



February 5, 2013

Consolidated Financial Review for the Third Quarter Ended December 31, 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 nine months ended December 31, 2012

(1) Operating results (Cumulative)

	Nine months ended	
	December 31, 2011	December 31, 2012
Net sales (Millions of yen)	455,514	358,511
Operating income (Millions of yen)	42,953	5,336
Ordinary income (Millions of yen)	46,720	8,805
Net income (Millions of yen)	27,412	(936)
Net income per share (Yen)	153.06	(5.23)
Fully diluted net income per share (Yen)	152.82	-
Comprehensive income:	Year ended December 31, 2012: 3,099 million yen Year ended December 31, 2011: 21,559 million yen	

(2) Financial position

	As of	As of
	March 31, 2012	December 31, 2012
Total assets (Millions of yen)	783,610	753,598
Net assets (Millions of yen)	598,602	592,330
Equity ratio (%)	74.9	77.0
Equity: 580,475 million yen (as of December 31, 2012) 586,789 million yen (as of March 31, 2012)		

2. Dividends

	Year ended	Year ending
	March 31, 2012	March 31, 2013
2Q-end dividend per share (Yen)	53.00	25.00
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 : No

The interim dividend for the second quarter ended 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

	Year ending
	March 31, 2013
Net sales (Millions of yen)	495,000
Operating income (Millions of yen)	9,500
Net income (Millions of yen)	4,500
Net income per share (Yen)	25.11

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: Yes
 4. Restatement: None
- (4) Number of shares outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)

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

As of December 31, 2012:	1,427,121 shares
As of March 31, 2012:	1,446,079 shares
 3. Average number of shares outstanding

Nine months ended December 31, 2012:	179,175,008 shares
Nine months ended December 31, 2011:	179,100,704 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 Third Quarter

(1) Qualitative Information on Consolidated Operating Results

During the first three quarters of the current fiscal year (the nine-month period from April to December 2012), growth in the global economy including Japan remained generally sluggish due to concerns regarding future developments such as slowing the ratio of economic growth in many emerging countries including China, the European debt crisis, and lower government expenditure in the United States.

In the electronics industry, the field of business where the Tokyo Electron Group is engaged, the launch of a new operating system for PCs did not generate demand, and PC sales volume fell below the prior fiscal year's level. In addition, smartphones had been a driving force in the industry, but they have now become widespread in developed countries, and their growth was lower than initially expected at the beginning of the year. Therefore, the performance of the electronic components market remained low.

Given this background, consolidated net sales for the first three quarters of the current fiscal year were 358,511 million yen (down 21.3% from the same period of the previous year). Consolidated operating income was 5,336 million yen (down 87.6% from the same period of the previous year), and consolidated ordinary income was 8,805 million yen (down 81.2% from the same period of the previous year). Net loss for the first three quarters was 936 million yen (compared to net income of 27,412 million yen in the same period of the previous year).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

There was little sign of a recovery in PC sales and the slump in PC-use DRAM business continued. Growth in demand for DRAMs and flash memories for mobile devices including smartphones and tablet PCs was also sluggish, and semiconductor manufacturers, particularly memory manufacturers, continued production adjustments. As a result, there was little capital investment in expanding facilities. Capital investment in advanced equipment to manufacture some logic-based semiconductor products continued, but the semiconductor production equipment market as a whole continues to undergo a correction phase. Given these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 282,723 million yen (down 16.8% compared to the same period of the previous year).

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

Sales of some high-performance LCD panels, particularly small- and medium-sized panels, increased, but LCD panel manufacturers continued to adjust production, and demand for LCD panel production equipment

remained low. Given these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 13,912 million yen (down 73.9% compared to the same period of the previous year).

(iii) Electronic Components and Computer Networks

In the electronic components segment, demand for digital home appliance related products and industrial equipment related products was stagnant, and IT investment in Japan was held off due to uncertainty concerning the economy. Sales of computer networks related products were also low. Given these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 61,570 million yen (down 0.5% compared to the same period of the previous year).

