

Consolidated Financial Review for the Second Quarter Ended September 30, 2012

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

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

1. Financial highlights for the six months ended September 30, 2012

(1) Operating results (Cumulative)

	Six months ended	
	September 30, 2011	September 30, 2012
Net sales (Millions of yen)	326,350	266,600
Operating income (Millions of yen)	36,859	12,202
Ordinary income (Millions of yen)	39,722	15,459
Net income (Millions of yen)	26,657	6,090
Net income per share (Yen)	148.85	33.99
Fully diluted net income per share (Yen)	148.63	33.94
Comprehensive income:	Year ended 9/30/2012: 1,898 million yen Year ended 9/30/2011: 20,048 million yen	

(2) Financial position

	As of March 31, 2012	As of September 30, 2012
Total assets (Millions of yen)	783,610	745,079
Net assets (Millions of yen)	598,602	595,670
Equity ratio (%)	74.9	78.3
Equity: 583,700 million yen (as of September 30, 2012) 586,789 million yen (as of March 31, 2012)		

2. Dividends

	Year ended March 31, 2012	Year ending March 31, 2013
2Q-end dividend per share (Yen)	53.00	25.00
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)	501,000
Operating income (Millions of yen)	12,500
Net income (Millions of yen)	7,000
Net income per share (Yen)	39.07

Note: Revision of earnings forecast : Yes

4. Others

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

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

As of September 30, 2012:	1,435,138 shares
As of March 31, 2012:	1,446,079 shares
 3. Average number of shares outstanding

Six months ended September 30, 2012:	179,172,561 shares
Six months ended September 30, 2011:	179,086,953 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, with increased uncertainty due to the prolonged European debt crisis and fiscal austerity in the United States, growth in China and other emerging market economies slowed and concerns about a global economic slowdown increased. In Japan, the economic recovery stalled due to problems resulting from the aforementioned global economic uncertainties.

In the electronics industry where the Tokyo Electron group conducts its business, sales of PCs and televisions remain sluggish, and the industry is dependent on demand for smartphones and tablet PCs. Even smartphones however, which are selling briskly, have yet to take on the role of spurring electronic component market growth in earnest, as electronic component market conditions are greatly dependent on sales of certain select models.

Given this background, consolidated net sales in the first half of the current fiscal year were 266,600 million yen (down 18.3% from the same period of the previous year). Consolidated operating income was 12,202 million yen (down 66.9% from the same period of the previous year), and consolidated ordinary income was 15,459 million yen (down 61.1% from the same period of the previous year). Net income for the first half was 6,090 million yen (down 77.2% from the same period of the previous year).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Because of the global economic slowdown, PC sales remain flat. In addition, sales of smartphones and tablet PCs are not expected to achieve the initially-anticipated growth. As a result, supply and demand for DRAMs has not improved, and flash memory demand is sluggish. Although some capital investment in advanced equipment has been made for logic-based semiconductor products, capital investment in memory-related equipment remains sluggish, and the semiconductor production equipment market as a whole continues to undergo an adjustment phase. Given these circumstances, net sales from external customers in this segment during the first half of the current fiscal year were 214,666 million yen (down 13.6% compared to the same period of the previous year).

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

Sales of high-performance small- and medium-sized LCD panels for smartphones grew, but television replacement demand remained stagnant and PC sales were sluggish. As a result, demand for LCD panel production equipment was weak, and net sales from external customers in this segment during the first half of the current fiscal year were 9,230 million yen (down 74.8% compared to the same period of the previous

year).

