
Current assets		
Cash and deposit	51,156	56,939
Trade notes and accounts receivable	119,687	124,462
Securities	159,001	187,000
Merchandise and finished goods	88,416	87,201
Work in process	29,306	37,793
Raw materials and supplies	16,518	13,455
Deferred income taxes	11,480	26,625
Others	30,139	19,638
Allowance for doubtful accounts	(20)	(176)
Total current assets	505,687	552,939
Long-term assets		
Tangible fixed assets		
Buildings and structures	121,568	120,429
Accumulated depreciation	(71,308)	(75,001)
Buildings and structures, net	50,259	45,428
Machinery and carriers	72,586	70,036
Accumulated depreciation	(54,999)	(56,854)
Machinery and carriers, net	17,587	13,182
Land	20,678	26,355
Construction in progress	4,708	3,739
Others	31,886	28,906
Accumulated depreciation	(25,213)	(25,484)
Others, net	6,672	3,421
Total tangible fixed assets	99,906	92,127
Intangible fixed assets		
Others	10,760	5,586
Total intangible fixed assets	10,760	5,586
Investments and other assets		
Investment securities	9,131	14,720
Deferred income taxes	31,939	20,505
Others	19,118	17,924
Allowance for doubtful accounts	(7,545)	(7,452)
Total investments and other assets	52,644	45,698
Total long-term assets	163,311	143,412
Total assets	668,998	696,351

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	24,393	52,359
Accrued employees' bonuses	4,965	6,043
Accrued warranty expenses	6,115	5,267
Others	53,798	55,490
Total current liabilities	<u>89,272</u>	<u>119,161</u>
Long-term liabilities		
Accrued pension and severance costs	47,046	49,906
Others	3,413	3,913
Total long-term liabilities	<u>50,460</u>	<u>53,820</u>
Total liabilities	<u>139,732</u>	<u>172,982</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,114	78,034
Retained earnings	404,435	393,970
Treasury stock	(11,111)	(10,900)
Total shareholders' equity	<u>526,398</u>	<u>516,065</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(842)	2,504
Deferred gains or losses on hedges	66	(67)
Translation adjustments	(7,235)	(6,683)
Total valuation and translation adjustments	<u>(8,011)</u>	<u>(4,247)</u>
Subscription rights to shares	1,148	1,578
Minority interests	9,729	9,973
Total net assets	<u>529,265</u>	<u>523,369</u>
Total liabilities and net assets	<u>668,998</u>	<u>696,351</u>

Consolidated Statement of Income

TOKYO ELECTRON

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	508,082	418,636
Cost of sales	370,673	310,320
Gross profit	137,408	108,316
Selling, general & administrative expenses		
Salaries and allowances	19,042	18,084
Provision for accrued bonuses	1,269	1,765
Provision for retirement allowances	1,998	2,358
Other personal expenses	7,044	6,400
Depreciation and amortization	5,872	5,605
Research and development expenses	60,987	54,074
Others	26,481	22,208
Total selling, general & administrative expenses	122,697	110,496
Operating income (loss)	14,710	(2,180)
Non-operating income		
Interest income	1,707	993
Revenue from development grants	2,700	1,842
Others	2,400	2,494
Total non-operating income	6,809	5,331
Non-operating expenses		
Interest expenses	175	-
Loss on revaluation of investment securities	-	185
Lease expenses of fixed assets	266	103
Loss on sale of trade notes and accounts receivable	132	-
Others	389	302
Total non-operating expenses	964	591
Ordinary income	20,555	2,558
Unusual or infrequent profit		
Gain on sale of fixed assets	67	282
Others	18	17
Total unusual or infrequent profit	85	299
Unusual or infrequent loss		
Provision of allowance for doubtful accounts	7,360	-
Loss on retirement or sale of fixed assets	352	977
Loss on impairment	-	7,553
Expenses for integration and closure of business bases	-	1,908
Loss on revaluation of investment securities	2,432	-
Office relocation expenses	212	-
Others	646	186
Total unusual or infrequent loss	11,004	10,626
Income (loss) before income taxes	9,636	(7,767)
Provision for income taxes and enterprise taxes	4,552	5,747
Deferred income taxes	(2,762)	(5,020)
Total income taxes	1,790	726
Minority interests	303	539
Net income (loss)	7,543	(9,033)

