

# Consolidated Financial Review for the First Quarter Ended June 30, 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 three months ended June 30, 2010

### (1) Operating results (Cumulative)

	Three months ended	
	June 30, 2009	June 30, 2010
Net sales (Millions of yen)	68,915	144,889
Operating income (Millions of yen)	(14,388)	18,321
Ordinary income (Millions of yen)	(14,021)	19,063
Net income (Millions of yen)	(11,035)	14,727
Net income per share (Yen)	(61.66)	82.27
Fully diluted net income per share (Yen)	-	82.12

### (2) Financial position

	As of March 31, 2010	As of June 30, 2010
Total assets (Millions of yen)	696,351	710,785
Net assets (Millions of yen)	523,369	531,893
Equity ratio (%)	73.5	73.2
Net assets per share (Yen)	2,859.37	2,906.23
Equity:	520,221 million yen (as of June 30, 2010)	511,818 million yen (as of March 31, 2010)

## 2. Dividends

	Year ended March 31, 2010	Year ending March 31, 2011 (Forecast)
2Q-end dividend per share (Yen)	4.00	34.00
Year-end dividend per share (Yen)	8.00	37.00
Annual dividend per share (Yen)	12.00	71.00

Note: Revision of dividends forecast for during this period: Yes

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

	Six months ending September 30, 2010	Year ending March 31, 2011
Net sales (Millions of yen)	325,000	670,000
Operating income (Millions of yen)	40,500	86,500
Ordinary income (Millions of yen)	42,000	88,000
Net income (Millions of yen)	30,000	63,000
Net income per share (Yen)	167.60	351.95

Note: Revision of earnings forecast for during this period: Yes

#### 4. Others

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

New: - Excluded: -

(Note: Changes in specified subsidiaries resulting in a change in scope of consolidation for the current quarterly accounting period)

(2) Adoption of simplified accounting method or any special accounting method: Yes

(Note: Adoption of simplified accounting methods, or use of any special accounting methods for preparing the quarterly consolidated financial statements.)

(3) Changes in accounting principles, procedures and display of accounting method concerning consolidated statement

1. Changes in accounting policies: Yes

2. Other changes: None

(Note: Changes in accounting principles, procedures, or methods of presentation related to the preparation of the quarterly consolidated financial statements, as described in the "Amendment to fundamental items that form the basis for preparing quarterly consolidated financial statements.")

(4) Number of shares outstanding (common stock)

1. Number of shares issued

As of June 30, 2010: 180,610,911 shares

As of March 31, 2010: 180,610,911 shares

2. Number of shares of treasury stock

As of June 30, 2010: 1,608,496 shares

As of March 31, 2010: 1,614,225 shares

3. Average number of shares outstanding

Three months ended June 30, 2010: 178,999,952 shares

Three months ended June 30, 2009: 178,969,913 shares

#### Notification of the status of quarterly financial review procedures:

At the time of disclosing these quarterly financial results, the quarterly financial statement review procedures are being conducted in accordance with the provisions of the Financial Instruments and Exchange Act.

#### 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.

## **1. Qualitative Information on Forecasts for Consolidated Financial Results**

### **(1) Qualitative Information on Consolidated Operating Results**

During the first quarter of the current consolidated fiscal period, the global economy generally showed signs of a moderate recovery following an expansion in domestic demand in developing countries, centering on China and India, as well as a result of economic stimulus measures taken by various countries, even though concerns remained about the increasing volatility of financial markets centering on Europe, the credit crunch, and a worsening unemployment situation. The Japanese economy is showing definite signs of improvement supported by increased exports and production, although the unemployment situation remains difficult.

In the electronics industry, in which the Tokyo Electron group conducts its business, the market for PCs, digital home appliances, high performance mobile devices known as 'smart phones,' etc. is expanding rapidly. As a result, the demand in semiconductors and FPD related markets remains brisk.

Under these circumstances, consolidated net sales for the first quarter were 144,889 million yen (up 110.2% compared to the same period of the previous year). Consolidated operating income and ordinary income, respectively, were 18,321 million yen (compared to operating loss of 14,388 million yen in the previous fiscal year) and 19,063 million yen (compared to ordinary loss of 14,021 million yen in the previous fiscal year). Net income for the first quarter was 14,727 million yen (compared to net loss of 11,035 million yen in the previous fiscal year).

The overview of each business segment is as described below.

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

Following increased demand for electronic devices such as PCs, digital home appliances and mobile phones, semiconductor manufacturers are increasing production and stepping up capital investment. As a result, business related to this segment progressed steadily. Under these circumstances, net sales from external customers in this segment during the consolidated first quarter were 103,166 million yen (up 238.9% compared to the same period of the previous year).

