

Consolidated Financial Review for the Second Quarter Ended September 30, 2009

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

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

1. Financial highlights for the six months ended September 30, 2009

(1) Operating results (Cumulative)	Six months ended	
	September 30, 2008	September 30, 2009
Net sales (Millions of yen)	301,225	153,891
Operating income (Millions of yen)	26,282	(21,620)
Ordinary income (Millions of yen)	28,907	(19,212)
Net income (Millions of yen)	17,361	(16,161)
Net income per share (Yen)	97.03	(90.30)
Fully diluted net income per share (Yen)	96.82	-

(2) Financial position

	As of March 31, 2009	As of September 30, 2009
Total assets (Millions of yen)	668,998	653,540
Net assets (Millions of yen)	529,265	514,515
Equity ratio (%)	77.5	77.0
Net assets per share (Yen)	2,896.55	2,812.52
Equity:		
503,433 million yen (as of September 30, 2009)		
518,387 million yen (as of March 31, 2009)		

2. Dividends

	Year ended March 31, 2009	Year ending March 31, 2010
2Q-end dividend per share (Yen)	20.00	4.00
Year-end dividend per share (Yen)	4.00	4.00 (Forecast)
Annual dividend per share (Yen)	24.00	8.00 (Forecast)

Note: Revision of dividends forecast for during this period: No

3. Earnings forecast for the year ending March 31, 2010

	Year ending March 31, 2010
Net sales (Millions of yen)	360,000
Operating income (Millions of yen)	(35,000)
Ordinary income (Millions of yen)	(31,500)
Net income (Millions of yen)	(27,000)
Net income per share (Yen)	(150.84)

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

4. Others

- (1) Important changes in subsidiaries. : None
(Changes on specific subsidiaries with changes in scope of consolidation)
- (2) Use of simplified accounting method and special accounting policy for quarterly financial reporting: Yes
- (3) Changes in principles, procedures and display of accounting method concerning quarterly consolidated statement policies.
1. Changes in accounting policies: None
 2. Other changes: None
- (4) Number of shares outstanding (common stock)
1. Number of shares issued

As of September 30, 2009:	180,610,911 shares
As of March 31, 2009:	180,610,911 shares
 2. Number of shares of treasury stock

As of September 30, 2009:	1,613,547 shares
As of March 31, 2009:	1,643,398 shares
 3. Average number of shares outstanding

Six months ended September 30, 2009:	178,979,828 shares
Six months ended September 30, 2008:	178,938,092 shares

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 from the projections in the Financial Review.

Qualitative Information, Financial Statements, etc.**1. Qualitative Information on Consolidated Operating Results**

During the first half of the current fiscal year, developments in the global economy included expanding signs of a recovery in Asia, particularly in China, while the economic decline in some countries in Europe and North America seemed to have leveled out as a result of the stimulus measures taken there, although conditions remained severe, with high levels of unemployment. The Japanese economy has been recovering from its worst period, now that exports and production have stopped falling, but the decrease in capital investment continues and the employment situation remains difficult.

In the electronics industry, in which the Tokyo Electron group operates, conditions remained harsh as a result of impact from the global recession, but there were signs of recovery within the industry, including the growing market for energy-saving products and multi-function mobile phones as well as the rising demand in emerging markets for home appliances such as flat-panel televisions. There were also favorable signs in the semiconductor and FPD-related markets, such as the beginning of a price recovery in conjunction with ongoing inventory adjustments as well as growing demand for semiconductors used in consumer products.

Facing this situation, the Tokyo Electron group took measures to substantially reduce fixed costs and to increase efficiency, including a reallocation of manufacturing and development sites; yet net sales still did not make a full recovery. In the first half of the current fiscal year (the six-month period from April to September 2009), net sales were 153,891 million yen (down 48.9% compared to the same period of the previous year), operating losses were 21,620 million yen (compared to operating income of 26,282 million yen in the same period of the previous year), ordinary losses were 19,212 million yen (compared to ordinary income of 28,907 million yen in the same period of the previous year), and net losses were 16,161 million yen (compared to net income of 17,361 million yen in the same period of the previous year).

In addition, during the second quarter (July to September 2009), net sales were 84,975 million yen (down 42.0% compared to the same period of the previous year), operating losses were 7,232 million yen (compared to operating income of 4,852 million yen in the same period of the previous year) ordinary losses were 5,191 million yen (compared to ordinary income of 6,644 million yen in the same period of the previous year), and net losses were 5,125 million yen (compared to net income of 4,508 million yen in the same period of the previous year). Financial results improved from the first quarter (April to June 2009).

