

# 2Q FY2013 (April 1, 2012 – September 30, 2012)

## Financial Announcement

Agenda:

- 2Q FY2013 Consolidated Financial Summary

Yoshiteru Harada, Corporate Director, Executive Officer

- Revision of FY2013 Financial Estimates and Major Progress in this Fiscal Year

Hiroshi Takenaka, President & CEO

October 31, 2012

# 2Q FY2013 Consolidated Financial Summary

2Q FY2013: July 1, 2012 - September 30, 2012  
FY2013 : April 1, 2012 - March 31, 2013

Yoshiteru Harada  
Corporate Director, Executive Officer

October 31, 2012

# Results Highlights

For the six months ended September 30, 2012

	<b>Net Sales</b>	<b>¥266.6B</b>	<b>- 13.1% on FY12/2H</b> (-18.3% on FY12/1H)
	<b>Operating income</b>	<b>¥12.2B</b>	<b>- 48.3% on FY12/2H</b> (-66.9% on FY12/1H)
	<b>Operating margin</b>	<b>4.6%</b>	
	<b>Net income</b>	<b>¥6.0B</b>	<b>- 39.5% on FY12/2H</b> (-77.2% on FY12/1H)

Cash and cash equivalents: Cash and deposits + Short-term investments, etc (Securities in B/S).

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# Profit and Loss

(Billions of Yen)

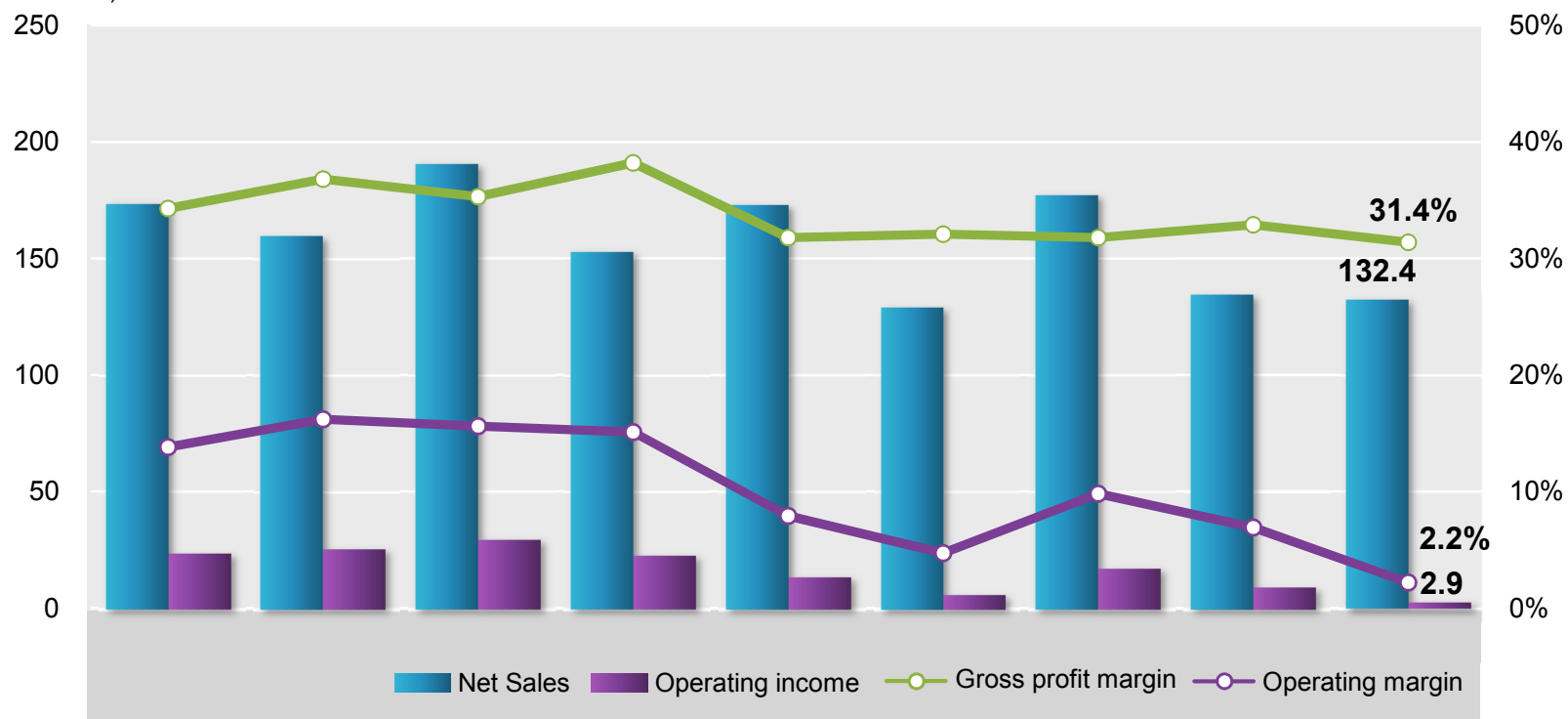
	FY12		FY13	FY13
	1H	2H	1H	1H Forecast (7/30)
<b>Net Sales</b>	<b>326.3</b>	<b>306.7</b>	<b>266.6</b>	<b>268.0</b>
SPE	248.3	229.4	214.6	216.0
FPD/PVE	36.6	33.2	9.2	9.0
EC/CN	41.0	43.8	42.4	43.0
Others	0.2	0.2	0.2	-
<b>Gross profit</b>	<b>113.5</b> (34.8%)	<b>97.9</b> (31.9%)	<b>85.6</b> (32.1%)	-
<b>SG&amp;A</b>	<b>76.6</b>	<b>74.3</b>	<b>73.4</b>	-
<b>Operating income</b>	<b>36.8</b> (11.3%)	<b>23.5</b> (7.7%)	<b>12.2</b> (4.6%)	<b>9.5</b> (3.5%)
<b>Net income</b>	<b>26.6</b>	<b>10.0</b>	<b>6.0</b>	<b>6.0</b>
<b>EPS (yen)</b>	<b>148.85</b>	<b>56.20</b>	<b>33.99</b>	<b>33.49</b>

1. SPE : Semiconductor Production Equipment, FPD/PVE : Flat Panel Display and Photovoltaic Panel Production Equipment, EC/CN : Electric Components and Computer Networks
2. Numbers shown in ( ): Profit ratios
3. Profit ratios are calculated using full amounts, before rounding.

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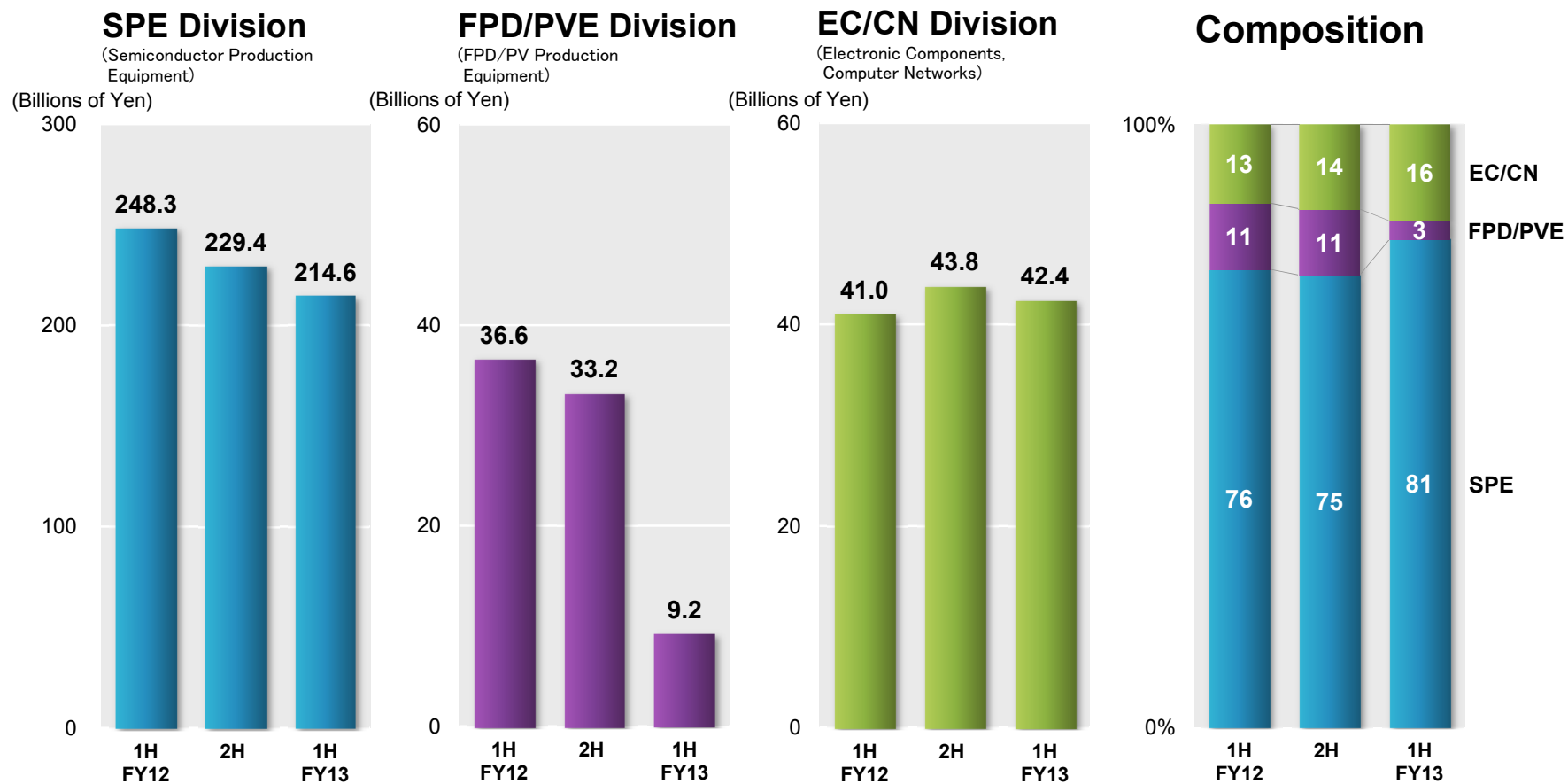
# Net Sales & Operating Margin

