

Consolidated Financial Review for the Third Quarter Ended December 31, 2011

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, 2011

(1) Operating results (Cumulative)

	Nine months ended	
	December 31, 2010	December 31, 2011
Net sales (Millions of yen)	478,063	455,514
Operating income (Millions of yen)	68,157	42,953
Ordinary income (Millions of yen)	71,774	46,720
Net income (Millions of yen)	52,121	27,412
Net income per share (Yen)	291.13	153.06
Fully diluted net income per share (Yen)	290.69	152.82
Comprehensive income:	Year ended 12/31/11: 21,559 million yen Year ended 12/31/10: 47,812 million yen	

(2) Financial position

	As of	As of
	March 31, 2011	December 31, 2011
Total assets (Millions of yen)	809,205	769,213
Net assets (Millions of yen)	584,801	583,143
Equity ratio (%)	70.8	74.3
Equity:	571,334 million yen (as of December 31, 2011) 572,741 million yen (as of March 31, 2011)	

2. Dividends

	Year ended March 31, 2011	Year ending March 31, 2012
2Q-end dividend per share (Yen)	38.00	53.00
Year-end dividend per share (Yen)	76.00	27.00 (Forecast)
Annual dividend per share (Yen)	114.00	80.00 (Forecast)

Note: Revision of dividends forecast : None

3. Earnings forecasts for the year ending March 31, 2012

	Year ending March 31, 2012
Net sales (Millions of yen)	630,000
Operating income (Millions of yen)	57,000
Ordinary income (Millions of yen)	60,500
Net income (Millions of yen)	40,000
Net income per share (Yen)	223.30

Note: Revision of earnings forecast : None

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 estimation: None
 4. Restatement: None

(4) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury stock)

As of December 31, 2011:	180,610,911 shares
As of March 31, 2011:	180,610,911 shares
2. Number of shares of treasury stock

As of December 31, 2011:	1,479,509 shares
As of March 31, 2011:	1,554,231 shares
3. Average number of shares outstanding

Nine months ended December 31, 2011:	179,100,704 shares
Nine months ended December 31, 2010:	179,029,939 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.

1. 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 2011), the uncertain situation about the future of the global economy continued with emerging economies, such as China, experiencing a deceleration of growth coming on top of concerns about a slowdown in the US economy, and financial instability in Europe. In Japan, even though the Japanese economy is on the gradual road to recovery from the impact of the Great East Japan Earthquake, a mood of caution about the future is spreading there as well, given the global economic slowdown and the historically high level of the yen.

In the electronics industry, the field of business in which the Tokyo Electron Group is engaged, mobile terminal devices, such as smartphones, performed strongly, but sales of personal computers and digital appliances remained sluggish, resulting from factors such as the global economic slowdown and delays in parts supplies due to the floods in Thailand.

Under these circumstances, consolidated net sales for the first three quarters of the current fiscal year were 455,514 million yen (down 4.7% compared to the same period of the previous year). Consolidated operating income and ordinary income were 42,953 million yen (down 37.0% compared to the same period of the previous year) and 46,720 million yen (down 34.9% compared to the same period of the previous year), respectively. Net income for the first three quarters of the current fiscal year was 27,412 million yen (down 47.4% compared to the same period of the previous year).

An overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Significant falls in DRAM prices meant that production adjustment continued, and excess supply even of flash memory, for which there is tremendous demand, meant that investment in increasing production did not materialize. However, in terms of recently received orders for production equipment, investment in miniaturization related to flash memory and logic semiconductors for mobile terminal devices is beginning to show signs of recovery. Under these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 339,990 million yen (down 4.4% compared to the same period of the previous year).

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

Investment in large-sized LCD panels continued to be weak due to sluggish global demand and significant price falls for televisions. While, in contrast, demand for small and mid-sized LCD panels for use in mobile terminal devices was healthy, demand for production equipment did not grow, because panel manufacturers' supply capacity has also increased. Under these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 53,311 million yen (down 2.8% compared to the same period of the previous year).

(iii) Electronic Components and Computer Networks

Sales of electronic components continued to be weak amidst a backdrop of sluggish demand for digital appliances and companies taking a cautious approach to capital investment. In the computer networks business, sales were strong as companies invested in IT, investments that included preparations to move to cloud computing and disaster contingency planning. Under these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 61,902 million yen (down 8.0% 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 309 million yen (up 0.6% compared to the same period of the previous year).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2012			
	1Q	2Q	3Q	Total
Net Sales	153,117	173,232	129,164	455,514
Semiconductor Production Equipment	120,836	127,557	91,596	339,990
Japan	20,943	29,421	16,641	67,006
U.S.	29,756	23,823	28,641	82,220
Europe	13,999	16,988	9,545	40,533
Korea	16,926	20,957	20,647	58,530
Taiwan	24,705	19,458	9,687	53,851
China	9,115	6,685	3,931	19,732
S.E.Asia and others	5,390	10,222	2,501	18,115
FPD/PV Production Equipment	12,536	24,141	16,633	53,311
Electronic Components & Computer Networks	19,648	21,388	20,865	61,902
Others	96	145	68	309
Operating Income	23,088	13,770	6,094	42,953
Ordinary Income	23,751	15,970	6,998	46,720
Net Income	16,636	10,021	755	27,412