The overview of each business segment is as described below.

(1) Industrial Electronic Equipment Business

Net sales from external customers in this segment in the first half of the current fiscal year were 113,091 million yen (down 54.6% compared to the same period of the previous year). Net sales from external

customers in this segment in the second quarter were 62,621 million yen (down 47.5%).

(a) Semiconductor Production Equipment

Because of curtailed capital investment due to the global downturn that began last year in the semiconductor industry, net sales from external customers were sluggish in this segment during the first half of the current fiscal year, at 82,136 million yen (down 60.6% compared to the same period of the previous year). There were clear signs, however, that the industry's decline has bottomed out, including a recovery of semiconductor prices due to inventory adjustments in recent months as well as increases in equipment operating rates by semiconductor manufacturers; and the recovery of orders in this segment that began in the first quarter continued into the second quarter.

In addition, net sales from external customers in the second quarter were 51,699 million yen (down 46.2%), which is an improvement compared to the first quarter.

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

Sales for this segment were affected by the curtailment and postponement of capital investment by panel manufacturers, due to sluggish demand for finished products since last year; as a result, net sales from external customers in this segment during the first half of the current fiscal year were 30,743 million yen (down 23.5% compared to the same period of the previous year). Compared to the first quarter, the business environment has improved, as evidenced by signs that major panel manufacturers were increasing production capacity in response to rising demand for liquid crystal panels destined for the China market. In the photovoltaic cell production equipment, the global financial crisis that began last year has caused a temporary slowdown, including postponements in investment, but since environmental measures are being taken on a global scale, substantial market growth is expected over the medium to long term.

In addition, net sales from external customers in this segment during the second quarter were 10,799 million yen (down 52.9%).

(c) Others

Net sales from external customers in this segment during the first half of the current fiscal year were 211 million yen (down 3.2% compared to the same period of the previous year). Meanwhile, net sales from external customers in this segment during the second quarter were 121 million yen (down 2.0%).

(2) Electronic Components and Computer Networks Business

In the semiconductor and electronic devices, demand was recovering for products used in consumer electronics such as digital home appliances, and sales of new products and sales at overseas sites were strong, but sales of semiconductors for industrial equipment, communications equipment, and computers were sluggish. In the computer systems-related, there was a short-term recovery in business confidence, but new IT investment by businesses remained stagnant because of uncertainty regarding the future. As a result, the business environment did not make a rapid recovery, even though the performance of maintenance-related businesses was strong and sales of computer network equipment showed a trend toward improvement. Given these circumstances, net sales from external customers in this segment during the first half of the current fiscal year were 40,799 million yen (down 21.7% compared to the same

period of the previous year); and net sales from external customers in this segment during the second quarter were 22,354 million yen (down 17.8%), which is an improvement compared to the first quarter.

(For reference)

Consolidated

	FY2010			(Millions of yen) (Ref.) FY2009	
	1Q	2Q	Total	1H	2H
Net Sales	68,915	84,975	153,891	301,225	206,856
Industrial Electronic Equipment	50,470	62,621	113,091	249,100	164,774
Semiconductor Production Equipment	30,437	51,699	82,136	208,702	116,680
Japan	4,932	10,812	15,745	66,265	39,068
U.S.	12,430	8,364	20,795	34,920	30,454
Europe	2,833	2,315	5,148	14,842	15,546
Korea	2,861	8,823	11,684	26,633	10,912
Taiwan	5,917	16,619	22,537	38,884	10,423
China	483	2,106	2,589	7,025	4,062
S.E.Asia	979	2,656	3,635	20,129	6,213
FPD/PV Production Equipment	19,943	10,799	30,743	40,179	47,927
Others	89	121	211	218	166
Electronic Components & Computer Networks	18,445	22,354	40,799	52,125	42,081
Operating Income (Loss)	(14,388)	(7,232)	(21,620)	26,282	(11,572)
Ordinary Income (Loss)	(14,021)	(5,191)	(19,212)	28,907	(8,352)
Net Income (Loss)	(11,035)	(5,125)	(16,161)	17,361	(9,818)

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

2. Qualitative Information on Consolidated Financial Conditions

(1) Financial Conditions

Current assets at the end of the second quarter decreased by 21,136 million yen compared to the end of the previous fiscal year, to 484,550 million yen. Major factors included a combined increase of 32,783 million yen in cash and deposits and certificates of deposit in securities; a decrease in trade notes and accounts receivable of 30,151 million yen; and a decrease in merchandise and finished goods of 10,582 million yen.