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

In the midst of firm demand for LCD panels due to the expanding flat-panel television market, panel manufacturers have increased production and resumed capital investment. As a result of these developments, net sales from external customers during the first quarter were 20,306 million yen (up 1.8% compared to the same period of the previous year). In the photovoltaic cell

production equipment business, the market underwent a temporary slowdown, but it is expected to grow in the future due to the spread of environmental measures being implemented worldwide.

(iii) Electronic Components and Computer Networks

There was a clear recovery in demand for semiconductor products used in industrial equipment, owing to an improvement in production activities by companies, and business related to the sales of software for embedded equipment and system maintenance services also progressed steadily. As a result of these developments, net sales from external customers for this segment during the first quarter were 21,321 million yen (up 15.6% compared to the same period of the previous year).

(iv) Others

Net sales from external customers in this segment during the consolidated first quarter were 95 million yen (up 7.2% compared to the same period of the previous year).

Note: From the first quarter of the current consolidated fiscal year, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Statement No.17, dated 27 March, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Guidance No.20, dated 21 March, 2008). Due to this reason, the comparison of net sales from external customers to the same period of the previous fiscal year for each business segment has been made after rearrangement of the first quarter financial results into the reported segments after applying the above standards.

(For reference)

**Consolidated**

(Millions of yen)

	FY2011 1Q	FY2010				
		Full Year	1Q	2Q	3Q	4Q
Net Sales	144,889	418,636	68,915	84,975	114,289	150,456
Semiconductor Production Equipment	103,166	262,391	30,437	51,699	76,511	103,743
Japan	18,404	44,174	4,932	10,812	10,675	17,753
U.S.	17,552	55,555	12,430	8,364	13,273	21,487
Europe	2,942	10,937	2,833	2,315	2,433	3,355
Korea	21,445	44,716	2,861	8,823	13,391	19,640
Taiwan	34,014	76,795	5,917	16,619	27,913	26,344
China	4,649	7,616	483	2,106	3,149	1,877
S.E.Asia	4,158	22,595	979	2,656	5,675	13,283
F P D/PV Production Equipment	20,306	71,361	19,943	10,799	16,686	23,931
Electronic Components & Computer Networks	21,321	84,473	18,445	22,354	21,028	22,644
Others	95	410	89	121	63	136
Operating Income (Loss)	18,321	(2,180)	(14,388)	(7,232)	5,521	13,918
Ordinary Income (Loss)	19,063	2,558	(14,021)	(5,191)	6,573	15,198
Net Income (Loss)	14,727	(9,033)	(11,035)	(5,125)	(58)	7,186

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

## (2) Qualitative Information on Consolidated Financial Conditions

### (i) Financial Conditions

Current assets at the end of the first quarter of the current consolidated fiscal year were 569,192 million yen, up 16,252 million yen compared to the end of the previous fiscal year. Major factors include a 12,964 million yen increase in inventories, and a 5,436 million yen increase in trade notes and accounts receivable.

Tangible fixed assets decreased by 472 million yen from the end of the previous fiscal year, to 91,655 million yen.

Intangible fixed assets decreased by 244 million yen from the end of the previous fiscal year, to 5,341 million yen.

Investments and other assets decreased by 1,102 million yen compared to the end of the previous fiscal year, to 44,596 million yen.

As a result, total assets increased by 14,433 million yen compared to the end of the previous fiscal year, to 710,785 million yen.

Current liabilities were up 5,932 million yen compared to the end of the previous fiscal year, to 125,094 million yen. Major factors included an increase in customer advances of 6,927 million yen.

Long-term liabilities decreased by 22 million yen from the end of the previous fiscal year, to 53,797 million yen.

Net assets increased because of a net income of 14,727 million yen was reported for the current

first quarter and year-end dividends for the previous fiscal year of 1,431 million yen were paid, and as a result net assets at the end of the current first quarter were 531,893 million yen. The equity ratio was 73.2%.

#### **(ii) Cash Flow**

Cash and cash equivalents at the end of the first quarter of the current fiscal year increased by 782 million yen compared to the end of the previous fiscal year, to 124,721 million yen. The combined balance of cash and cash equivalents, plus 120,000 million yen in time deposits and certificates of deposit with deposit terms of over three months (which are not included in cash and cash equivalents), was 244,721 million yen. The overall situation regarding cash flow during the first quarter of the current fiscal year is as follows.

Cash flow from operating activities decreased by 4,507 million yen compared to the same period of the previous fiscal year to 9,864 million yen. Major positive factors include cash flow income from 19,250 million yen in income before income taxes, 3,726 million yen in depreciation and amortization, and a 7,420 million yen increase in customer advances. Major negative factors were a 6,786 million yen increase in trade notes and accounts receivable and a 14,490 million yen increase in inventories.

