

July 30, 2013

Consolidated Financial Review for the First Quarter Ended June 30, 2013

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, 2013

(1) Operating results (Cumulative)

	Three months ended	
	June 30, 2012	June 30, 2013
Net sales (Millions of yen)	134,179	103,452
Operating income (Millions of yen)	9,283	(9,646)
Ordinary income (Millions of yen)	11,248	(9,898)
Net income (Millions of yen)	5,720	(2,976)
Net income per share (Yen)	31.93	(16.61)
Fully diluted net income per share (Yen)	31.88	-
Comprehensive income:	Three months ended June 30, 2013: 2,092 million yen Three months ended June 30, 2012: 2,649 million yen	

(2) Financial position

	As of March 31, 2013	As of June 30, 2013
Total assets (Millions of yen)	775,527	778,631
Net assets (Millions of yen)	605,127	600,695
Equity ratio (%)	76.5	75.6
Equity:	588,605 million yen (as of June 30, 2013) 593,032 million yen (as of March 31, 2013)	

2. Dividends

	Year ended March 31, 2013	Year ending March 31, 2014	
2Q-end dividend per share (Yen)	25.00	25.00	(Forecast)
Year-end dividend per share (Yen)	26.00	25.00	(Forecast)
Annual dividend per share (Yen)	51.00	50.00	(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 ended March 2013 is made up of ordinary dividend 16 yen and commemorative dividend 10 yen.

3. Earnings forecasts for the year ending March 31, 2014

	Six months ending September 30, 2013 (Cumulative)	Year ending March 31, 2014
Net sales (Millions of yen)	252,000	562,000
Operating income (Millions of yen)	(6,500)	18,000
Net income (Millions of yen)	(1,000)	13,000
Net income per share (Yen)	(5.58)	72.55

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: None
 - 2. Other changes of accounting policies besides number 1 above: None
 - 3. Changes in accounting estimates: None
 - 4. Restatement: None
- (4) Number of shares outstanding (common stock)
 - 1. Number of shares issued and outstanding (including treasury stock)

As of June 30, 2013:	180,610,911 shares
As of March 31, 2013:	180,610,911 shares
 - 2. Number of shares of treasury stock

As of June 30, 2013:	1,423,288 shares
As of March 31, 2013:	1,424,203 shares
 - 3. Average number of shares outstanding

As of June 30, 2013:	179,187,348 shares
As of June 30, 2012:	179,169,890 shares

Notification of the changes for consolidated subsidiaries related to fiscal year, etc.:

Overseas consolidated subsidiaries with a closing date of December 31 previously produced financial statements dated on the same day, and made adjustments necessary for consolidated accounting for important transactions taking place between that date and the consolidated closing date. To achieve more appropriate disclosure of consolidated financial information, from the first quarter of this consolidated accounting period, the closing date was changed to March 31 or changes were made to the reporting method used such that financial statements based on a provisional settlement of accounts carried out on the consolidated closing date are used. With these changes, the first quarter of this consolidated accounting period covers the three months from April 1, 2013 to June 30, 2013 for the consolidated subsidiaries concerned. Adjustments were made for the period from January 1, 2013 to March 31, 2013 by reflecting profit and loss as changes to retained earnings.

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 First Quarter

(1) Description of Operating Results

During the first quarter of the current fiscal year, some signs of economic recovery were seen in the United States and Japan, however with such factors as slowing growth in China and other emerging economies as well as signs that the European economy has bottomed out, it was a generally weak trend towards recovery in the global economy.

In the electronics industry, the primary area of the Tokyo Electron Group's business activities, while demand for products such as televisions and PCs remained sluggish, a steady shift has been seen in the market for mobile devices including tablets, led by growing demand for smartphones in emerging markets.