(iii) Electronic Components and Computer Networks

In the electronic components segment, sales increased despite sluggish demand for digital home appliance related products and industrial equipment related products, due to higher overseas sales and an expansion of revenues relating to commercial rights. In addition, sales of computer networks related products and maintenance services were strong in conjunction with the expansion of cloud computing. Given these circumstances, net sales from external customers in this segment during the first half of the current fiscal year were 42,465 million yen (up 3.5% 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 238 million yen (down 1.4% compared to the same period of the previous year).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2012 1H	FY2012 2H	FY2013		
			1H	1Q	2Q
Net Sales	326,350	306,740	266,600	134,179	132,421
Semiconductor Production Equipment	248,394	229,479	214,666	108,703	105,963
Japan	50,365	32,522	20,218	10,032	10,186
U.S.	53,579	61,242	55,782	26,629	29,152
Europe	30,988	18,337	23,402	10,457	12,944
Korea	37,883	70,856	38,677	24,214	14,463
Taiwan	44,163	30,854	58,795	29,338	29,456
China	15,800	9,594	11,863	5,666	6,196
S.E. Asia	15,613	6,070	5,927	2,363	3,563
FPD/PV Production Equipment	36,677	33,211	9,230	4,769	4,460
Electronic Components & Computer Networks	41,037	43,830	42,465	20,605	21,859
Others	241	219	238	101	137
Operating Income	36,859	23,584	12,202	9,283	2,918
Ordinary Income	39,722	24,324	15,459	11,248	4,211
Net Income	26,657	10,067	6,090	5,720	370

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

Production and Order Performance**1. Production**

(Millions of yen)

	FY2012 1H	FY2012 2H	FY2013		
			1H	1Q	2Q
Semiconductor Production Equipment	232,433	219,931	184,976	96,681	88,294
FPD/PV Production Equipment	29,957	25,898	6,633	2,121	4,511
Total	262,390	245,829	191,609	98,803	92,806

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

2. Orders Received

(Millions of yen)

	FY2012 1H	FY2012 2H	FY2013		
			1H	1Q	2Q
Semiconductor Production Equipment	186,224	251,390	142,957	76,029	66,928
FPD/PV Production Equipment	10,633	7,964	10,914	2,829	8,085
Electronic Components & Computer Networks	42,092	42,183	43,290	22,631	20,658
Others	241	219	238	101	137
Total	239,192	301,758	197,401	101,590	95,810

- 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 1H	FY2012 2H	FY2013	
			1Q	2Q
Semiconductor Production Equipment	166,773	188,684	157,737	118,702
FPD/PV Production Equipment	39,447	14,200	12,260	15,885
Electronic Components & Computer Networks	15,430	13,783	15,809	14,608
Others	-	-	-	-
Total	221,651	216,669	185,807	149,196

- 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 consolidated fiscal year were 551,215 million yen, down 55,835 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 55,321 million decrease in trade notes and accounts receivable, a 16,480 million yen decrease in inventories, and a 33,209 million yen increase in short-term investments included in securities. Tangible fixed assets increased by 262 million yen from the end of the previous fiscal year, to 127,147 million yen.

Intangible fixed assets increased by 15,150 million yen from the end of the previous fiscal year, to 19,854 million yen as a result of a 15,134 million yen increase in goodwill and other factors.

Investments and other assets increased by 1,891 million yen from the end of the previous fiscal year, to 46,862 million yen.

As a result, total assets decreased by 38,531 million yen compared to the end of the previous fiscal year, to 745,079 million yen.

Current liabilities were down 36,551 million yen compared to the end of the previous fiscal year, to 88,242 million yen. The major factors causing the decline were a 14,089 million yen decrease in trade notes and accounts payable and a 13,010 million yen decrease in customer advances.

Long-term liabilities were up 952 million yen compared to the end of the previous fiscal year, to 61,166 million yen.

Net assets at the end of the second quarter were 595,670 million yen, down 2,932 million yen from the end of the previous fiscal year. The main factors were an increase stemming from the posting of 6,090 million yen in net income for the first half, the payment of 4,837 million yen in year-end dividends relating to the previous fiscal year, a 2,444 million yen decrease from translation adjustments due to effects of the high value of the yen, and a 1,993 million yen decrease in valuation difference on available-for-sale securities. The equity ratio was 78.3%.

(ii) Cash Flow

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year decreased by 17,125 million yen compared to the end of the previous fiscal year, to 141,651 million yen. The combined balance including the 144,568 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 286,219 million yen, up 38,594 million yen from the end of the previous fiscal year. The overall situation regarding cash flow during the first half of the current fiscal year is as described below.