(iv) Others

Net sales from external customers in this segment during the first three quarters of the current fiscal year were 305 million yen (down 1.6% compared to the same period of the previous year).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2013			
	1Q	2Q	3Q	Total
Net Sales	134,179	132,421	91,910	358,511
Semiconductor Production Equipment	108,703	105,963	68,056	282,723
Japan	10,032	10,186	6,349	26,568
U.S.	26,629	29,152	28,879	84,661
Europe	10,457	12,944	7,673	31,075
Korea	24,214	14,463	5,759	44,436
Taiwan	29,338	29,456	15,238	74,033
China	5,666	6,196	2,153	14,016
S.E.Asia	2,363	3,563	2,003	7,930
FPD/PV Production Equipment	4,769	4,460	4,682	13,912
Electronic Components & Computer Networks	20,605	21,859	19,105	61,570
Others	101	137	66	305
Operating Income(loss)	9,283	2,918	(6,865)	5,336
Ordinary Income(loss)	11,248	4,211	(6,654)	8,805
Net Income(loss)	5,720	370	(7,026)	(936)

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

Production and Order Performance

1. Production

(Millions of yen)

	FY2013			
	1Q	2Q	3Q	Total
Semiconductor Production Equipment	96,681	88,294	68,894	253,870
FPD/PV Production Equipment	2,121	4,511	3,030	9,663
Total	98,803	92,806	71,924	263,534

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

2. Orders Received

(Millions of yen)

	FY2013			
	1Q	2Q	3Q	Total
Semiconductor Production Equipment	76,029	66,928	91,324	234,282
FPD/PV Production Equipment	2,829	8,085	3,673	14,588
Electronic Components & Computer Networks	22,631	20,658	18,548	61,838
Others	101	137	66	305
Total	101,590	95,810	113,612	311,014

- 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)

	FY2013		
	1Q	2Q	3Q
Semiconductor Production Equipment	157,737	118,702	142,654
FPD/PV Production Equipment	12,260	15,885	23,298
Electronic Components & Computer Networks	15,809	14,608	14,051
Others	-	-	-
Total	185,807	149,196	180,004

- 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 third quarter of the current consolidated fiscal year were 508,700 million yen, down 98,350 million yen compared to the end of the previous fiscal year. The major factors influencing

this result were a 69,818 million yen decrease in trade notes and accounts receivable and a 26,790 million yen decrease in short-term investments included in securities.

Tangible fixed assets increased by 7,883 million yen from the end of the previous fiscal year, to 134,768 million yen.

Intangible fixed assets increased by 55,691 million yen from the end of the previous fiscal year, to 60,395 million yen as a result of a 54,169 million yen increase in goodwill and other factors.

Investments and other assets increased by 4,763 million yen from the end of the previous fiscal year, to 49,735 million yen.

As a result, total assets decreased by 30,011 million yen compared to the end of the previous fiscal year, to 753,598 million yen.

Current liabilities were down 26,297 million yen compared to the end of the previous fiscal year, to 98,496 million yen. The major factors causing the decline were a 15,931 million yen decrease in trade notes and accounts payable and a 9,135 million yen decrease in customer advances.

Long-term liabilities were up 2,558 million yen compared to the end of the previous fiscal year, to 62,772 million yen.

Net assets were 592,330 million yen, down 6,272 million yen from the end of the previous fiscal year. The main factors were a net loss of 936 million yen reported for the first three quarters, payment of 4,837 million yen in year-end dividends for the previous fiscal year and 4,479 million yen in interim dividends for the current fiscal year, and an increase of 4,501 million yen from translation adjustments due to effects from the depreciation of the yen. The equity ratio was 77.0%.

(ii) Cash Flow

Cash and cash equivalents at the end of the third quarter of the current consolidated fiscal year decreased by 93,433 million yen compared to the end of the previous fiscal year, to 65,342 million yen. The combined balance including the 168,848 million yen in time deposits and short-term investments with periods to maturity or redemption of at least three months that are not included in cash and cash equivalents, was 234,191 million yen, down 13,433 million yen from the end of the previous fiscal year. The overall situation regarding cash flow during the first three quarters of the current fiscal year is as described below.