Given these circumstances, consolidated orders for the TEL Group were on a track to recovery, but due to the lead time required for shipping and selling, this is not evident in the consolidated financial results for the first quarter of this current fiscal year, as follows. Consolidated net sales decreased by 22.9% from the same period in the previous fiscal year, to 103,452 million yen, operating loss was 9,646 million yen, compared to an operating income of 9,283 million yen for the same period in the previous fiscal year and ordinary loss was 9,898 million yen, compared to an ordinary income of 11,248 million yen for the same period in the previous fiscal year. Meanwhile, the net loss was 2,976 million yen, compared to a net income of 5,720 million yen for the same period in the previous fiscal year.

The overview of each business segment is as described below.

From the first quarter of the current fiscal year, revisions have been made to the reportable segments based on "Accounting Standards for Disclosures about Segments of an Enterprise and Related Information." Figures for the corresponding period of the previous fiscal year listed below for comparison have been adjusted in accordance with the new business segments.

(i) Semiconductor Production Equipment

With the favorable conditions for smartphones and tablets, the DRAM and NAND flash memory supply and demand balance improved significantly and a trend seen among memory manufacturers was the resuming of investment in increased production capacity. However, this trend did not significantly impact on sales of products in this segment during the first quarter of this current fiscal year and as a result, net sales from external customers were 74,944 million yen (down 31.1% compared to the same period for the previous fiscal year).

(ii) FPD (Flat Panel Display) Production Equipment

The market for small and medium-sized LCD panels for mobile devices was comparatively robust, and after

a significant correction phase in the previous fiscal year, the FPD production equipment market is showing a gradual recovery. Given these circumstances, net sales from external customers in this segment during the first quarter of the current fiscal year were 4,906 million yen (up 3.5% compared to the same period of the previous fiscal year).

(iii) PV (Photovoltaic Panel) Production Equipment

The TEL Group has engaged in efforts to accelerate development aimed at achieving maximum conversion efficiency in thin-film silicon photovoltaic panels and to develop a customer base in the Sun Belt regions, however, this has not been reflected in new orders and sales in the first quarter of the current fiscal year. As a result, net sales from external customers in this segment during the first quarter of this current fiscal year were 2,062 million yen (compared to net sales of 29 million yen in the same period of the previous fiscal year).

(iv) Electronic Components and Computer Networks

In the electronic components segment, there was a moderate recovery in demand for automotive and industrial equipment, and in the computer networks segment, there were signs of a recovery in capital investment by communications-related businesses. Consequently, net sales from external customers in this segment during the first quarter of the current fiscal year were 21,426 million yen (up 4.0% compared to the same period of the previous fiscal year).

(v) Others

Net sales from external customers in this segment during the first quarter of the current fiscal year were 111 million yen (up 10.0% compared to the same period of the previous year).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY 2013 Full Year	1Q	2Q	3Q	4Q	FY 2014 1Q
Net Sales	497,299	134,179	132,421	91,910	138,788	103,452
Semiconductor Production Equipment	392,026	108,703	105,963	68,056	109,303	74,944
Japan	40,278	10,032	10,186	6,349	13,709	11,648
U.S.	117,092	26,629	29,152	28,879	32,431	15,101
Europe	38,701	10,457	12,944	7,673	7,626	5,666
Korea	57,510	24,214	14,463	5,759	13,074	11,184
Taiwan	105,386	29,338	29,456	15,238	31,352	24,509
China	19,951	5,666	6,196	2,153	5,935	4,711
S.E.Asia	13,104	2,363	3,563	2,003	5,174	2,123
FPD Production Equipment	20,077	4,740	4,425	4,681	6,229	4,906
PV Production Equipment	83	29	34	1	18	2,062
Electronic Components & Computer Networks	84,664	20,605	21,859	19,105	23,093	21,426
Others	448	101	137	66	142	111
Operating Income (loss)	12,548	9,283	2,918	(6,865)	7,211	(9,646)
Ordinary Income (loss)	16,696	11,248	4,211	(6,654)	7,891	(9,898)
Net Income (loss)	6,076	5,720	370	(7,026)	7,012	(2,976)

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

Production and Order Performance**1. Production**

(Millions of yen)