Tangible fixed assets decreased by 5,688 million yen from the end of the previous fiscal year, to 94,218 million yen.

Intangible fixed assets decreased by 1,594 million yen from the end of the previous fiscal year, to 9,166 million yen.

Investments and other assets increased by 12,961 million yen from the end of the previous fiscal year, to 65,605 million yen.

As a result, total assets decreased by 15,457 million yen from the end of the previous fiscal year, to

653,540 million yen.

Current liabilities decreased by 2,310 million yen from the end of the previous fiscal year, to 86,961 million yen.

Long-term liabilities increased by 1,603 million yen from the end of the previous fiscal year to 52,063 million yen.

Net assets decreased because a net loss of 16,161 million yen was reported for the first half of the current fiscal year and year-end dividends for the previous fiscal year of 715 million yen were paid, and as a result net assets at the end of the second quarter were 514,515 million yen. The equity ratio was 77.0%.

(2) Cash Flow

Balance of cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 15,443 million yen from the end of the previous fiscal year, to 50,440 million yen. The combined balance of cash and cash equivalents, plus 192,500 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), increased by 32,783 million yen from the end of the previous fiscal year, to 242,940 million yen. Cash flow from various activities during the first half of the current fiscal year is as described below.

Cash flow from operating activities decreased by 44,237 million yen from the same period of the previous year, to 40,367 million yen. Major positive factors included 9,885 million yen in depreciation and amortization, a decrease in trade notes and accounts receivable of 29,918 million yen, a decrease in inventories of 6,249 million yen, an increase in trade notes and accounts payable of 7,151 million yen, a decrease in prepaid consumption tax of 7,725 million yen and refunded income taxes, etc. of 7,178 million yen. Major negative factors included 26,249 million yen in net loss before income taxes and a decrease in customer advances of 4,978 million yen.

Cash flow from investing activities decreased from 103,915 million yen for the same period of the previous year, to 57,120 million yen, mainly because of the expenditure of 8,425 million yen for the acquisition of tangible fixed assets, as well as the expenditure of 48,166 million yen due to a net increase in time deposits.

Cash flow from financing activities was a positive 936 million yen, compared to negative 41,324 million yen in the same period of the previous year, mainly as a result of 1,668 million yen in income from an increase in short-term borrowings and payment of 715 million yen in dividends.

In addition, the overall situation affecting cash flow in the second quarter of the current fiscal year was as follows:

Cash flow from operating activities was a positive 25,994 million yen, down 23,949 million yen from the

same period of the previous fiscal year. The major positive factors were depreciation and amortization of 4,971 million yen, a decrease in trade notes and accounts receivable of 6,386 million yen, an increase in trade notes and accounts payable of 11,735 million yen, and refunded income taxes, etc. of 8,277 million yen, while the main negative factor was net loss before income taxes of 7,842 million yen for the second quarter.

Cash flow from investing activities was a negative 51,747 million yen, compared to negative 103,279 million yen in the same period of the previous fiscal year, primarily as a result of expenditures of 7,093 million yen for acquisition of tangible fixed assets and expenditures of 44,501 million yen for net increases in time deposits.

Cash flow from financing activities was positive 1,938 million yen compared to negative 31,277 million yen in the same period of the previous year, mainly as a result of an increase of short-term borrowings of 1,794 million yen.

3. Qualitative Information on Forecasts for Consolidated Financial Results

Although there is a risk of protracted recession because of deteriorating employment conditions in Europe and North America, it is expected that the overall economy, and Asia in particular, will experience a modest recovery. In the semiconductor-related market, a full-scale recovery has yet to be achieved, but there are expectations that capital investment by semiconductor manufacturers will gradually increase, as evidenced by the recovery in semiconductor prices and the rising operating rates for production equipment. Under these conditions, the Company expects sales of semiconductor production equipment and FPD production equipment, its main businesses, to increase during fiscal year compared to the earlier forecast.