Cash flow from operating activities increased by 49,888 million yen compared to the same period of the previous year to 71,632 million yen. The main positive factors included 9,349 million yen in income before income taxes, a 75,982 million yen decrease in trade notes and accounts receivable, and an 18,426 million yen in depreciation and amortization. The main negative factors were a 20,271 million yen decrease in accounts payable and a 13,835 million yen decrease in customer advances.

Cash flow from investing activities was negative 150,415 million yen, compared to the negative 19,176 million yen in the same period of the previous year. This was primarily the result of 80,000 million yen increase in time deposits and short-term investments, 55,068 million yen in purchase of investments in

subsidiaries resulting in changes in scope of consolidation, and 15,581 million yen in payment for purchase of tangible fixed assets.

Cash flow from financing activities was negative 11,382 million yen, primarily as a result of the payment of 9,316 million yen in dividends. Cash flow from financing activities in the previous fiscal year was negative 24,464 million yen.

Consolidated Cash Flow (Summary)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Cash flow from operating activities	21,744	71,632
Income before income taxes	45,979	9,349
Depreciation and amortization	17,014	18,426
Decrease in trade notes and accounts receivable (increase)	5,649	75,982
Decrease in inventories (increase)	1,539	6,857
Increase in accounts payable (decrease)	(8,457)	(20,271)
Others	(39,981)	(18,713)
Cash flow from investing activities	(19,176)	(150,415)
Decrease in time deposits (increase)	12,000	(80,000)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(55,068)
Others (purchase of fixed assets)	(31,176)	(15,346)
Cash flow from financing activities	(24,464)	(11,382)
Effect of exchange rate changes on cash and cash equivalents	(1,730)	(3,268)
Net increase in cash and cash equivalents (decrease)	(23,626)	(93,433)
Cash and cash equivalents at beginning of period	165,050	158,776
Cash and cash equivalents at end of period	141,423	65,342
Cash and cash equivalents and time deposits and short-term investments with periods to maturity or redemption of at least three months that are not included in cash and cash equivalents	249,414	234,191

3. Qualitative Information on Forecasts for Consolidated Financial Results

With regard to net sales, the prior forecast for the core semiconductor production equipment business remains unchanged, but the forecast for the electronic components and computer networks business (handled by Tokyo Electron Device Ltd., a consolidated subsidiary) has been revised downward, making for an overall net sales forecast lower than the previous one. With respect to income, we have implemented thorough cost-cutting efforts in response to the severe business environment, but due to a lower production forecast in the manufacturing subsidiaries of the semiconductor production equipment business than the previous forecast, a relative fixed-cost-burden rise against production cost is anticipated. As a result of that effect and the lower net sales as described above, we expect both operating income and net income figures to fall below the levels seen in the previous announcement. The current business forecasts also reflect the effects of a higher tax burden stemming from changes in the performance of consolidated subsidiaries. Consequently we have revised the consolidated financial forecast for the year ending March 31, 2013 announced on October 31, 2012.

Consolidated Forecast

(Billions of yen, Y/Y change)

	FY2013(E)	
Net Sales	495.0	-21.8%
Semiconductor Production Equipment	393.0	-17.8%
FPD/PV Production Equipment	19.0	-72.8%
Electronic Components & Computer Networks	82.5	-2.8%
Others	0.5	8.4%
Operating Income	9.5	-84.3%
Net Income	4.5	-87.7%

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 by the TEL Group 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. The company does not promise that the forecasts or estimates will be accurate.