(Billions of Yen)

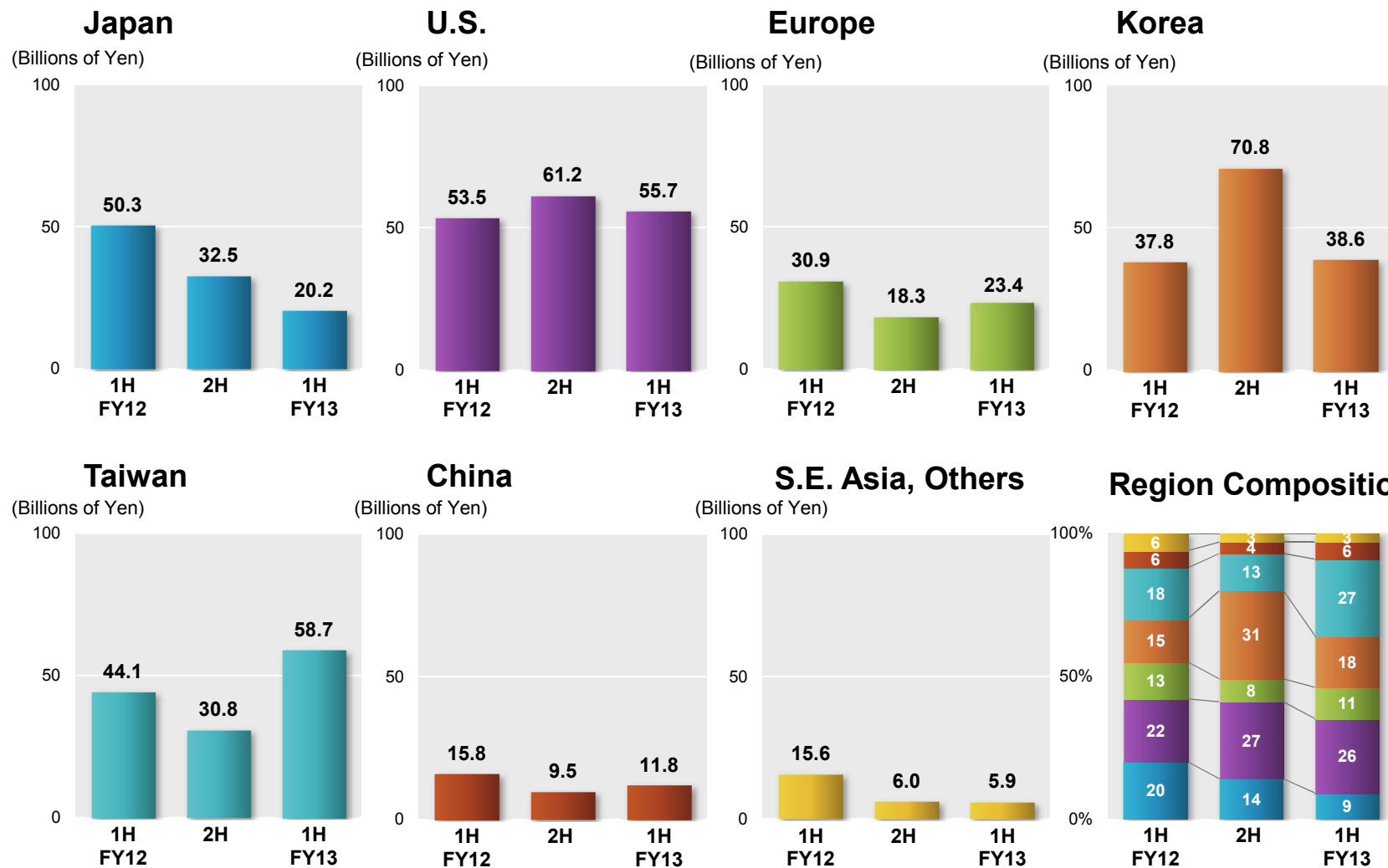


	FY11/2Q	3Q	4Q	FY12/1Q	2Q	3Q	4Q	FY13/1Q	2Q
Net Sales	173.5	159.6	190.6	153.1	173.2	129.1	177.5	134.1	132.4
Operating income	24.0	25.8	29.7	23.0	13.7	6.0	17.4	9.2	2.9
Gross profit margin	34.3%	36.8%	35.3%	38.2%	31.8%	32.1%	31.8%	32.9%	31.4%
Operating margin	13.8%	16.2%	15.6%	15.1%	7.9%	4.7%	9.8%	6.9%	2.2%

# Net Sales by Division

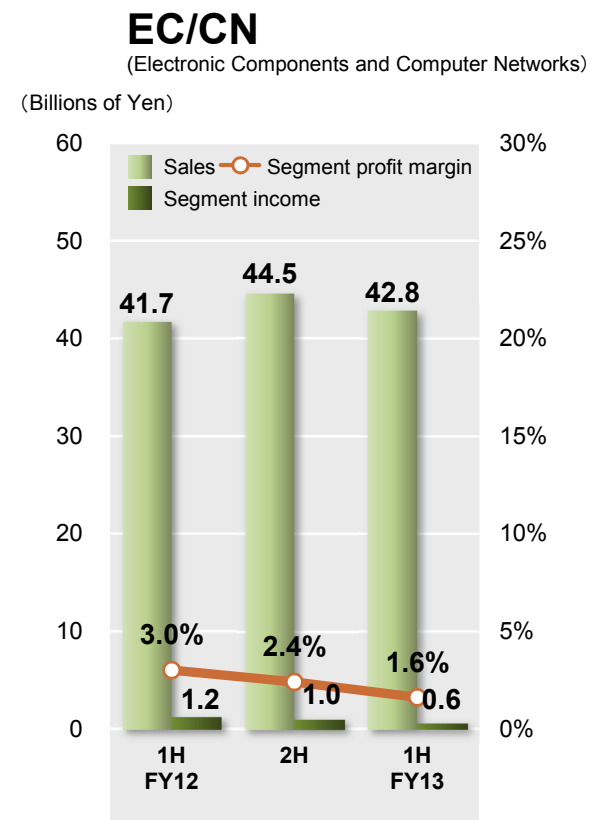
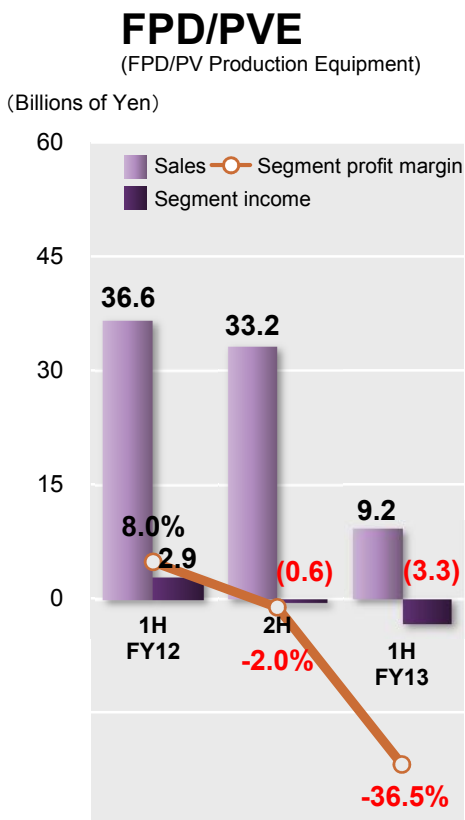
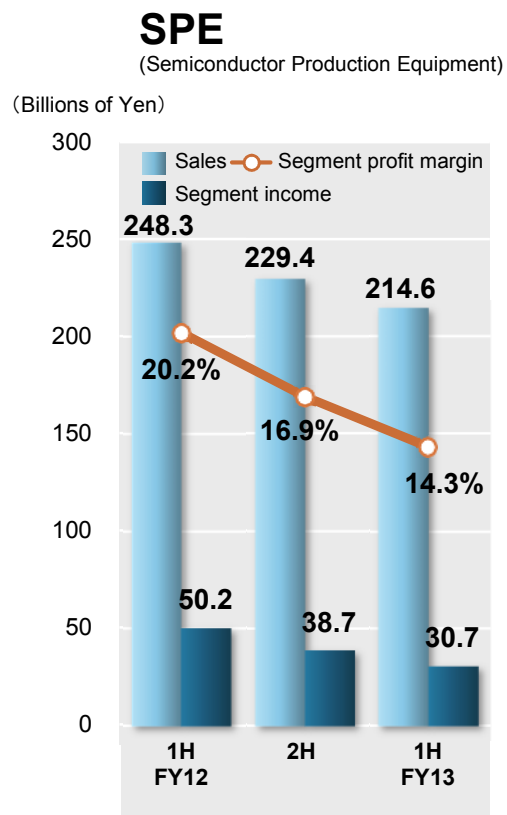