Taking these circumstances into account, the Company has revised the forecast of consolidated financial results for the entire fiscal year announced on July 31, 2009, as follows:

Consolidated forecast

(Billions of yen, Y/Y change)

	FY2010 (E)	
Net Sales	360.0	-29.1%
Industrial Electronic Equipment	278.2	-32.8%
Semiconductor Production Equipment	209.0	-35.8%
FPD/PV Production Equipment	69.0	-21.7%
Others	0.2	-
Electronic Components & Computer Networks	81.8	-13.2%
Operating Income(loss)	-35.0	-
Ordinary Income(loss)	-31.5	-
Net Income(loss)	-27.0	-

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, 2009	As of September 30, 2009
ASSETS		
Current assets		
Cash and deposit	51,156	52,292
Trade notes and accounts receivable	119,687	89,535
Securities	159,001	190,647
Merchandise and finished goods	88,416	77,833
Work in process	29,306	34,695
Raw materials and supplies	16,518	15,153
Others	41,620	24,429
Allowance for doubtful accounts	(20)	(37)
Total current assets	505,687	484,550
Long-term assets		
Tangible fixed assets	99,906	94,218
Intangible fixed assets		
Others	10,760	9,166
Total intangible fixed assets	10,760	9,166
Investments and other assets		
Others	60,189	73,099
Allowance for doubtful accounts	(7,545)	(7,493)
Total investments and other assets	52,644	65,605
Total long-term assets	163,311	168,990
Total assets	668,998	653,540

(Millions of yen)

	As of March 31, 2009	As of September 30, 2009
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LIABILITIES**Current liabilities**

Trade notes and accounts payable	24,393	31,440
Other allowance	11,113	8,345
Others	53,765	47,175
Total current liabilities	89,272	86,961

Long-term liabilities

Accrued pension and severance costs	47,046	48,478
Other allowance	639	606
Others	2,773	2,978
Total long-term liabilities	50,460	52,063

Total liabilities	139,732	139,025
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NET ASSETS**Shareholders' equity**

Common stock	54,961	54,961
Capital surplus	78,114	78,051
Retained earnings	404,435	387,558
Treasury stock	(11,111)	(10,907)
Total shareholders' equity	526,398	509,663

Valuation and translation adjustments

Valuation difference on available-for-sale securities	(842)	1,335
Deferred gains or losses on hedges	66	144
Translation adjustments	(7,235)	(7,709)
Total valuation and translation adjustments	(8,011)	(6,230)

Subscription rights to shares	1,148	1,334
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Minority interests	9,729	9,747
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Total net assets	529,265	514,515
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Total liabilities and net assets	668,998	653,540
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Consolidated Statement of Income

TOKYO ELECTRON

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	301,225	153,891
Cost of sales	210,170	123,020
Gross profit	91,055	30,870
Selling, general & administrative expenses		
Research and development expenses	31,577	25,173
Others	33,194	27,317
Total selling, general & administrative expenses	64,772	52,490
Operating income (loss)	26,282	(21,620)
Non-operating income		
Interest income	908	554
Revenue from development grants	1,475	939
Others	948	1,182
Total non-operating income	3,332	2,676
Non-operating expenses		
Lease expenses of fixed assets	-	88
Foreign currency translation loss	317	-
Others	389	180
Total non-operating expenses	707	269
Ordinary income (loss)	28,907	(19,212)
Unusual or infrequent profit		
Reversal of allowance for doubtful accounts	-	19
Gain on sale of fixed assets	93	24
Others	6	-
Total unusual or infrequent profit	99	43
Unusual or infrequent loss		
Loss on retirement or sale of fixed assets	122	-
Loss on impairment	-	4,764
Expenses for integration and closure of business bases	-	1,564
Office relocation expenses	117	-
Others	74	751
Total unusual or infrequent loss	314	7,080
Income (loss) before income taxes	28,693	(26,249)
Provision for income taxes and enterprise taxes	10,994	(10,234)
Minority interests	336	146
Net income (loss)	17,361	(16,161)