Cash flow from operating activities increased by 47,209 million yen compared to the same period of the previous year to 73,920 million yen. The main positive factors included 15,539 million yen in income before

income taxes, a 54,615 million yen decrease in trade notes and accounts receivable, and a 14,836 million yen decrease in inventories. The main negative factors were a 14,319 million yen decrease in accounts payable and a 12,318 million yen decrease in customer advances.

Cash flow from investing activities was 84,218 million yen, compared to 72,489 million yen in the same period of the previous fiscal year. This was primarily the result of 15,830 million yen in purchase of investments in subsidiaries resulting in changes in scope of consolidation, 11,811 million yen in payment for purchase of tangible fixed assets, and a 50,499 million yen increase in short-term investments.

Cash flow from financing activities was 6,473 million yen, mainly as a result of the payment of 4,837 million yen in dividends. Cash flow from financing activities in the same period of the previous fiscal year was 16,750 million yen.

(3) Qualitative Information on Forecasts for Consolidated Financial Results

Because of uncertain prospects for the global economy, it appears that somewhat more time will be required for a full-fledged recovery in capital investment by semiconductor manufacturers. As a result, orders in the semiconductor production equipment segment, our main business, are currently weak and sales are expected to fall short of the previous prediction. Accordingly, we have revised the previous consolidated forecasts for the full fiscal year released on July 30, 2012.

Consolidated Forecast	(Billions of yen, Y/Y change)	
	FY2013(E)	
Net Sales	501.0	-20.9%
Semiconductor Production Equipment	393.0	-17.8%
FPD/PV Production Equipment	19.0	-72.8%
Electronic Components & Computer Networks	88.5	4.3%
Others	0.5	8.4%
Operating Income	12.5	-79.3%
Net Income	7.0	-80.9%

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

Note: The financial forecasts and estimates stated in this financial review are based on certain assumptions judged to be reasonable 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 September 30, 2012
ASSETS		
Current assets		
Cash and deposit	35,834	41,219
Trade notes and accounts receivable	150,305	94,983
Securities	211,790	245,000
Merchandise and finished goods	101,789	92,464
Work in process	35,104	27,241
Raw materials and supplies	12,575	13,283
Others	61,026	37,869
Allowance for doubtful accounts	(1,376)	(847)
Total current assets	607,050	551,215
Long-term assets		
Tangible fixed assets	126,885	127,147
Intangible fixed assets		
Goodwill	-	15,134
Others	4,703	4,719
Total intangible fixed assets	4,703	19,854
Investments and other assets		
Others	48,819	50,559
Allowance for doubtful accounts	(3,848)	(3,697)
Total investments and other assets	44,971	46,862
Total long-term assets	176,560	193,864
Total assets	783,610	745,079

Consolidated Balance Sheet

	(Millions of yen)	
	As of March 31, 2012	As of September 30, 2012
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	46,986	32,897
Accrued warranty expenses	8,903	7,979
Other allowance	9,077	6,698
Others	59,826	40,667
Total current liabilities	124,794	88,242
Long-term liabilities		
Accrued pension and severance costs	54,646	55,559
Other allowance	619	571
Others	4,947	5,034
Total long-term liabilities	60,213	61,166
Total liabilities	185,007	149,409
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	471,186	472,429
Treasury stock	(9,747)	(9,670)
Total shareholders' equity	594,422	595,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,575	1,582
Deferred gains or losses on hedges	(51)	(22)
Translation adjustments	(11,157)	(13,602)
Total accumulated other comprehensive income	(7,633)	(12,042)
Subscription rights to shares	1,156	1,251
Minority interests	10,656	10,718
Total net assets	598,602	595,670
Total liabilities and net assets	783,610	745,079