# SPE Sales by Region





# Segment Information

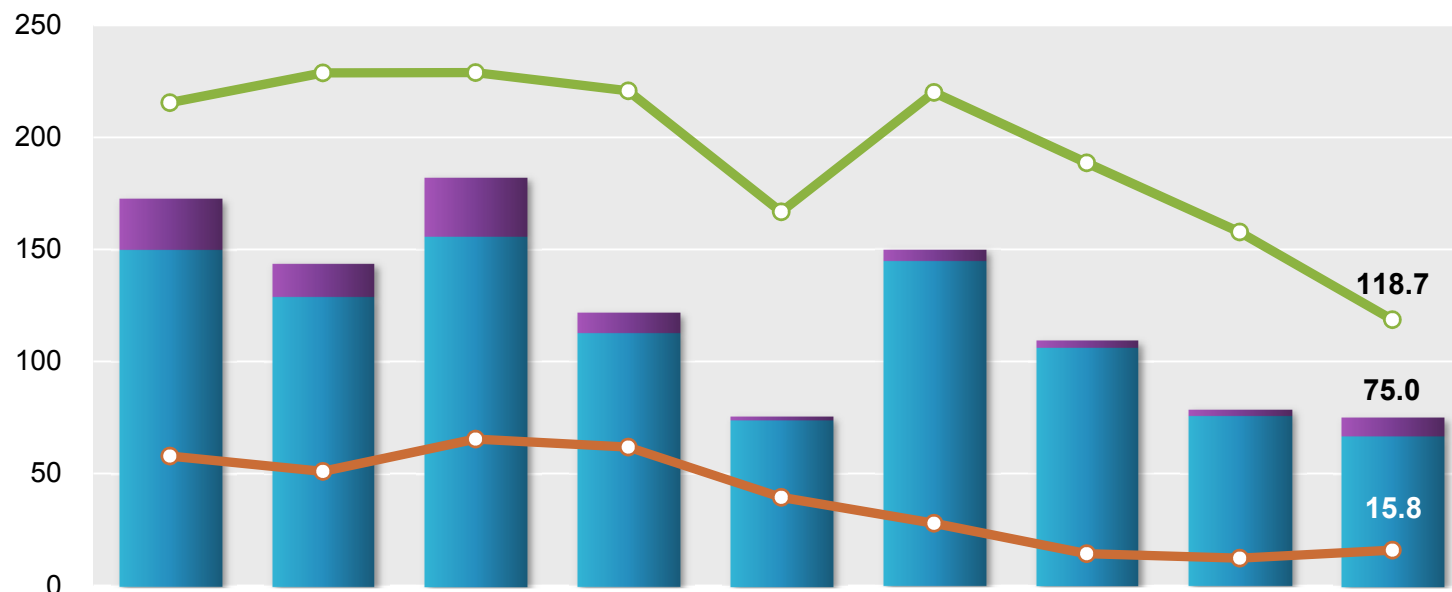


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2. Segment income is based on income before income taxes.
3. Profit ratios are calculated using full amounts, before rounding.



# Orders, Order Backlog

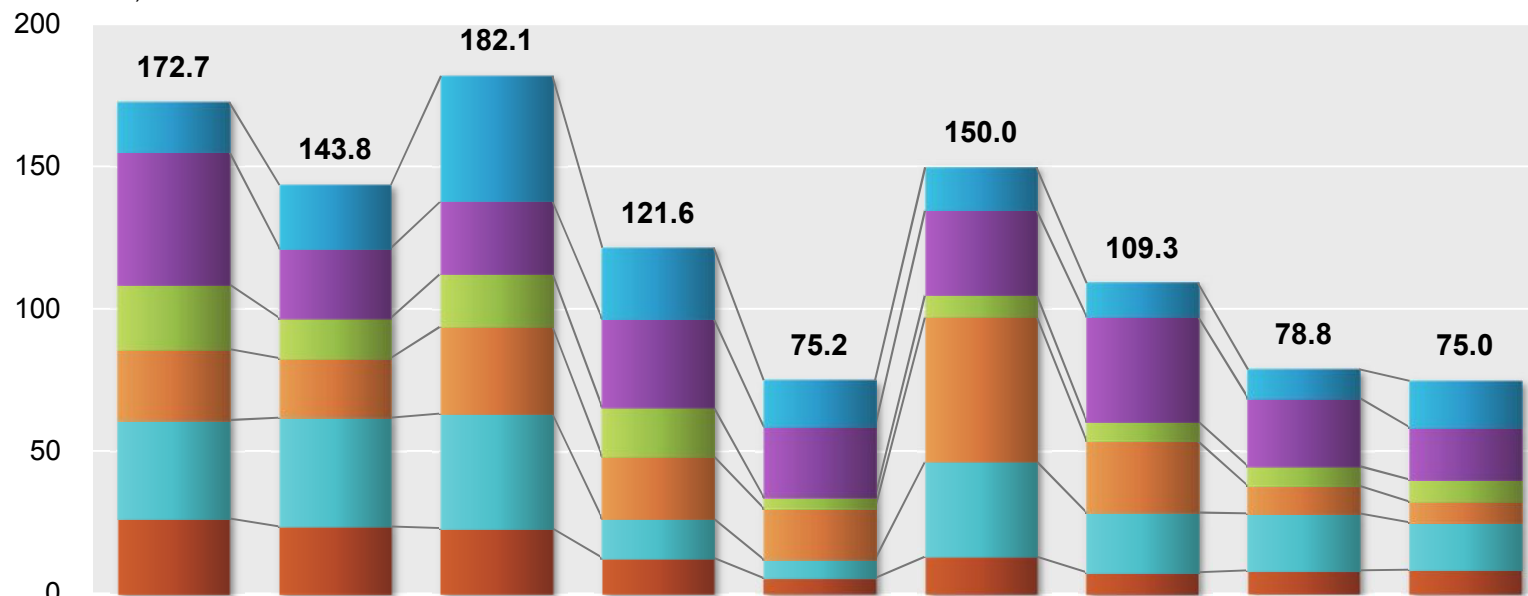
(Billions of Yen)



	FY11/2Q	3Q	4Q	FY12/1Q	2Q	3Q	4Q	FY13/1Q	2Q
SPE Orders	150.2	128.6	155.8	112.6	73.5	144.9	106.4	76.0	66.9
FPD/PVE Orders	22.4	15.2	26.3	8.9	1.7	5.0	2.8	2.8	8.0
SPE Order backlog	215.5	228.8	228.9	220.7	166.7	220.1	188.6	157.7	118.7
FPD/PVE Order backlog	57.8	51.0	65.4	61.8	39.4	27.8	14.2	12.2	15.8

# Orders by Region: SPE, FPD/PVE

(Billions of Yen)

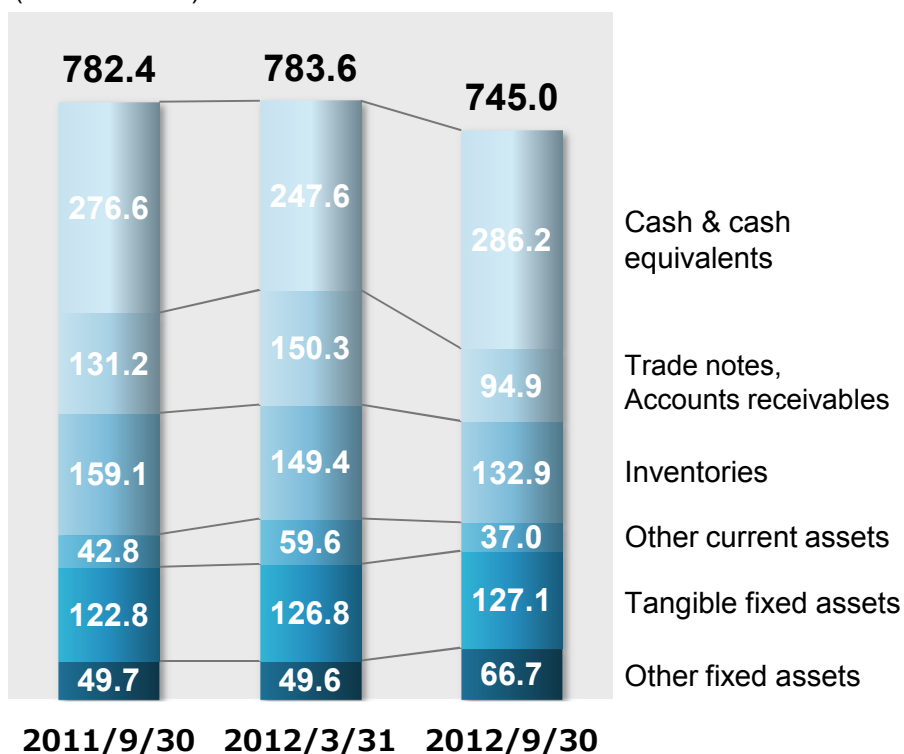


	FY11/2Q	3Q	4Q	FY12/1Q	2Q	3Q	4Q	FY13/1Q	2Q
Japan	17.3	22.2	43.9	25.0	16.3	14.9	11.7	10.0	16.3
U.S.	46.6	24.5	25.4	31.1	24.8	29.7	36.8	24.0	18.4
Europe	22.8	14.1	18.6	17.2	3.9	7.6	7.0	6.8	7.7
Korea	24.9	21.0	30.7	21.9	17.9	51.1	25.1	9.7	7.3
Taiwan	34.6	38.2	40.3	13.7	6.6	33.5	21.0	20.0	16.7
China, S.E. Asia, Others	26.3	23.5	22.9	12.5	5.4	12.9	7.4	8.1	8.3