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

Production and Order Performance

1. Production

(Millions of yen)

	FY2012			
	1Q	2Q	3Q	Total
Semiconductor Production Equipment	127,147	105,286	97,098	329,532
FPD/PV Production Equipment	14,115	15,841	16,035	45,992
Total	141,262	121,127	113,134	375,524

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

2. Orders Received

(Millions of yen)

	FY2012			
	1Q	2Q	3Q	Total
Semiconductor Production Equipment	112,692	73,531	144,971	331,195
FPD/PV Production Equipment	8,920	1,713	5,078	15,712
Electronic Components & Computer Networks	22,508	19,584	20,441	62,534
Others	96	145	68	309
Total	144,217	94,974	170,560	409,752

- 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		
	1Q	2Q	3Q
Semiconductor Production Equipment	220,798	166,773	220,148
FPD/PV Production Equipment	61,875	39,447	27,892
Electronic Components & Computer Networks	17,235	15,430	15,006
Others	-	-	-
Total	299,909	221,651	263,048

- 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 fiscal year were 596,726 million yen, down 47,505 million yen compared to the end of the previous fiscal year. The major factors influencing this result

were a 42,062 million yen decrease in short-term investments included in securities, an 8,236 million yen decrease in trade notes and accounts receivable, and a 6,426 million yen increase in cash and deposits.

Tangible fixed assets were 124,554 million yen, an increase of 12,002 million yen from the end of the previous fiscal year.

Intangible fixed assets were 4,593 million yen, an increase of 381 million yen from the end of the previous fiscal year.

Investments and other assets were 43,338 million yen, a decrease of 4,870 million yen compared to the end of the previous fiscal year.

As a result, total assets were 769,213 million yen, a decrease of 39,991 million yen compared to the end of the previous fiscal year.

Current liabilities were 127,404 million yen, down 40,633 million yen compared to the end of the previous fiscal year. Major factors in the decrease were a decline in income taxes payable of 22,667 million yen, and a decrease in trade notes and accounts payable of 9,959 million yen.

Long-term liabilities were 58,664 million yen, up 2,299 million yen compared to the end of the previous fiscal year.

Net assets were 583,143 million yen, as a result of a net income of 27,412 million yen reported for the third quarter of the current fiscal year combined with a decrease due to year-end dividends for the previous fiscal year of 13,608 million yen and interim dividends for the current fiscal year of 9,493 million yen. The equity ratio was 74.3%.

(ii) Cash Flow

Cash and cash equivalents at the end of the third quarter of the current fiscal year were 141,423 million yen, a decrease of 23,626 million yen compared to the end of the previous fiscal year. The combined balance of cash and cash equivalents, plus 107,991 million yen in time deposits with deposit terms of over three months (which are not included in cash and cash equivalents) and short-term investments, decreased by 35,635 million yen from the end of the previous fiscal year, to 249,414 million yen. 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 were positive 21,744 million yen, an increase of 1,972 million yen compared to the same period of the previous year. Major positive factors included 45,979 million yen in income before income taxes, 17,014 million yen in depreciation and amortization, a 6,348 million yen decrease in prepaid consumption tax, and a 5,649 million yen decrease in trade notes and accounts receivable. The major negative factors included the payment of income taxes of 46,134 million yen and a decrease in trade notes and accounts payable of 8,457 million yen.

Cash flow from investing activities was negative 19,176 million yen compared to the negative 26,918 million yen in the same period of the previous year, primarily due to a 12,000 million yen decrease in time deposits and short-term investments, as well as 28,133 million yen spent on the acquisition of tangible fixed assets.

Cash flow from financing activities was negative 24,464 million yen, primarily as a result of the payment of 23,101 million yen in dividends. Cash flow from financing activities in the previous fiscal year was negative 2,194 million yen.

Consolidated Cash Flow (Summary)

(Millions of yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Cash flow from operating activities	19,772	21,744
Income before income taxes	71,672	45,979
Depreciation and amortization	12,442	17,014
Decrease in trade notes and accounts receivable (increase)	(18,267)	5,649
Decrease in inventories (increase)	(47,327)	1,539
Increase in accounts payable (decrease)	1,533	(8,457)
Others	(281)	(39,981)
Cash flow from investing activities	(26,918)	(19,176)
Decrease in time deposits (increase)	80	12,000
Others (purchase of fixed assets)	(26,999)	(31,176)
Cash flow from financing activities	(2,194)	(24,464)
Effect of exchange rate changes on cash and cash equivalents	(1,352)	(1,730)
Net increase in cash and cash equivalents (decrease)	(10,693)	(23,626)
Cash and cash equivalents at beginning of period	123,939	165,050
Cash and cash equivalents at end of period	113,246	141,423
Cash and cash equivalents and time deposits with deposit terms of over three months (which are not included in cash and cash equivalents) and short-term investments at end of period	233,246	294,414

3. Qualitative Information on Forecasts for Consolidated Financial Results

There are no changes in the forecast of consolidated financial results for the entire fiscal year from the projections released at the time of the previous announcement on October 28, 2011.