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 related industry. 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 December 31, 2012
ASSETS		
Current assets		
Cash and deposit	35,834	49,191
Trade notes and accounts receivable	150,305	80,487
Securities	211,790	185,000
Merchandise and finished goods	101,789	97,391
Work in process	35,104	35,252
Raw materials and supplies	12,575	14,650
Others	61,026	47,503
Allowance for doubtful accounts	(1,376)	(775)
Total current assets	607,050	508,700
Long-term assets		
Tangible fixed assets	126,885	134,768
Intangible fixed assets		
Goodwill	-	54,169
Others	4,703	6,225
Total intangible fixed assets	4,703	60,395
Investments and other assets		
Others	48,819	53,472
Allowance for doubtful accounts	(3,848)	(3,737)
Total investments and other assets	44,971	49,735
Total long-term assets	176,560	244,898
Total assets	783,610	753,598

Consolidated Balance Sheet

	(Millions of yen)	
	As of March 31, 2012	As of December 31, 2012
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	46,986	31,055
Accrued warranty expenses	8,903	8,482
Other allowance	9,077	3,532
Others	59,826	55,426
Total current liabilities	124,794	98,496
Long-term liabilities		
Accrued pension and severance costs	54,646	56,032
Other allowance	619	567
Others	4,947	6,171
Total long-term liabilities	60,213	62,772
Total liabilities	185,007	161,268
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	471,186	460,911
Treasury stock	(9,747)	(9,611)
Total shareholders' equity	594,422	584,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,575	2,927
Deferred gains or losses on hedges	(51)	(79)
Translation adjustments	(11,157)	(6,656)
Total accumulated other comprehensive income	(7,633)	(3,808)
Subscription rights to shares	1,156	1,298
Minority interests	10,656	10,556
Total net assets	598,602	592,330
Total liabilities and net assets	783,610	753,598

Consolidated Statement of Income

	(Millions of yen)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	455,514	358,511
Cost of sales	300,532	244,622
Gross profit	154,981	113,889
Selling, general & administrative expenses		
Research and development expenses	59,872	54,859
Others	52,155	53,692
Total selling, general & administrative expenses	112,027	108,552
Operating income	42,953	5,336
Non-operating income		
Revenue from development grants	535	1,022
Foreign currency translation gain	1,089	-
Others	2,426	2,924
Total non-operating income	4,052	3,947
Non-operating expenses		
Foreign currency translation loss	-	227
Others	285	251
Total non-operating expenses	285	478
Ordinary income	46,720	8,805
Unusual or infrequent profit		
Gain on sale of fixed assets	13	930
Gain on collection written-off claims	1,437	-
Others	171	-
Total unusual or infrequent profit	1,622	930
Unusual or infrequent loss		
Loss on sale or disposal of fixed assets	225	91
Loss from earthquake damage	938	-
Loss on liquidation of subsidiaries and affiliates	-	133
Reorganization costs	-	132
Others	1,199	29
Total unusual or infrequent loss	2,363	386
Income before income taxes	45,979	9,349
Provision for income taxes and enterprise taxes	18,252	7,916
Prior year's corporate tax	-	2,194
Income (loss) before minority interests	27,726	(760)
Minority interests	313	175
Net income (loss)	27,412	(936)

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Income (loss) before minority interests	27,726	(760)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,249)	(643)
Deferred gains or losses on hedges	6	(34)
Translation adjustments	(4,923)	4,539
Total other comprehensive income	(6,167)	3,860
Comprehensive income	<u>21,559</u>	<u>3,099</u>
(Breakdown)		
Comprehensive income attributable to owners	21,275	2,888
Comprehensive income attributable to minority interests	283	211

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

Nine months ended December 31, 2012

(Millions of yen)

	Reportable Segment			Others
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	282,751	13,912	62,145	8,399
Segment income (loss)	33,626	(5,389)	861	1,007

	Total Segment	Eliminations	Consolidated Total
Net sales	367,209	(8,698)	358,511
Segment income (loss)	30,105	(20,755)	9,349

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 or loss amounting to 20,755 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 15,156 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
3. Segment income or loss 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 third quarter, TEL acquired all the shares of U.S.-based FSI International, Inc., Ireland-based Magnetic Solutions Inc. and Switzerland-based Oerlikon Solar Holding AG that became consolidated subsidiaries. As a result of these transactions, 13,761 million yen in goodwill arose in the semiconductor production equipment segment, and 21,786 million yen in goodwill arose in the FPD/PV 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