# Balance Sheet

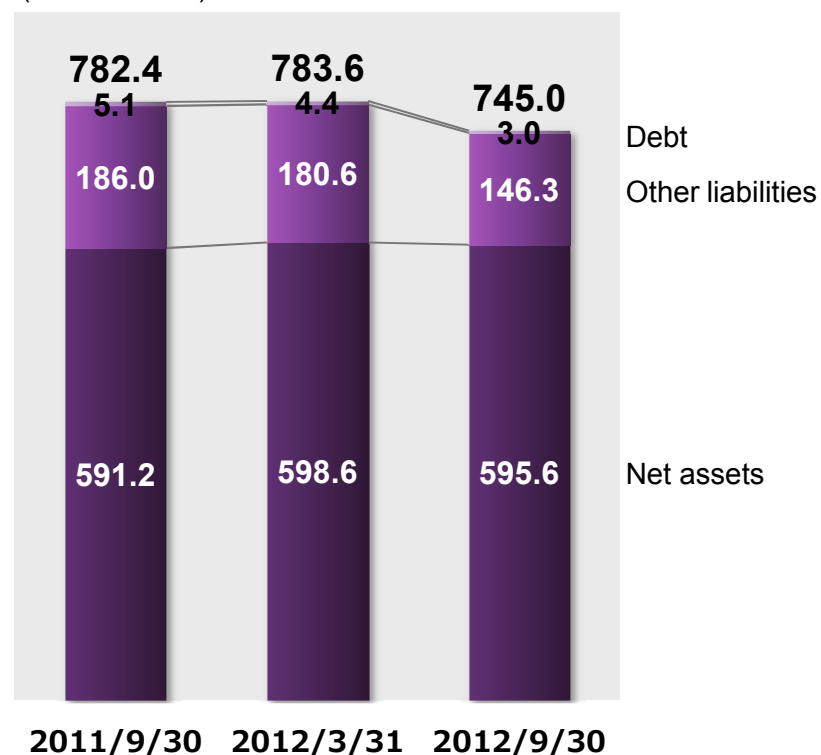
## Assets

(Billions of Yen)



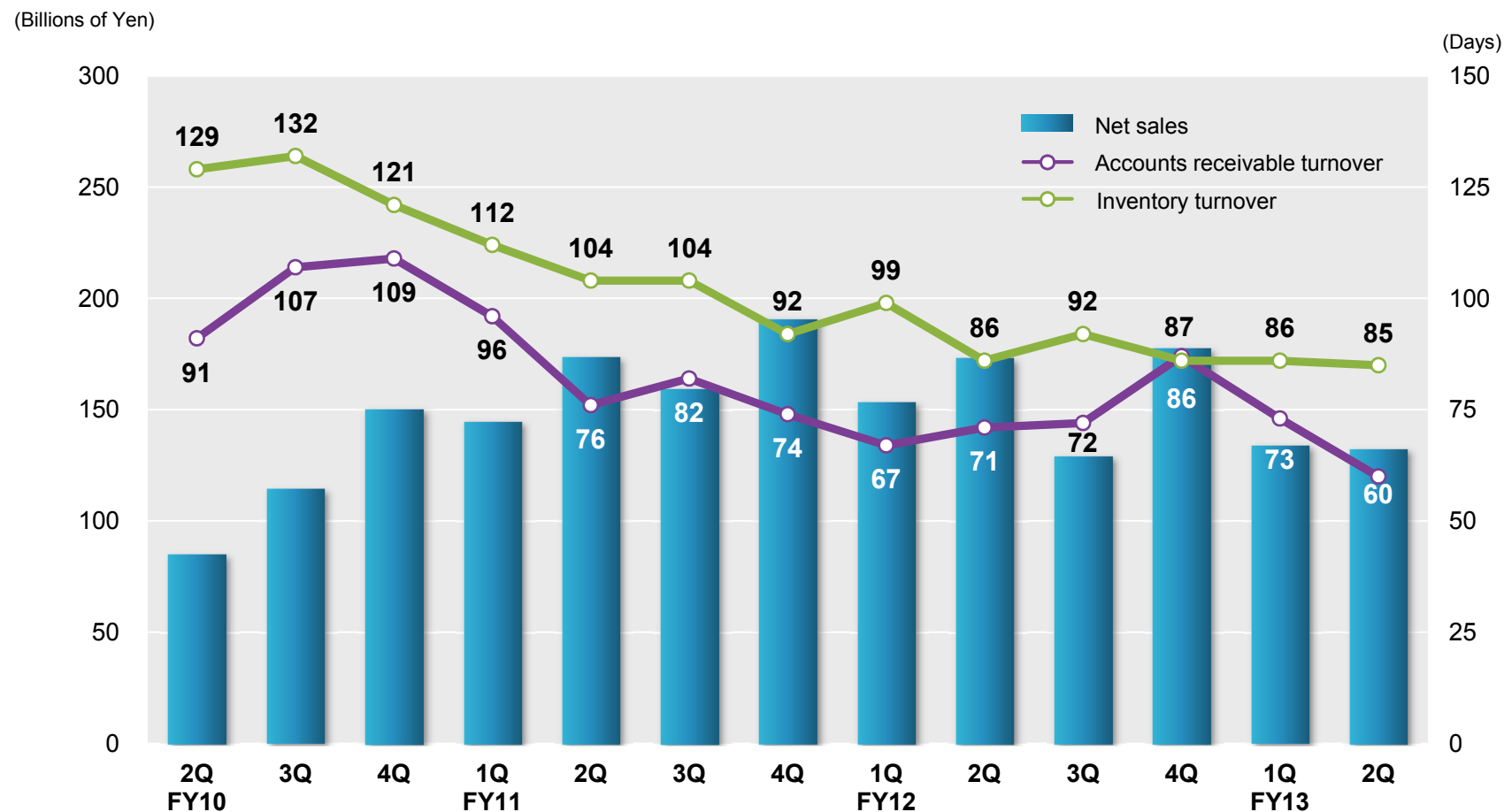
## Liabilities & Net Assets

(Billions of Yen)



66.7 billion yen of other fixed assets as of 2012/9/30 includes 15.1 billion yen of goodwill on corporate acquisition, etc.  
 Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

# Inventory Turnover and AR Turnover



\*Turnover days = Inventory or AR at the end of each quarter / last 12 months sales x 365

# Cash Flow

(Billions of Yen)

	FY2012		FY2013
	1H	2H	1H
Cash flow from operating activities	26.7	3.0	73.9
Cash flow from investing activities	-72.4	64.1	-84.2
Payment for corporate acquisition	-	-	-15.8
Payment for purchase of property, plant, equipment and others	-16.9	-22.3	-12.6
Term deposits over 3 months	-55.4	86.4	-55.7
Cash flow from financing activities	-16.7	-10.5	-6.4
Cash and cash equivalents at end of term	101.1	158.7	141.6
Cash and deposits at end of term (Short-term investments, etc. included)	276.6	247.6	286.2

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# Supplement Data

# Profit and Loss

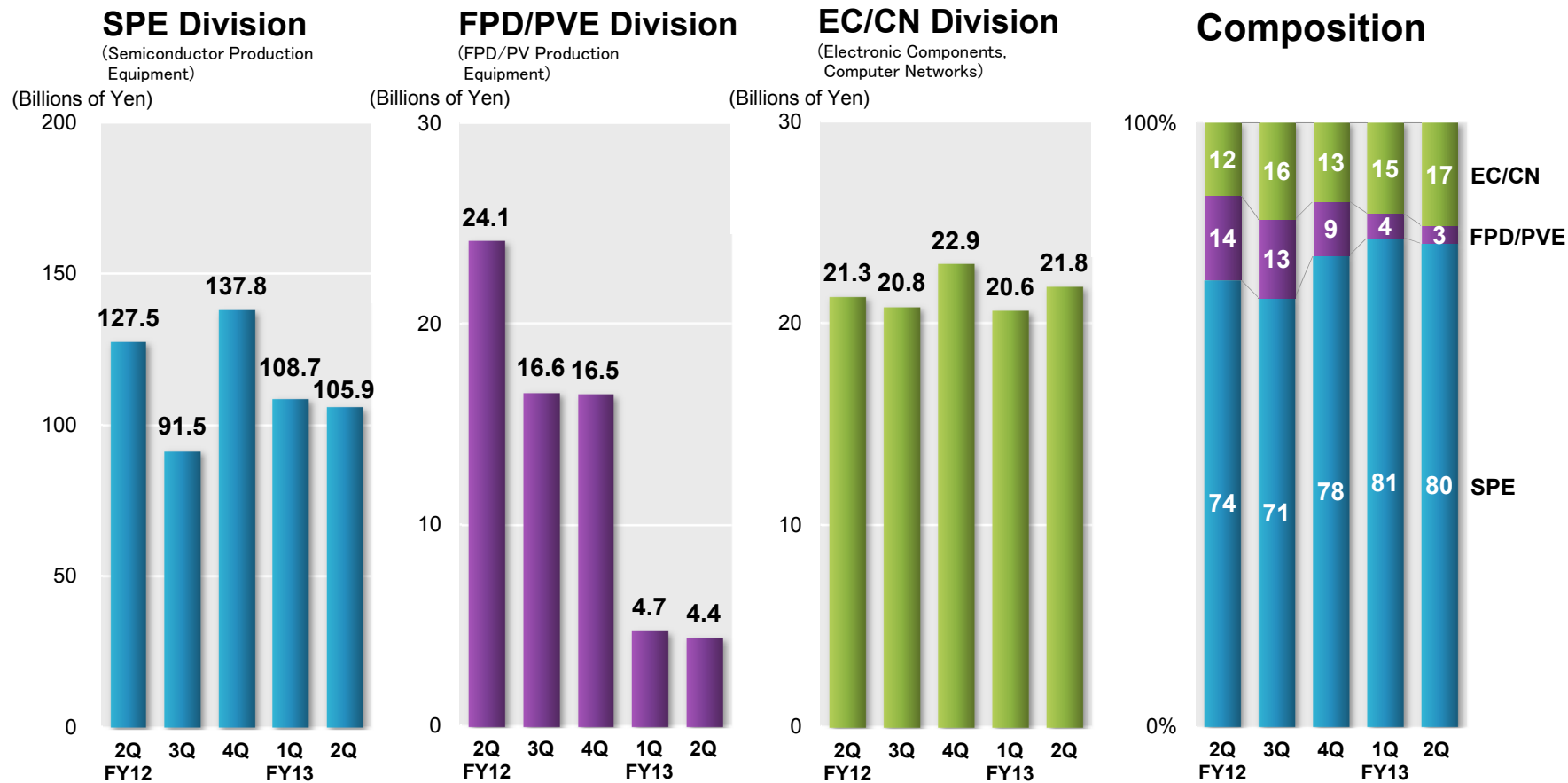
(Billions of Yen)