Consolidated Statement of Income

	(Millions of yen)	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	326,350	266,600
Cost of sales	212,807	180,963
Gross profit	113,543	85,637
Selling, general & administrative expenses		
Research and development expenses	41,148	37,417
Others	35,534	36,017
Total selling, general & administrative expenses	76,683	73,434
Operating income	36,859	12,202
Non-operating income		
Others	3,096	3,385
Total non-operating income	3,096	3,385
Non-operating expenses		
Maintenance and operation cost of closed business	68	34
Others	164	93
Total non-operating expenses	233	127
Ordinary income	39,722	15,459
Unusual or infrequent profit		
Gain on sale of fixed assets	12	283
Gain on collection written-off claims	1,437	-
Others	171	-
Total unusual or infrequent profit	1,621	283
Unusual or infrequent loss		
Loss on sale or disposal of fixed assets	212	63
Loss from earthquake damage	938	-
Loss from restructuring	-	132
Loss on revaluation of investment securities	811	-
Others	155	7
Total unusual or infrequent loss	2,118	203
Income before income taxes	39,225	15,539
Income taxes	12,242	7,057
Prior year's corporate tax	-	2,194
Income before minority interests	26,983	6,287
Minority interests	325	196
Net income	26,657	6,090

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	26,983	6,287
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,924)	(1,993)
Deferred gains or losses on hedges	51	78
Translation adjustments	(5,061)	(2,474)
Total other comprehensive income	<u>(6,935)</u>	<u>(4,388)</u>
Comprehensive income	<u>20,048</u>	<u>1,898</u>
(Breakdown)		
Comprehensive income attributable to owners	19,744	1,681
Comprehensive income attributable to minority interests	303	217

Consolidated Cash Flow

TOKYO ELECTRON

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash flow from operating activities		
Income before income taxes	39,225	15,539
Depreciation and amortization	10,523	11,789
Increase in accrued pension and severance costs (decrease)	1,320	919
Increase in accrued employees' bonuses (decrease)	(359)	(1,996)
Increase in accrued warranty expenses (decrease)	699	(832)
Interest and dividend revenue	(491)	(847)
Decrease in trade notes and accounts receivable (increase)	2,446	54,615
Decrease in inventories (increase)	6,013	14,836
Increase in accounts payable (decrease)	(10,198)	(14,319)
Decrease in prepaid consumption tax (increase)	10,671	10,118
Increase in accrued consumption tax (decrease)	(2,610)	(25)
Increase in customer advances (decrease)	891	(12,318)
Others	(2,700)	(2,320)
Subtotal	55,430	75,156
Receipts from interest and dividends	425	651
Interest paid	(18)	(20)
Income taxes (paid) refund	(29,126)	(1,867)
Net cash generated by operating activities	26,711	73,920
Cash flow from investing activities		
Decrease in time deposits (increase)	5,000	(5,227)
Decrease in short-term investments (increase)	(60,499)	(50,499)
Payment for purchase of tangible fixed assets	(15,175)	(11,811)
Proceeds from sale of tangible fixed assets	94	1,536
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(15,830)
Payments for transfer of business	-	(1,097)
Others	(1,908)	(1,287)
Net cash used in investing activities	(72,489)	(84,218)
Cash flow from financing activities		
Net increase in short-term borrowings (decrease)	(2,844)	(1,308)
Dividends paid	(13,608)	(4,837)
Others	(297)	(328)
Net cash generated by financing activities	(16,750)	(6,473)
Effect of exchange rate changes on cash and cash equivalents	(1,416)	(352)
Net increase in cash and cash equivalents (decrease)	(63,945)	(17,125)
Cash and cash equivalents at beginning of period	165,050	158,776
Cash and cash equivalents at end of period	101,104	141,651

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

Six months ended September 30, 2012

(Millions of yen)

	Reportable Segment			Others
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	214,681	9,230	42,866	5,890
Segment income or loss	30,782	(3,366)	677	776

	Total Segment	Eliminations	Consolidated Total
Net sales	272,669	(6,068)	266,600
Segment income or loss	28,870	(13,330)	15,539

Notes:

- 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.
- The eliminations of segment income amounting to 13,330 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 10,247 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
- Segment income is adjusted against net income before taxes in consolidated income statement.

Segment Information

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

Significant impairment losses related to fixed assets: None

Significant changes in goodwill amount: None

Significant income related to negative goodwill: None