	FY 2013 Full Year	1Q	2Q	3Q	4Q	FY 2014 1Q
Semiconductor Production Equipment	343,875	96,681	88,294	68,894	90,005	79,358
FPD Production Equipment	16,998	2,098	4,467	3,026	7,406	6,037
PV Production Equipment	71	23	44	3	-	2,146
Total	360,945	98,803	92,806	71,924	97,411	87,542

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

2. Orders Received

(Millions of yen)

	FY 2013 Full Year	1Q	2Q	3Q	4Q	FY 2014 1Q
Semiconductor Production Equipment	342,547	76,029	66,928	91,324	108,265	97,708
FPD Production Equipment	21,882	2,799	8,051	3,668	7,362	14,491
PV Production Equipment	83	29	34	4	14	1,185
Electronic Components & Computer Networks	85,666	22,631	20,658	18,548	23,827	23,872
Others	448	101	137	66	142	111
Total	450,627	101,590	95,810	113,612	139,612	137,369

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)

	FY 2013				FY 2014 1Q
	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	157,737	118,702	142,654	141,616	164,587
FPD Production Equipment	12,260	15,885	14,873	16,005	25,584
PV Production Equipment	0	-	8,425	8,421	7,618
Electronic Components & Computer Networks	15,809	14,608	14,051	14,785	17,231
Others	-	-	-	-	-
Total	185,807	149,196	180,004	180,829	215,022

Note: 1. Offset elimination has been carried out on the dealing between segments.

2. The above amounts do not include consumption taxes.

(2) Description of Financial Conditions**(i) Financial Conditions**

Current assets at the end of the first quarter of the current fiscal year were 518,614 million yen, down 2,886 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 17,180 million yen decrease in short-term investments included in securities, an 11,075 million yen decrease in prepaid consumption tax, a 15,756 million yen increase in inventories and a 6,603 million yen increase in cash and deposits.

Tangible fixed assets increased by 823 million yen from the end of the previous fiscal year, to 136,521 million yen.

Intangible fixed assets increased by 2,759 million yen from the end of the previous fiscal year, to 62,677 million yen as a result of a 1,310 million yen increase in goodwill and other factors.

Investments and other assets increased by 2,407 million yen from the end of the previous fiscal year, to 60,818 million yen.

As a result, total assets increased by 3,103 million yen compared to the end of the previous fiscal year, to 778,631 million yen.

Current liabilities were up 6,441 million yen compared to the end of the previous fiscal year, to 113,111 million yen. The major causal factor in the rise was an 8,267 million yen increase in customer advances.

Long-term liabilities were up 1,094 million yen compared to the end of the previous fiscal year, to 64,824 million yen.

Net assets were 600,695 million yen, down 4,432 million yen from the end of the previous fiscal year. The main factors were a decrease due to a reported quarterly net loss of 2,976 million yen, a decrease of retained earnings of 3,244 million yen due to changes in accounting periods at consolidated subsidiaries, a decrease due to payment of 4,658 million yen in year-end dividends for the previous fiscal year and an increase of 6,142 million yen from translation adjustments due to effects from the depreciation of the yen. The equity ratio was 75.6%.

(ii) Cash Flow

Cash and cash equivalents at the end of the first quarter of the current consolidated fiscal year increased by 7,053 million yen compared to the end of the previous fiscal year, to 92,367 million yen. The combined balance including the 137,184 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 229,552 million yen, down 10,577 million yen from the end of the previous fiscal year. The overall situation regarding cash flow during the first quarter of the current fiscal year was as described below.

Cash flow from operating activities decreased by 37,234 million yen compared to the same period of the previous fiscal year to negative 1,370 million yen. The main positive factors included an 11,135 million yen decrease in prepaid consumption tax, a 7,669 million yen increase in customer advances and 6,307 million yen in depreciation and amortization. The main negative factors were a 9,845 million yen net loss before income taxes, a 15,751 million yen increase in inventories.