	FY2012				FY2013	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net Sales</b>	<b>153.1</b>	<b>173.2</b>	<b>129.1</b>	<b>177.5</b>	<b>134.1</b>	<b>132.4</b>
SPE	120.8	127.5	91.5	137.8	108.7	105.9
FPD/PVE	12.5	24.1	16.6	16.5	4.7	4.4
EC/CN	19.6	21.3	20.8	22.9	20.6	21.8
Others	0.0	0.1	0.0	0.1	0.1	0.1
<b>Gross profit</b>	<b>58.4</b> (38.2%)	<b>55.0</b> (31.8%)	<b>41.4</b> (32.1%)	<b>56.4</b> (31.8%)	<b>44.1</b> (32.9%)	<b>41.5</b> (31.4%)
<b>SG&amp;A</b>	<b>35.3</b>	<b>41.3</b>	<b>35.3</b>	<b>38.9</b>	<b>34.8</b>	<b>38.6</b>
<b>Operating income</b>	<b>23.0</b> (15.1%)	<b>13.7</b> (7.9%)	<b>6.0</b> (4.7%)	<b>17.4</b> (9.8%)	<b>9.2</b> (6.9%)	<b>2.9</b> (2.2%)
Income before income taxes	23.4	15.8	6.7	14.6	11.2	4.3
<b>Net income</b>	<b>16.6</b>	<b>10.0</b>	<b>0.7</b>	<b>9.3</b>	<b>5.7</b>	<b>0.3</b>
<b>EPS (yen)</b>	<b>92.91</b>	<b>55.95</b>	<b>4.21</b>	<b>51.98</b>	<b>31.93</b>	<b>2.07</b>
<b>R&amp;D expenses</b>	<b>18.1</b>	<b>22.9</b>	<b>18.7</b>	<b>21.6</b>	<b>17.9</b>	<b>19.4</b>

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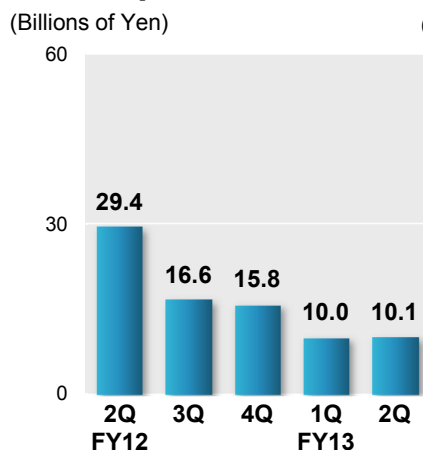


# Net Sales by Division

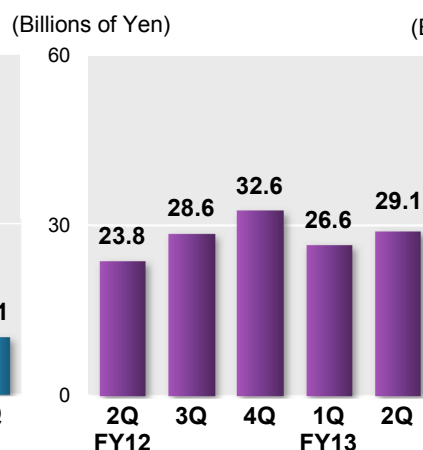


# SPE Sales by Region

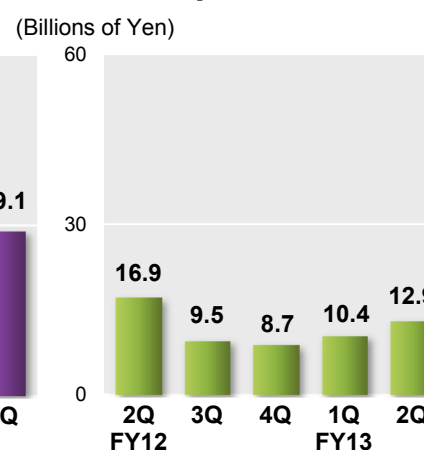
## Japan



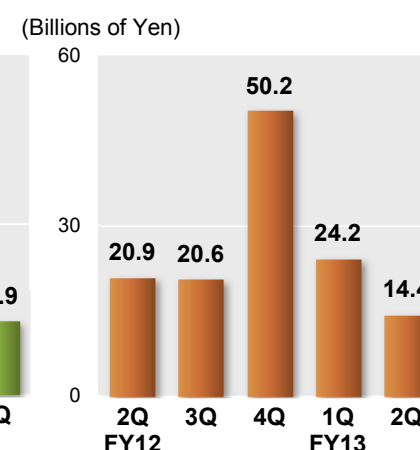
## U.S.