Consolidated Statements of Changes in Net Assets

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Common stock		
Balance at beginning of period	54,961	54,961
Balance at end of period	<u>54,961</u>	<u>54,961</u>
Capital surplus		
Balance at beginning of period	78,392	78,114
Disposal of treasury stock	(278)	(79)
Balance at end of period	<u>78,114</u>	<u>78,034</u>
Retained earnings		
Balance at beginning of period	410,866	404,435
Changes in accounting treatment by subsidiaries outside Japan	(551)	-
Cash dividends	(13,420)	(1,431)
Net income (loss)	7,543	(9,033)
Effect of changes in scope of consolidation	(2)	-
Balance at end of period	<u>404,435</u>	<u>393,970</u>
Treasury stock		
Balance at beginning of period	(11,369)	(11,111)
Purchase of treasury stock	(38)	(58)
Disposal of treasury stock	296	270
Balance at end of period	<u>(11,111)</u>	<u>(10,900)</u>
Total shareholders' equity		
Balance at beginning of period	532,850	526,398
Changes in accounting treatment by subsidiaries outside Japan	(551)	-
Cash dividends	(13,420)	(1,431)
Net income (loss)	7,543	(9,033)
Purchase of treasury stock	(38)	(58)
Disposal of treasury stock	17	190
Effects of changes in scope of consolidation	(2)	-
Balance at end of period	<u>526,398</u>	<u>516,065</u>

Consolidated Statements of Changes in Net Assets

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
Valuation and Translation Adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of period	2,172	(842)
Net change	(3,014)	3,346
Balance at end of period	<u>(842)</u>	<u>2,504</u>
Deferred gains or losses on hedges		
Balance at beginning of period	460	66
Net change	(393)	(134)
Balance at end of period	<u>66</u>	<u>(67)</u>
Translation adjustments		
Balance at beginning of period	(529)	(7,235)
Net change	(6,705)	551
Balance at end of period	<u>(7,235)</u>	<u>(6,683)</u>
Total Valuation and Translation Adjustments		
Balance at beginning of period	2,102	(8,011)
Net change	(10,114)	3,764
Balance at end of period	<u>(8,011)</u>	<u>(4,247)</u>
Subscription rights to shares		
Balance at beginning of period	483	1,148
Net change	664	429
Balance at end of period	<u>1,148</u>	<u>1,578</u>
Minority interests		
Balance at beginning of period	9,807	9,729
Net change	(78)	244
Balance at end of period	<u>9,729</u>	<u>9,973</u>
Total net assets		
Balance at beginning of period	545,244	529,265
Changes in accounting treatment by subsidiaries outside Japan	(551)	-
Cash dividends	(13,420)	(1,431)
Net income (loss)	7,543	(9,033)
Purchase of treasury stock	(38)	(58)
Disposal of treasury stock	17	190
Effects of changes in scope of consolidation	(2)	-
Net change except shareholders' equity	(9,527)	4,438
Balance at end of period	<u>529,265</u>	<u>523,369</u>