Cash flow from investing activities was positive 13,207 million yen, compared to negative 46,065 million yen in the same period of the previous financial year. This primary positive factor was a 17,651 million yen decrease in time deposits and short-term investments. The primary negative factor was 3,211 million yen in payments for purchase of tangible fixed assets.

Cash flow from financing activities was negative 1,442 million yen, compared to negative 4,889 million yen in the same period of the previous fiscal year. This was primarily the result of the payment of 4,658 million yen in dividends.

Consolidated Cash Flow (Summary)

(Millions of yen)

	Three month ended June 30, 2012	Three month ended June 30, 2013
Cash flow from operating activities	35,864	(1,370)
Income before income taxes (loss)	11,231	(9,845)
Depreciation and amortization	5,585	6,307
Decrease in trade notes and accounts receivable (increase)	26,010	5,111
Decrease in inventories (increase)	5,112	(15,751)
Increase in accounts payable (decrease)	(11,425)	715
Others	(650)	12,092
Cash flow from investing activities	(46,065)	13,207
Decrease in time deposits and short-term investments (increase)	(21,000)	17,651
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(15,830)	-
Others (purchase of fixed assets)	(9,234)	(4,443)
Cash flow from financing activities	(4,889)	(1,442)
Effect of exchange rate changes on cash and cash equivalents	(835)	(2,134)
Net increase in cash and cash equivalents (decrease)	(15,926)	8,260
Cash and cash equivalents at beginning of period	158,776	85,313
Increase in cash and cash equivalents from changes in accounting periods at consolidated subsidiaries (decrease)	-	(1,206)
Cash and cash equivalents at end of period	142,849	92,367
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	252,692	229,552

(3) Description of Financial Estimates Information such as Consolidated Performance Forecasts

Due to signs of improvement in sales of our core semiconductor production equipment segment, growth is expected in the first half of the fiscal year and the original forecast for the second half of the fiscal year is unchanged. Accordingly, growth is expected for the full year. In the PV production equipment segment, due to a slight delay in the originally forecast period for investment decisions by customers, the net sales forecasts for both the first and second halves of the fiscal year have been reduced. As a result of these factors, profit for the entire group is expected to increase for the first half of the fiscal year and a slight decline in profits is expected for the second half of the fiscal year, although for the full year the forecasts remain unchanged. Based on this, consolidated forecasts for the first half and full year announced on April 30, 2013 have been revised as follows.

Consolidated Forecast

(Billions of yen, Y/Y change)

	FY2014(E)			
	1st Half		Full Year	
Net Sales	252.0	-5.5%	562.0	13.0%
Semiconductor Production Equipment	196.0	-8.7%	436.0	11.2%
FPD Production Equipment	10.0	9.1%	26.0	29.5%
PV Production Equipment	4.0		11.0	
Electronic Components & Computer Networks	42.0	-1.1%	89.0	5.1%
Operating Income (loss)	(6.5)		18.0	43.4%
Net Income (loss)	(1.0)		13.0	113.9%

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

Note: The financial forecasts and estimates stated in this announcement are based on certain assumptions judged to be reasonable by the Company 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 announcement.

Consolidated Balance Sheet

TOKYO ELECTRON

	(Millions of yen)	
	As of March 31, 2013	As of June 30, 2013
ASSETS		
Current assets		
Cash and deposit	49,632	56,235
Trade notes and accounts receivable	100,500	95,845
Securities	190,497	173,316
Merchandise and finished goods	87,397	100,967
Work in process	33,402	35,896
Raw materials and supplies	14,898	14,589
Others	46,351	42,223
Allowance for doubtful accounts	(1,179)	(461)
Total current assets	521,501	518,614
Long-term assets		
Tangible fixed assets	135,697	136,521
Intangible fixed assets		
Goodwill	38,372	39,683
Others	21,545	22,993
Total intangible fixed assets	59,918	62,677
Investments and other assets		
Others	60,522	62,917
Allowance for doubtful accounts	(2,112)	(2,099)
Total investments and other assets	58,410	60,818
Total long-term assets	254,026	260,017
Total assets	775,527	778,631