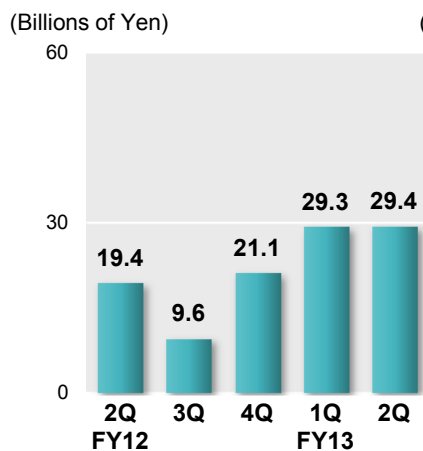
## Europe



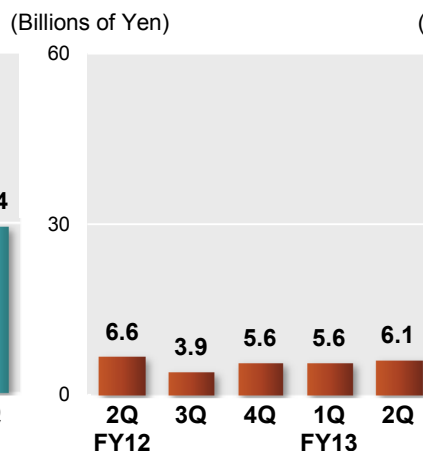
## Korea



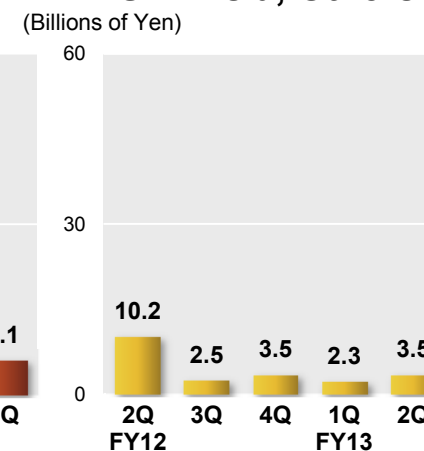
## Taiwan



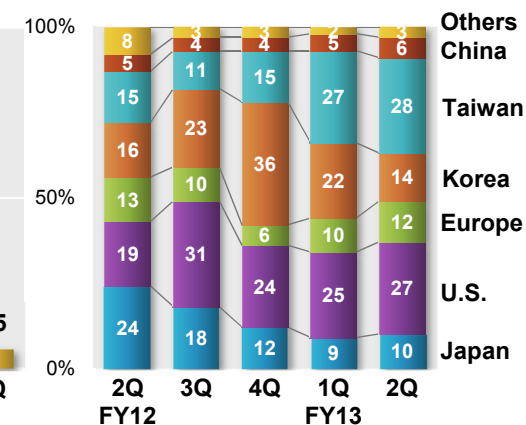
## China



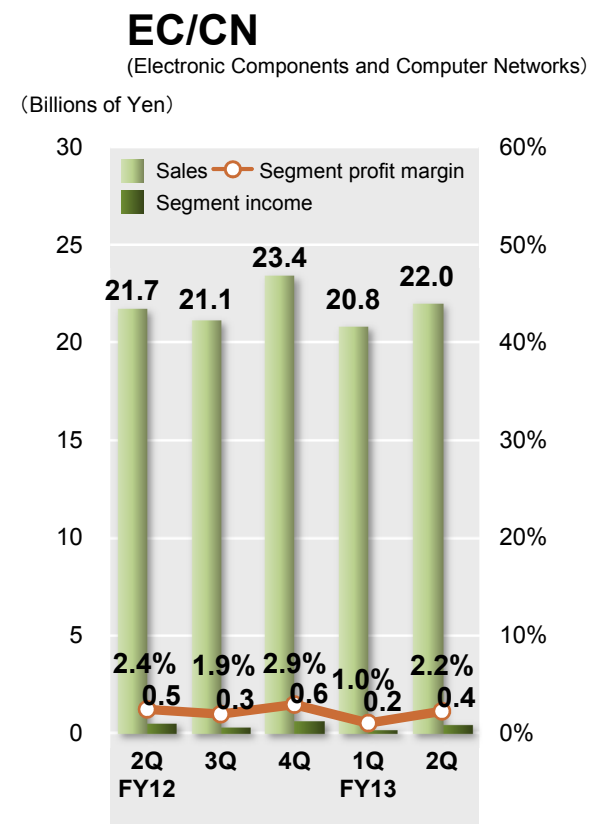
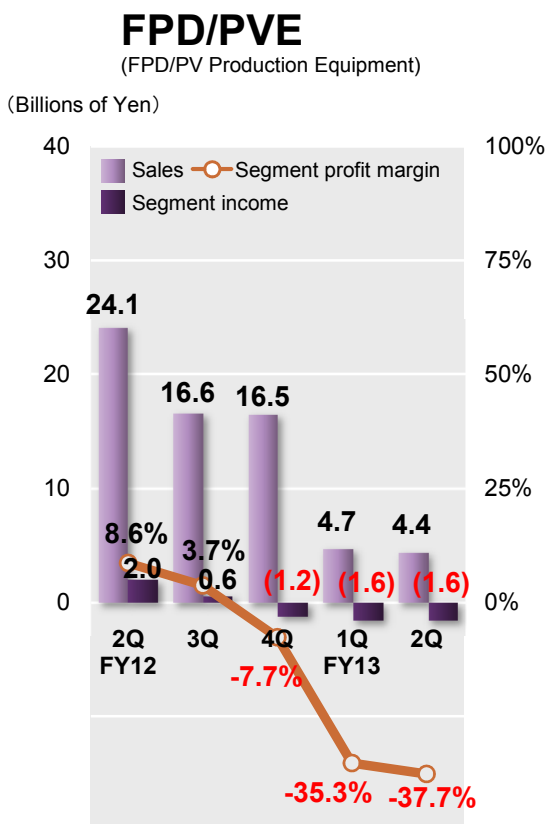
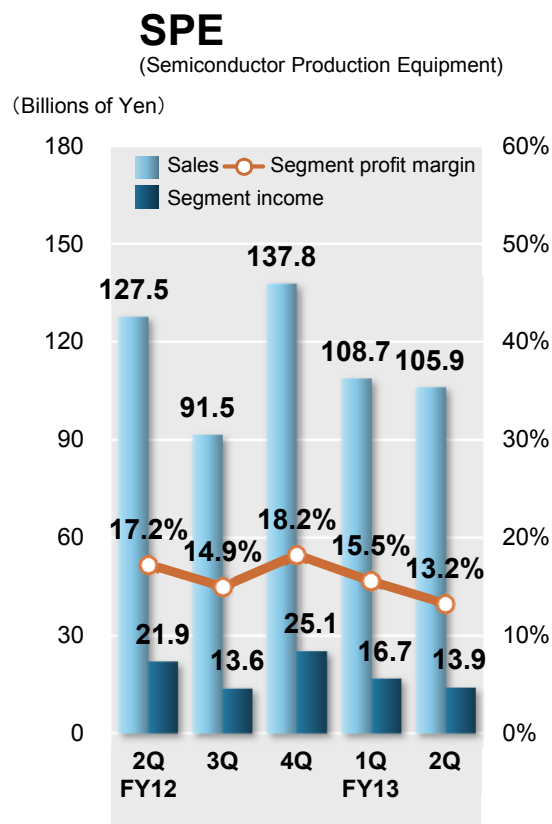
## S.E. Asia, Others



## Region Composition



# Segment Information

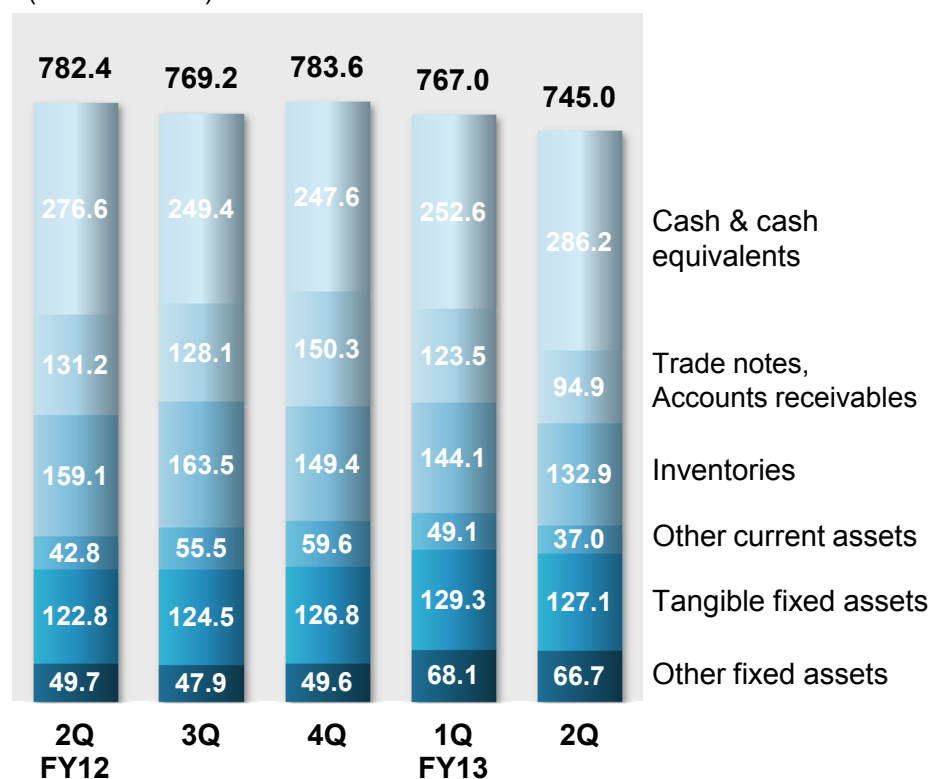


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# Balance Sheet

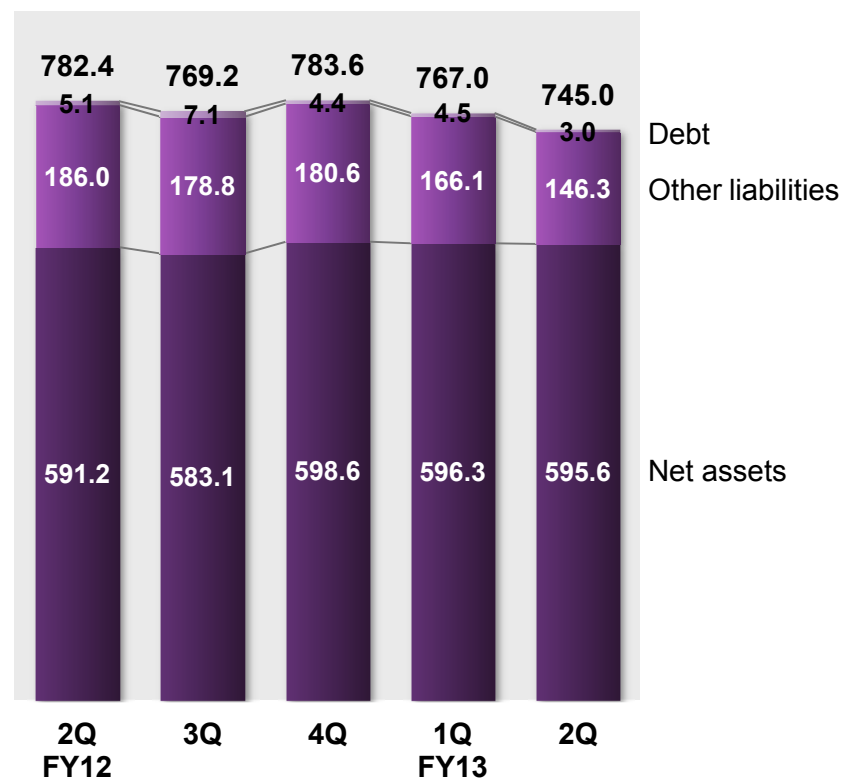
## Assets

(Billions of Yen)



## Liabilities & Net Assets

(Billions of Yen)



66.7 billion yen of other fixed assets as of 2QFY13 end includes 15.1 billion yen of goodwill on corporate acquisition, etc.  
Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

# Cash Flow

(Billions of Yen)

	FY12			FY13	
	2Q	3Q	4Q	1Q	2Q
Cash flow from operating activities	<b>8.6</b>	<b>-4.9</b>	<b>7.9</b>	<b>35.8</b>	<b>38.0</b>
Cash flow from investing activities	<b>-13.7</b>	<b>53.3</b>	<b>10.8</b>	<b>-46.0</b>	<b>-38.1</b>
Payment for corporate acquisition	-	-	-	-15.8	-
Payment for purchase of property, plant, equipment and others	-12.2	-14.1	-8.1	-9.2	-3.4
Term deposits over 3 months	-1.4	67.4	19.0	-21.0	-34.7
Cash flow from financing activities	<b>-2.5</b>	<b>-7.7</b>	<b>-2.8</b>	<b>-4.8</b>	<b>-1.5</b>
Cash and cash equivalents at end of term	101.1	141.4	158.7	142.8	141.6
Cash and deposits at end of term (Short-term investments, etc. included)	<b>276.6</b>	<b>249.4</b>	<b>247.6</b>	<b>252.6</b>	<b>286.2</b>

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# Revision of FY2013 Financial Estimates and Major Progress in this Fiscal Year

Hiroshi Takenaka, President & CEO

October 31, 2012

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# Business Environment



# Business Environment (As of October 2012)

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## ▶ SPE Capex

PC and smartphone demand is lower than expected due to a slow macroeconomic environment. Demand from foundries is relatively firm, but the wafer fab equipment market is expected to decline by around 20% YoY in CY2012 and full recovery is not expected until spring CY2013 or beyond.