Cash flow from investing activities was 4,441 million yen compared to the 5,372 million yen in the same period of the previous fiscal year, primarily as a result of the 4,113 million yen in payment for purchase of tangible fixed assets.

Cash flow from financing activities was a negative 3,715 million yen as compared to a negative 1,002 million yen in the same period of the previous fiscal year, mainly as a result of a 2,167 million yen of net decrease in short-term borrowings and payment of 1,431 million yen in dividends.

### **3. Qualitative Information on Forecasts for Consolidated Financial Results**

In the midst of a moderate recovery in the global economy, we expect the trend towards recovery to continue with Asia at the center, even though some concerns remain about the economic trends in Europe and North America. In the semiconductor market, the demand for semiconductors is showing a sharp increase, and semiconductor manufacturers are also stepping up capital investment. Given these circumstances, we expect sales of semiconductor production equipment to increase in the first half of the current consolidated fiscal year, and for profits to improve compared to our earlier forecast, released on May 12, 2010. Accordingly, the company has revised the consolidated financial forecast for the first half of the fiscal year as well

as the entire fiscal year, as follows.

### Consolidated forecast

(Billions of yen, Y/Y change)

	Interim		Full Year	
Net Sales	325.0	111.2%	670.0	60.0%
Semiconductor Production Equipment	250.0	204.4%	511.0	94.7%
FPD/PV Production Equipment	32.0	4.1%	69.0	-3.3%
Electronic Components & Computer Networks	43.0	5.4%	90.0	6.5%
Operating Income	40.5	-	86.5	-
Ordinary Income	42.0	-	88.0	-
Net Income	30.0	-	63.0	-

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

Note: The financial forecasts and estimates stated in this interim financial review are based on certain assumptions judged to be reasonable at the present time in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on performance.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products (and their success or failure), and global conditions in the semiconductor production equipment business. Consequently, actual sales and profits may differ substantially from the projections stated in this financial review.

# Consolidated Balance Sheet

TOKYO ELECTRON

(Millions of yen)

	As of March 31, 2010	As of June 30, 2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposit	56,939	50,721
Trade notes and accounts receivable	124,462	129,898
Securities	187,000	194,000
Merchandise and finished goods	87,201	92,809
Work in process	37,793	44,186
Raw materials and supplies	13,455	14,418
Others	46,263	44,275
Allowance for doubtful accounts	(176)	(1,118)
<b>Total current assets</b>	<b>552,939</b>	<b>569,192</b>
<b>Long-term assets</b>		
Tangible fixed assets	92,127	91,655
Intangible fixed assets		
Others	5,586	5,341
<b>Total intangible fixed assets</b>	<b>5,586</b>	<b>5,341</b>
Investments and other assets		
Others	53,151	48,602
Allowance for doubtful accounts	(7,452)	(4,006)
<b>Total investments and other assets</b>	<b>45,698</b>	<b>44,596</b>
<b>Total long-term assets</b>	<b>143,412</b>	<b>141,593</b>
<b>Total assets</b>	<b>696,351</b>	<b>710,785</b>



(Millions of yen)

	As of March 31, 2010	As of June 30, 2010
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	52,359	54,247
Income taxes payable	4,355	8,134
Other allowance	11,338	9,451
Others	51,109	53,259
<b>Total current liabilities</b>	<b>119,161</b>	<b>125,094</b>
<b>Long-term liabilities</b>		
Accrued pension and severance costs	49,906	50,500
Other allowance	621	611
Others	3,291	2,684
<b>Total long-term liabilities</b>	<b>53,820</b>	<b>53,797</b>
<b>Total liabilities</b>	<b>172,982</b>	<b>178,891</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	54,961	54,961
Capital surplus	78,034	78,023
Retained earnings	393,970	407,265
Treasury stock	(10,900)	(10,861)
<b>Total shareholders' equity</b>	<b>516,065</b>	<b>529,388</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	2,504	837
Deferred gains or losses on hedges	(67)	92
Translation adjustments	(6,683)	(10,097)
<b>Total valuation and translation adjustments</b>	<b>(4,247)</b>	<b>(9,166)</b>
<b>Subscription rights to shares</b>	<b>1,578</b>	<b>1,668</b>
<b>Minority interests</b>	<b>9,973</b>	<b>10,004</b>
<b>Total net assets</b>	<b>523,369</b>	<b>531,893</b>
<b>Total liabilities and net assets</b>	<b>696,351</b>	<b>710,785</b>