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
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LIABILITIES**Current liabilities**

Trade notes and accounts payable	36,261	37,686
Accrued warranty expenses	8,344	8,360
Other allowance	6,908	3,777
Others	55,155	63,287
Total current liabilities	106,670	113,111

Long-term liabilities

Accrued pension and severance costs	56,643	57,463
Other allowance	580	573
Others	6,505	6,788
Total long-term liabilities	63,730	64,824

Total liabilities

	170,400	177,936
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NET ASSETS**Shareholders' equity**

Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	467,920	457,038
Treasury stock	(9,588)	(9,581)
Total shareholders' equity	591,315	580,441

Accumulated other comprehensive income

Valuation difference on available-for-sale securities	4,214	4,497
Deferred gains or losses on hedges	(14)	7
Translation adjustments	(2,483)	3,658
Total accumulated other comprehensive income	1,716	8,164

Subscription rights to shares

	1,374	1,464
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Minority interests

	10,720	10,624
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Total net assets

	605,127	600,695
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Total liabilities and net assets

	775,527	778,631
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Consolidated Statement of Income

	(Millions of yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	134,179	103,452
Cost of sales	90,067	73,535
Gross profit	44,111	29,916
Selling, general & administrative expenses		
Research and development expenses	17,928	17,993
Others	16,899	21,570
Total selling, general & administrative expenses	34,827	39,563
Operating income (loss)	9,283	(9,646)
Non-operating income		
Interest income	289	326
Dividend revenue	184	237
Foreign currency translation gain	513	-
Others	1,042	373
Total non-operating income	2,029	937
Non-operating expenses		
Foreign currency translation loss	-	1,096
Compensation expenses	14	-
Others	50	91
Total non-operating expenses	64	1,188
Ordinary income (loss)	11,248	(9,898)
Unusual or infrequent profit		
Gain on sale of fixed assets	1	74
Total unusual or infrequent profit	1	74
Unusual or infrequent loss		
Loss on sale of fixed assets	17	21
Total unusual or infrequent loss	17	21
Income (loss) before income taxes	11,231	(9,845)
Income taxes	3,255	(6,876)
Prior year's corporate tax	2,194	-
Income (loss) before minority interests	5,782	(2,969)
Minority interests	62	6
Net income (loss)	5,720	(2,976)

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Income (loss) before minority interests	5,782	(2,969)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,000)	288
Deferred gains or losses on hedges	70	53
Translation adjustments	(2,202)	4,719
Total other comprehensive income	(3,132)	5,061
Comprehensive income	<u>2,649</u>	<u>2,092</u>
(Breakdown)		
Comprehensive income attributable to owners	2,563	2,016
Comprehensive income attributable to minority interests	86	75

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(Flat Panel Display) Production Equipment, Photovoltaic Panel (PV) 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 Production Equipment segment consists of coaters/developers, plasma etch/ash systems used in the manufacturing of flat panel displays, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The PV Production Equipment segment consists of photovoltaic panel production equipment used in the manufacturing of thin film silicon photovoltaic 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 income (loss) in reportable segments

Three months ended June 30, 2013

(Millions of yen)

	Reportable Segments				Others	Total
	Semiconductor Production Equipment	FPD Production Equipment	PV Production Equipment	Electronic Components & Computer Networks		
Net sales	74,954	4,906	2,062	21,620	2,818	106,362
Segment income (loss)	2,279	(307)	(2,571)	(21)	379	(240)

	Eliminations	Consolidated Total
Net sales	(2,910)	103,452
Segment income (loss)	(9,605)	(9,845)

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 (loss) amounting to 9,605 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 4,768 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
3. Segment income (loss) is adjusted against loss before income taxes in consolidated statement of income.

Segment Information

(iii) Items Related to Changes in Reportable Segments

With the acquisition of TEL Solar Holding AG as a consolidated subsidiary, from the first quarter of the current fiscal year, the reportable segment has been changed from FPD/PV Production Equipment to FPD Production Equipment, and PV Production Equipment.

(iv) 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