## ▶ FPD Capex

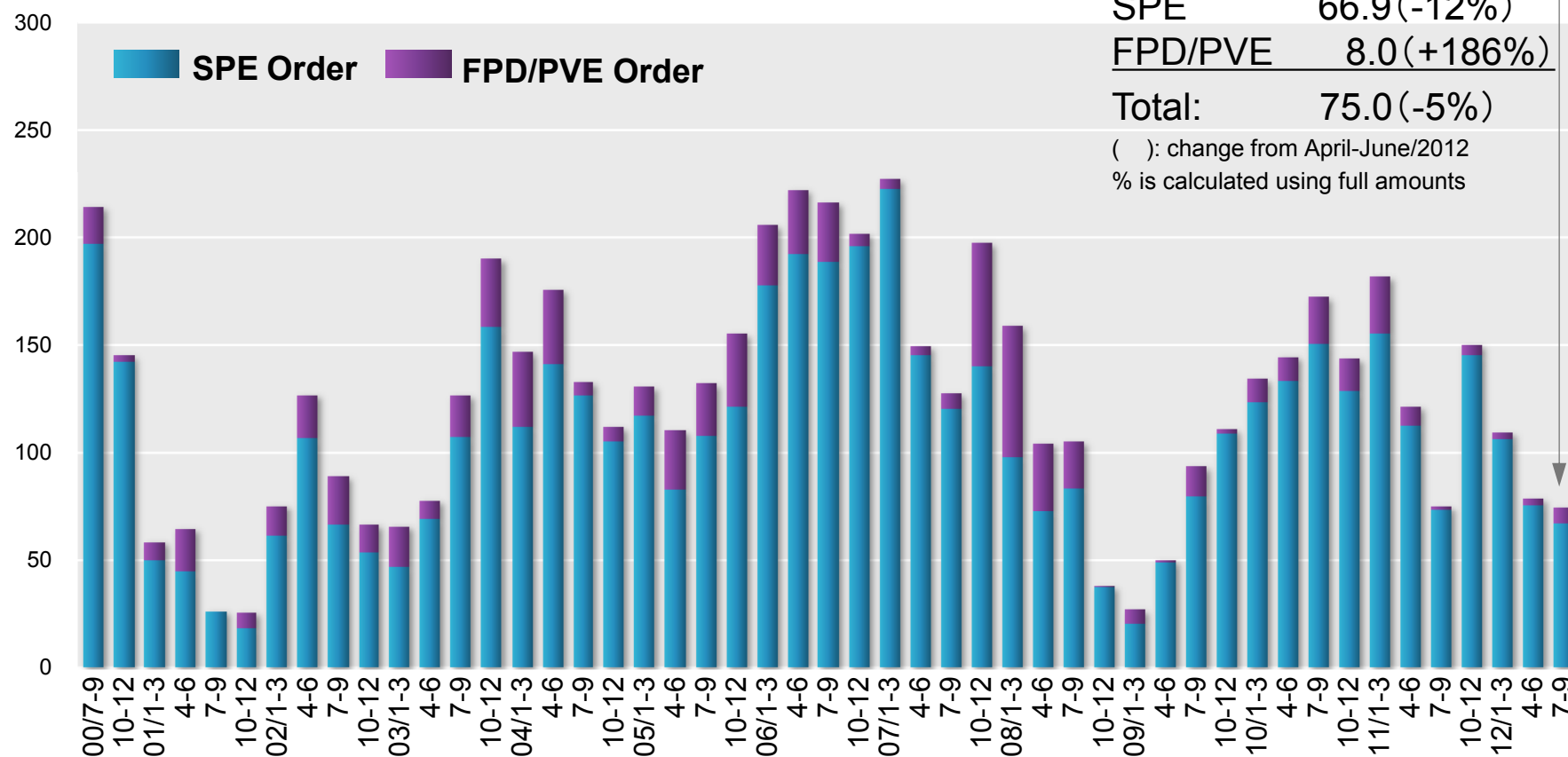
The supply/demand balance for large TV panels is improving, but demand for new equipment is not expected to recover until the second half of next year or later. Mid- and small-sized panels are likely to be the main source of equipment demand for the time being.

## ▶ PV Capex

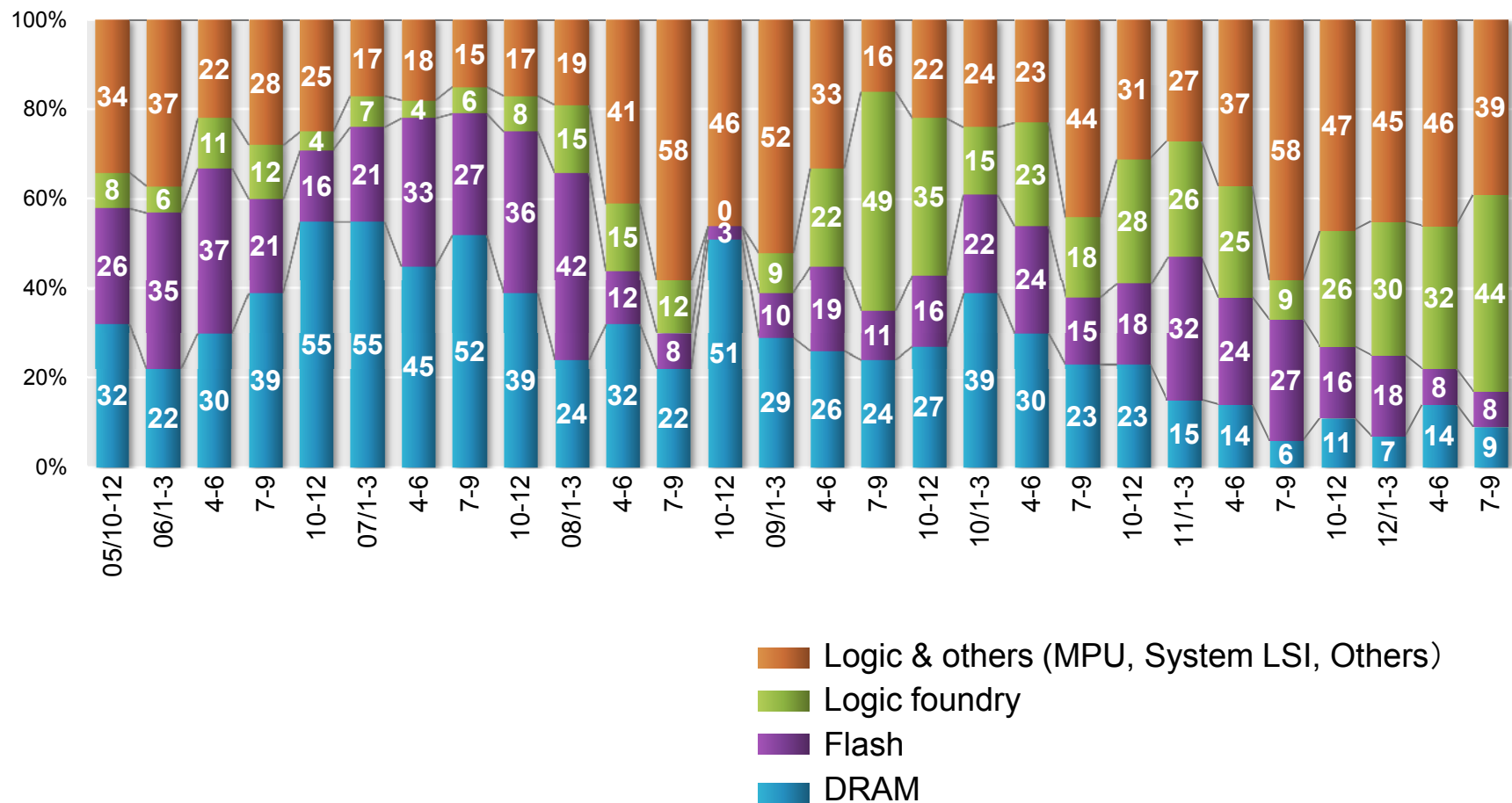
Excess production capacity for crystalline PV panels is being adjusted, current capex is expected to remain sluggish.

# Quarterly Orders

(Billions of Yen)



# SPE Orders by Application: Equipment only



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# Revision of FY2013 Financial Estimates

# Revision of FY2013 Financial Estimates

(Billions of Yen)

	FY2012	FY2013						YoY change
		1H	2H		Full year			
		Actual	New estimates	Adjustments	New estimates	Adjustments		
Net sales	<b>633.0</b>	<b>266.0</b>	<b>234.4</b>	-27.6	<b>501.0</b>	-29.0	<b>-21%</b>	
SPE	477.8	214.6	178.3	-21.7	393.0	-23.0	-18%	
FPD/PVE	69.8	9.2	9.7	+0.7	19.0	+1.0	-73%	
EC/CN	84.8	42.4	46.0	-7.0	88.5	-7.5	+4%	
Others	0.4	0.2	0.2		0.5	+0.5	-	
Operating income	<b>60.4</b>	<b>12.2</b>	<b>0.3</b>	-10.2	<b>12.5</b>	-7.5	<b>-47.9</b>	
Lower line: OP margin	<b>9.5%</b>	<b>4.6%</b>	<b>0.1%</b>	-3.9pts	<b>2.5%</b>	-1.3pts	-7.0pts	
Income before income taxes	<b>60.6</b>	<b>15.5</b>	<b>2.5</b>	-10.5	<b>18.0</b>	-7.5	<b>-42.6</b>	
Net income	<b>36.7</b>	<b>6.0</b>	<b>1.0</b>	-7.0	<b>7.0</b>	-7.0	<b>-29.7</b>	

1. Adjustments: changes from the figures announced on July 30, 2012
2. NEXX Systems (acquisition completed on May 1) and FSI International (acquisition completed on October 11) financials are reflected in above estimates .