# Consolidated Statement of Income

TOKYO ELECTRON

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	68,915	144,889
Cost of sales	57,715	95,742
<b>Gross profit</b>	<b>11,199</b>	<b>49,146</b>
Selling, general & administrative expenses		
Research and development expenses	12,166	14,836
Others	13,421	15,988
Total selling, general & administrative expenses	25,588	30,825
<b>Operating income (loss)</b>	<b>(14,388)</b>	<b>18,321</b>
Non-operating income		
Interest income	281	155
Revenue from development grants	380	474
Others	211	256
Total non-operating income	873	886
Non-operating expenses		
Foreign currency translation loss	398	54
Maintenance and operation cost of closed business bases	-	56
Others	108	32
Total non-operating expenses	506	144
<b>Ordinary income (loss)</b>	<b>(14,021)</b>	<b>19,063</b>
Unusual or infrequent profit		
Reversal of allowance for doubtful accounts	-	310
Gain on sale of fixed assets	1	-
Others	-	12
Total unusual or infrequent profit	1	322
Unusual or infrequent loss		
Loss on retirement or sale of fixed assets	10	93
Loss on impairment	4,375	-
Effect of accounting standard adoption for asset retirement obligations	-	42
Total unusual or infrequent loss	4,386	135
<b>Income (loss) before income taxes</b>	<b>(18,406)</b>	<b>19,250</b>
Provision for income taxes and enterprise taxes	(7,418)	4,392
Income before minority interests	-	14,857
Minority interests	48	130
<b>Net income (loss)</b>	<b>(11,035)</b>	<b>14,727</b>

# Consolidated Cash Flow

TOKYO ELECTRON

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
<b>Cash flow from operating activities</b>		
Income (loss) before income taxes	(18,406)	19,250
Depreciation and amortization	4,913	3,726
Loss on impairment	4,375	-
Increase in accrued pension and severance costs (decrease)	657	622
Increase in allowance for doubtful accounts (decrease)	-	(2,333)
Increase in accrued employees' bonuses (decrease)	(2,566)	(2,661)
Increase in accrued warranty expenses (decrease)	(1,026)	722
Interest and dividend income	(297)	(172)
Decrease in trade notes and accounts receivable (increase)	23,531	(6,786)
Decrease in inventories (increase)	9,089	(14,490)
Increase in accounts payable (decrease)	(4,584)	2,756
Decrease in prepaid consumption tax (increase)	10,315	6,513
Increase in customer advances (decrease)	(8,626)	7,420
Decrease in specific doubtful receivables (increase)	-	3,278
Others	(2,251)	(3,125)
<b>Subtotal</b>	<b>15,124</b>	<b>14,721</b>
Receipts from interest and dividends	356	201
Interest paid	(9)	(9)
Income taxes paid	(1,099)	(5,049)
<b>Net cash generated by operating activities</b>	<b>14,372</b>	<b>9,864</b>
<b>Cash flow from investing activities</b>		
Decrease in time deposits (increase)	(3,665)	-
Payment for purchase of tangible fixed assets	(1,331)	(4,113)
Payment for purchase of intangible fixed assets	(93)	-
Others	(282)	(328)
<b>Net cash used in investing activities</b>	<b>(5,372)</b>	<b>(4,441)</b>
<b>Cash flow from financing activities</b>		
Net increase in short-term borrowings (decrease)	(126)	(2,167)
Dividends paid	(715)	(1,431)
Others	(159)	(116)
<b>Net cash generated by financing activities</b>	<b>(1,002)</b>	<b>(3,715)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>685</b>	<b>(925)</b>
<b>Net increase in cash and cash equivalents (decrease)</b>	<b>8,682</b>	<b>782</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>65,883</b>	<b>123,939</b>
<b>Cash and cash equivalents at end of period</b>	<b>74,566</b>	<b>124,721</b>

## 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 Cell) Production Equipment, and Electronic Components and Computer Networks.

The Semiconductor Production Equipment segment consists of coatiers/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment, and we are engaged in the development, manufacturing, sales and provision of maintenance services. etc. for such products.

The FPD/PV (Flat Panel Display and Photovoltaic Cell) Production Equipment segment consists of coatiers/developers, plasma etch/ash system used in the manufacturing of flat panel displays, and plasma CVD systems used in the manufacturing of thin film silicon PV cells, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The Electronic Components and Computer Networks segment consists of semiconductor products centering on integrated circuits (IC), other electronic components, computer networks and software, etc., and we are engaged in the design, development, procurement, and sales, etc. for such products.

### (ii) Net sales and profit/loss in reportable segments

Three months ended June 30, 2010

	Reportable Segment			Others
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	103,166	20,306	21,500	3,692
Segment income	22,314	2,787	412	629

	Total Segment	Eliminations	Consolidated Total
Net sales	148,666	(3,777)	144,889
Segment income	26,143	(6,893)	19,250

#### 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 6,893 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 4,923 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 quarterly net income before taxes in the quarterly consolidated income statement.

### (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

#### (Additional Information)

From the first quarter of the current consolidated fiscal year, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Statement No.17, dated March 27, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Guidance No.20, dated March 21, 2008).