Consolidated Cash Flow

TOKYO ELECTRON

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Cash flow from operating activities		
Income (loss) before income taxes	28,693	(26,249)
Depreciation and amortization	10,740	9,885
Loss on impairment	-	4,764
Increase in accrued pension and severance costs (decrease)	1,678	1,416
Increase in accrued employees' bonuses (decrease)	(7,435)	(1,103)
Increase in accrued warranty expenses (decrease)	(1,782)	(1,655)
Interest and dividend revenue	(957)	(586)
Decrease in trade notes and accounts receivable (increase)	76,460	29,918
Decrease in inventories (increase)	2,190	6,249
Increase in accounts payable (decrease)	(4,870)	7,151
Decrease in prepaid consumption tax (increase)	10,003	7,725
Increase in accrued consumption tax (decrease)	(4,814)	-
Increase in customer advances (decrease)	6,521	(4,978)
Others	(4,300)	26
Subtotal	112,128	32,564
Receipts from interest and dividends	916	644
Interest paid	(151)	(20)
Income taxes paid or refund (paid)	(28,288)	7,178
Net cash generated by operating activities	84,605	40,367
Cash flow from investing activities		
Decrease in time deposits (increase)	(89,453)	(48,166)
Payment for purchase of tangible fixed assets	(10,772)	(8,425)
Payment for purchase of intangible fixed assets	(612)	(329)
Payment for purchase of investment securities	(2,786)	-
Others	(291)	(199)
Net cash used in investing activities	(103,915)	(57,120)
Cash flow from financing activities		
Net increase in short-term borrowings (decrease)	(1,322)	1,668
Redemption of straight bonds	(30,000)	-
Dividends paid	(9,841)	(715)
Others	(161)	(15)
Net cash generated by financing activities	(41,324)	936
Effect of exchange rate changes on cash and cash equivalents	(870)	373
Net increase in cash and cash equivalents (decrease)	(61,505)	(15,443)
Cash and cash equivalents at beginning of period	193,492	65,883
Cash and cash equivalents from newly consolidated subsidiaries	67	-
Cash and cash equivalents at end of period	132,054	50,440

Segment Information

1. Business Segment Information

(Millions of yen)

	Six months ended September 30, 2008				
	Industrial Electronic Equipment	Electronic Components and Computer Networks	Total	Eliminations and Corporate	Consolidated
Net sales	249,611	52,432	302,043	(817)	301,225
Operating income	24,676	1,593	26,270	12	26,282

- Note: 1. Method of classifying businesses: Businesses are classified after considering similarities in type of product, function, or method of sale.
2. Major products in each business segment:
- (1) Industrial Electronic Equipment: Semiconductor Production Equipment, FPD Production Equipment,
- (2) Electronic Components and Computer Networks: Semiconductor Products, Computer Systems and Networks, Middleware and Software, Other Electronic Components

(Millions of yen)

	Six months ended September 30, 2009				
	Industrial Electronic Equipment	Electronic Components and Computer Networks	Total	Eliminations and Corporate	Consolidated
Net sales	113,481	40,923	154,404	(513)	153,891
Operating income (loss)	(22,248)	615	(21,632)	12	(21,620)

- Note: 1. Method of classifying businesses: Businesses are classified after considering similarities in type of product, function, or method of sale.
2. Major products in each business segment:
- (1) Industrial Electronic Equipment: Semiconductor Production Equipment, FPD Production Equipment, Photovoltaic Cell Production Equipment, Others
- (2) Electronic Components and Computer Networks: Semiconductor Products, Other Electronic Components, Computer Systems and Networks, and Software

2. Geographic Segment Information

(Millions of yen)

	Six months ended September 30, 2008				
	Japan	Other Regions	Total	Eliminations and Corporate	Consolidated
Net sales	287,437	65,036	352,473	(51,247)	301,225
Operating income	22,787	2,766	25,554	728	26,282

- Note: 1. National and regional categories are determined on the basis of geographic proximity.
2. Main countries and territories in other regions: U.S., Europe, Taiwan

(Millions of yen)

	Six months ended September 30, 2009				
	Japan	Other Regions	Total	Eliminations and Corporate	Consolidated
Net sales	142,843	35,310	178,154	(24,262)	153,891
Operating income (loss)	(23,156)	791	(22,364)	744	(21,620)

- Note: 1. National and regional categories are determined on the basis of geographic proximity.
2. Main countries and territories in other regions: U.S., Taiwan, Korea

Segment Information

3. Overseas sales

(Millions of yen)

	Six months ended September 30, 2008				
	Taiwan	Korea	U.S.	Others	Total
Overseas sales	52,473	43,689	34,947	51,288	182,398
Consolidated net sales					301,225
Proportion of overseas sales in consolidated net sales (%)	17.4	14.5	11.6	17.1	60.6

- Note: 1. National and regional categories are determined on the basis of geographic proximity.
 2. Main countries in others: Singapore, China, Israel
 3. Overseas sales indicates net sales in countries and territories except Japan.

(Millions of yen)

	Six months ended September 30, 2009				
	Taiwan	U.S.	Korea	Others	Total
Overseas sales	29,449	20,808	17,580	18,655	86,493
Consolidated net sales					153,891
Proportion of overseas sales in consolidated net sales (%)	19.1	13.5	11.4	12.2	56.2

- Note: 1. National and regional categories are determined on the basis of geographic proximity.
 2. Main countries in others: China, Singapore, Israel
 3. Overseas sales indicates net sales in countries and territories except Japan.