## Lowered SPE sales forecast due to weak investment

# Key Items of Financial Revision

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## 1. Fixed cost reduction: ¥16 billion from last FY

- » Cost cuts centered on subcontractor, payroll and development expenses (materials, etc.)

## 2. Dividend forecast

- » Annual dividend of ¥51 including the commemorative dividend

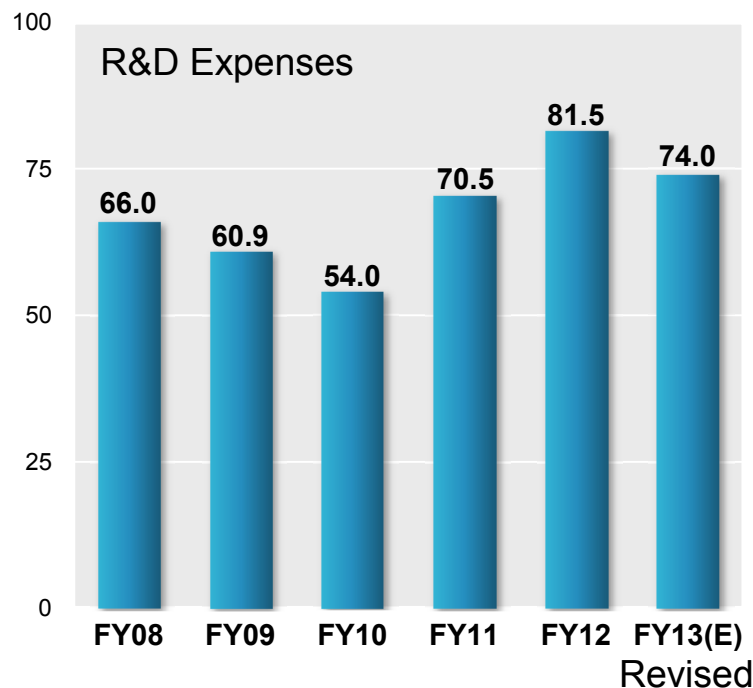
## 3. Two acquisitions completed

	Date acquisition announced	Date acquisition completed	Purchase price	Goodwill (Years of amortization)
NEXX Systems	March 16, 2012	May 1, 2012	¥15.8 billion	¥15.3 billion (10 years)*
FSI International	August 13, 2012	October 11, 2012	¥19.9 billion	TBD

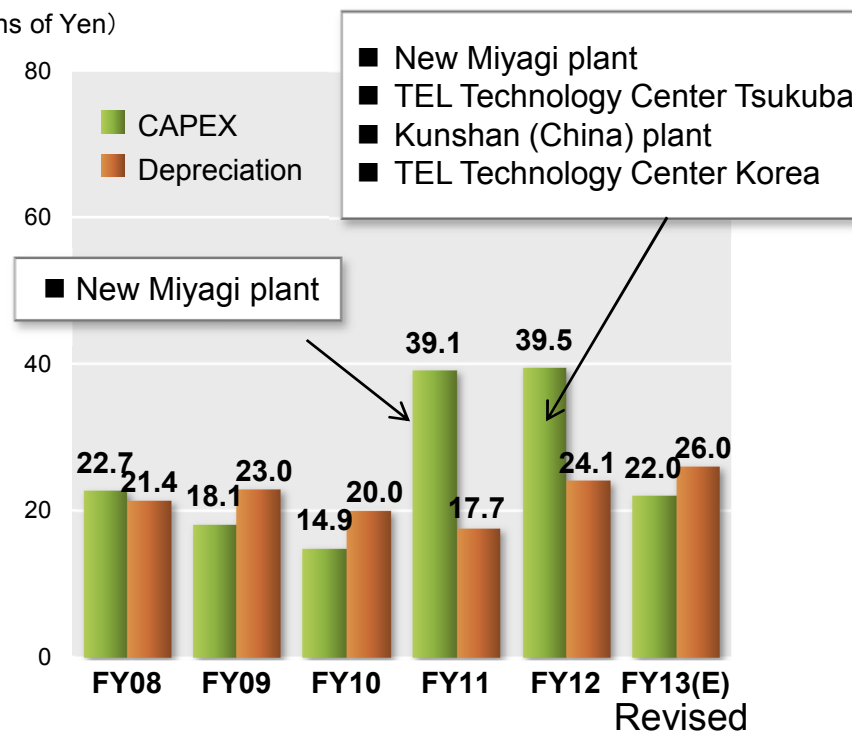
\* Goodwill and years of amortization are provisional figures.

# R&D Expenses, CAPEX, Depreciation

(Billions of Yen)



(Billions of Yen)



R&D Expenses: 79.0B to 74.0B yen (revised)  
 CAPEX: 24.0B to 22.0B yen (revised)  
 Depreciation: 28.0B to 26.0B yen (revised)



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# Major Progress in this fiscal year

# Progress in the SPE Business

## (areas of enhancement)

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### ▶ Etching systems

#### ➤ Dielectric etch

Maintained high market share in logic BEOL and memory HARC process

#### ➤ Poly etch

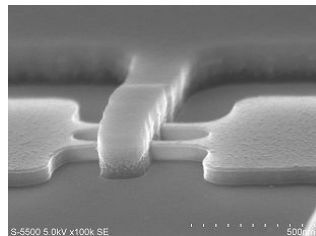
TEL successfully differentiated itself in the logic FEOL via RLSA etcher

— Newly secured six POR\* in US and European markets

— Also introduced evaluation equipment to Asian customers

Expect to secure several new processes next FY and beyond.

**FinFET**



Tactras™ RLSA™ Etch

\* POR (Process of Record): Approval to use equipment in customers' semiconductor manufacturing processes.

# Progress in the SPE Business

## (areas of enhancement)

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### ▶ **Cleaning system**

#### ➤ **Single wafer cleaning**

- Confirmed process superiority in BEOL in customer evaluations
- Expect to obtain POR for several volume production in the near future



CELLESTA™

#### ➤ **Dry cleaning**

- Certas™ maintains high market share  
Expect to expand applicable processes going forward through the application of new materials
- Completed development of new platform with greatly improved productivity. Preparations in place for 2013 market introduction



Certas™

#### ➤ **Acquisition of FSI International (U.S.)**

- Enhanced product line-up with FSI SPM\* technology and dry particle removal technology



ORION™













SPM (Sulfuric Acid & Hydrogen Peroxide Mixture ) treatment technology: A technique to remove impurities and photoresist by mixing sulfuric acid and hydrogen peroxide and further heating.

# Acquired FSI International

- Acquisition completed on October 11, 2012
- Purchase price: ¥19.9 billion

## Aims of the FSI acquisition

- Enhance single wafer cleaning: Acquire next generation technology needs
- Complementary benefits: Application/customers
- Expand product line-up

Batch	Single wafer				Scrubber
<b>WET</b>	<b>WET</b>		<b>DRY</b>		<b>WET</b>
<b>EXPEDIUS™</b>	<b>CELLESTA™</b>	<b>ORION™</b>	<b>Certas™</b>	<b>ANTARES™</b>	<b>NS300</b>
		 High temp SPM		 Particle removal	
					

Product line-up enhanced by complementary FSI products

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# SPE Business – other highlights

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## ▶ Thermal processing system

- Customer evaluation progressed in high-performance ALD equipment (NT333). Obtained POR for use in next generation memory

## ▶ 3DI

- Shipped TSV processing equipment to pilot lines of several customers (Wafer bonder/debonder, Deep Si etch system, Dielectric liner deposition)
- Shipments of bonders for C-MOS sensors are strong

## ▶ Technology for the volume production of new memory **STT-MRAM** (jointly developed with Tohoku University)

- Started development of a range of production equipment for volume production from 2015

# Progress made in the FPD/PV Business

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## ▶ FPD production equipment

- Strengthened cost competitiveness
  - Optimized scale by redeploying personnel
  - Begun operation of Kunshan plant in China
- Began sales of large ICP etchers for high resolution LCD/OLED backplanes

## ➤ OLED production equipment

Market trends: Volume production of large panels for OLED TVs delayed to 2014

TEL status: Started customer evaluation of ink jet system, in addition to evaporation system

## ▶ PV production equipment

- Acquiring Oerlikon Solar: Have secured approval under all relevant countries' anti-trust laws. In negotiations for final closing of the deal.

# Summary

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1. PC and smartphone demand lower than expected, wafer fab equipment market expected to be down around 20% YoY in CY2012. Financial forecasts revised down as 2<sup>nd</sup> half SPE sales now expected to decelerate.
2. We will implement annual fixed cost reduction of 16 billion yen in response to this environment change.
3. TEL aims to significantly enhance its technological competitiveness by actively implementing R&D investment and necessary acquisitions.



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▶ **Disclaimer regarding forward-looking statement**

Forecast of TEL's performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast described here due to changes in various external and internal factors, including the economic situation, semiconductor/FPD/PV market conditions, intensification of sales competition, safety and product quality management, and intellectual property-related risks.

▶ **Processing of numbers**

For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

▶ **Exchange Risk**

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD/PV cell production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD/PV: Flat panel display/Photovoltaic