Note: The financial forecasts and estimates stated in this financial review are based on certain assumptions judged to be reasonable at the present time in light of information currently available 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, 2011	As of December 31, 2011
ASSETS		
Current assets		
Cash and deposit	52,992	59,419
Trade notes and accounts receivable	136,385	128,149
Securities	232,057	189,995
Merchandise and finished goods	111,918	112,443
Work in process	43,246	38,278
Raw materials and supplies	13,760	12,866
Others	55,024	56,752
Allowance for doubtful accounts	(1,153)	(1,178)
Total current assets	<u>644,231</u>	<u>596,726</u>
Long-term assets		
Tangible fixed assets	112,551	124,554
Intangible fixed assets		
Others	4,212	4,593
Total intangible fixed assets	<u>4,212</u>	<u>4,593</u>
Investments and other assets		
Others	50,240	45,306
Allowance for doubtful accounts	(2,031)	(1,968)
Total investments and other assets	<u>48,209</u>	<u>43,338</u>
Total long-term assets	<u>164,973</u>	<u>172,486</u>
Total assets	<u>809,205</u>	<u>769,213</u>

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	53,612	43,653
Accrued warranty expenses	7,594	7,994
Other allowance	11,806	5,129
Others	95,024	70,627
Total current liabilities	<u>168,038</u>	<u>127,404</u>
Long-term liabilities		
Accrued pension and severance costs	52,230	53,969
Other allowance	595	615
Others	3,538	4,080
Total long-term liabilities	<u>56,365</u>	<u>58,664</u>
Total liabilities	<u>224,403</u>	<u>186,069</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,045	78,023
Retained earnings	457,658	461,901
Treasury stock	(10,484)	(9,975)
Total shareholders' equity	<u>580,180</u>	<u>584,910</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,807	1,557
Deferred gains or losses on hedges	(12)	(11)
Translation adjustments	(10,234)	(15,122)
Total accumulated other comprehensive income	<u>(7,439)</u>	<u>(13,576)</u>
Share subscription rights	1,499	1,291
Minority interests	<u>10,560</u>	<u>10,518</u>
Total net assets	<u>584,801</u>	<u>583,143</u>
Total liabilities and net assets	<u>809,205</u>	<u>769,213</u>

Consolidated Statement of Income

	(Millions of yen)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net sales	478,063	455,514
Cost of sales	310,611	300,532
Gross profit	167,452	154,981
Selling, general & administrative expenses		
Research and development expenses	51,014	59,872
Others	48,280	52,155
Total selling, general & administrative expenses	99,294	112,027
Operating income	68,157	42,953
Non-operating income		
Foreign currency translation gain	132	1,089
Revenue from development grants	2,609	829
Others	1,396	2,132
Total non-operating income	4,138	4,052
Non-operating expenses		
Maintenance and operation cost of closed business bases	150	89
Others	370	196
Total non-operating expenses	521	285
Ordinary income	71,774	46,720
Unusual or infrequent profit		
Gain on collection written-off claims	-	1,437
Others	523	184
Total unusual or infrequent profit	523	1,622
Unusual or infrequent loss		
Loss from earthquake damage	-	938
Loss on revaluation of investment securities	-	779
Others	625	645
Total unusual or infrequent loss	625	2,363
Income before income taxes	71,672	45,979
Provision for income taxes and enterprise taxes	18,927	18,252
Income before minority interests	52,744	27,726
Minority interests	623	313
Net income	52,121	27,412

*Due to altering tax rates, there were a 3,215 million yen increase on provision for income taxes and enterprise taxes for the first three quarters of the current fiscal year.

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Income before minority interests	52,744	27,726
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	33	(1,249)
Deferred gains or losses on hedges	161	6
Translation adjustments	(5,127)	(4,923)
Total other comprehensive income (loss)	<u>(4,932)</u>	<u>(6,167)</u>
Comprehensive income	<u>47,812</u>	<u>21,559</u>
(Breakdown)		
Comprehensive income attributable to owners	47,188	21,275
Comprehensive income attributable to minority interests	624	283

Segment Information

TOKYO ELECTRON

(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 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 (Flat Panel Display and Photovoltaic Cell) Production Equipment segment consists of coaters/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

Nine months ended December 31, 2011 (Millions of yen)

	Reportable Segment			Others*1
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	339,990	53,311	62,888	11,289
Segment income	63,885	3,555	1,640	1,365
	Total Segments	Eliminations*2	Consolidated Total*3	
Net sales	467,478	(11,964)	455,514	
Segment income	70,446	(24,467)	45,979	

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 amounting to 24,467 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 18,834 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
3. Segment income is adjusted against income before income taxes in the consolidated statement of income.

(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