Consolidated Cash Flow

TOKYO ELECTRON

	(Millions of yen)	
	Year ended March 31, 2009	Year ended March 31, 2010
Cash flow from operating activities		
Income (loss) before income taxes	9,636	(7,767)
Depreciation and amortization	23,068	20,001
Loss on impairment	-	7,553
Increase in accrued pension and severance costs (decrease)	3,426	2,828
Increase in allowance for doubtful accounts (decrease)	7,333	120
Increase in accrued employees' bonuses (decrease)	(7,761)	1,078
Increase in accrued warranty expenses (decrease)	(3,345)	(836)
Interest and dividend revenue	(1,805)	(1,055)
Interest expenses	175	-
Foreign currency translation loss (gain)	103	-
Loss on disposal of fixed assets	350	916
Loss on revaluation of investment securities (gain)	2,432	-
Office relocation expenses	212	-
Decrease in trade notes and accounts receivable (increase)	102,412	(4,890)
Decrease in inventories (increase)	21,282	(4,868)
Increase in accounts payable (decrease)	(29,942)	27,975
Decrease in prepaid consumption tax (increase)	4,509	568
Increase in customer advances (decrease)	5,321	(6,380)
Decrease in specific doubtful receivables (increase)	(7,355)	(139)
Others	(9,734)	6,377
Subtotal	120,319	41,480
Receipts from interest and dividends	1,749	1,171
Interest paid	(201)	(46)
Income taxes paid or refund (paid)	(40,836)	5,679
Net cash generated by operating activities	81,030	48,284
Cash flow from investing activities		
Payment into time deposits	(353,803)	(449,000)
Proceeds from time deposits	219,429	473,347
Payment for purchase of tangible fixed assets	(17,227)	(14,194)
Proceeds from sale of tangible fixed assets	655	488
Payment for purchase of intangible fixed assets	(1,182)	(786)
Payment for purchase of investment securities	(7,815)	-
Others	(677)	(241)
Net cash used in investing activities	(160,621)	9,613
Cash flow from financing activities		
Net increase in short-term borrowings (decrease)	(2,262)	1,299
Redemption of straight bonds	(30,000)	-
Net decrease in treasury stock (increase)	(20)	131
Dividends paid	(13,420)	(1,431)
Others	(311)	(286)
Net cash generated by financing activities	(46,015)	(287)
Effect of exchange rate changes on cash and cash equivalents	(2,068)	445
Net increase in cash and cash equivalents (decrease)	(127,676)	58,056
Cash and cash equivalents at beginning of period	193,492	65,883
Cash and cash equivalents from newly consolidated subsidiaries	67	-
Cash and cash equivalents at end of period	65,883	123,939

Segment Information

(1) Information by business segment

(Millions of yen)

Year ended March 31, 2010 (4/1/09 - 3/31/10)					
	Industrial Electronic Equipment	Electronic Components and Computer Networks	Total	Eliminations and Corporate	Consolidated
1. Net sales, operating income and expenses					
Net sales					
(1) Sales to external customers	334,163	84,473	418,636	-	418,636
(2) Intersegment sales or transfers	785	672	1,457	(1,457)	-
Total	334,948	85,145	420,094	(1,457)	418,636
Operating expenses	339,218	83,065	422,283	(1,466)	420,817
Operating income (loss)	(4,269)	2,079	(2,189)	9	(2,180)
2. Assets, depreciation expenses, loss on impairment and capital expenditure					
Assets	654,025	45,649	699,674	(3,322)	696,351
Depreciation expenses	19,758	485	20,244	-	20,244
Loss on impairment	7,553	-	7,553	-	7,553
Capital expenditure	16,069	121	16,191	-	16,191

Note: 1. Method of classifying businesses: Businesses are classified after considering similarities in type of product, function, or method of sales.

2. Major products in each business segment:

Business segment	Major products
Industrial Electronic Equipment	Semiconductor Production Equipment, FPD Production Equipment, Photovoltaic Cell Production Equipment, Others
Electronic Components and Computer Networks	Semiconductor Products, Other Electronic Components, Computer Networks, and Software

Segment Information

(2) Information by geographic segment

(Millions of yen)

Year ended March 31, 2010 (4/1/09 - 3/31/10)					
	Japan	Other Regions	Total	Eliminations and Corporate	Consolidated
1. Net sales, Operating income and expenses					
Net sales					
(1) Sales to external customers	369,382	49,254	418,636	-	418,636
(2) Intersegment sales or transfers	31,855	26,089	57,944	(57,944)	-
Total	401,237	75,343	476,581	(57,944)	418,636
Operating expenses	402,435	74,026	476,462	(55,645)	420,817
Operating income (loss)	(1,198)	1,316	118	(2,299)	(2,180)
2. Assets	665,517	67,453	732,971	(36,619)	696,351

Note: 1. National and regional categories are determined on the basis of geographic proximity.

2. Main countries and territories in other regions: U.S., Taiwan, Korea

(3) Overseas sales

(Millions of yen)

Year ended March 31, 2010 (4/1/09 - 3/31/10)					
	Taiwan	U.S.	Korea	Others	Total
Overseas sales	91,473	55,640	52,948	55,965	256,028
Consolidated net sales					418,636
Proportion of overseas sales in consolidated net sales (%)	21.9	13.3	12.6	13.4	61.2

Note: 1. National and regional categories are determined on the basis of geographic proximity.

2. Main countries in others: Singapore, China, Israel

3. Overseas sales indicates net sales in countries and territories except Japan.