

Consolidated Financial Review for the First Quarter Ended June 30, 2009

Company name: **Tokyo Electron Limited**
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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, 2009

(1) Operating results (Cumulative)

	Three months ended	
	June 30, 2008	June 30, 2009
Net sales (Millions of yen)	154,827	68,915
Operating income (Millions of yen)	21,430	(14,388)
Ordinary income (Millions of yen)	22,263	(14,021)
Net income (Millions of yen)	12,853	(11,035)
Net income per share (Yen)	71.83	(61.66)
Fully diluted net income per share (Yen)	71.69	-

(2) Financial position

	As of March 31, 2009	As of June 30, 2009
Total assets (Millions of yen)	668,998	640,369
Net assets (Millions of yen)	529,265	520,326
Equity ratio (%)	77.5	79.5
Net assets per share (Yen)	2,896.55	2,846.00
Equity:	509,353 million yen (as of June 30, 2009)	518,387 million yen (as of March 31, 2009)

2. Dividends

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

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

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

	Six months ending September 30, 2009	Year ending March 31, 2010
Net sales (Millions of yen)	144,000	318,000
Operating income (Millions of yen)	(36,000)	(57,000)
Ordinary income (Millions of yen)	(35,000)	(55,000)
Net income (Millions of yen)	(25,000)	(37,000)
Net income per share (Yen)	(139.69)	(206.74)

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

As of June 30, 2009:	1,639,333 shares
As of March 31, 2009:	1,643,398 shares
 3. Average number of shares outstanding

Three months ended June 30, 2009:	178,969,913 shares
Three months ended June 30, 2008:	178,932,452 shares

Explanations on the appropriate use of earnings forecast:

The performance 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. 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**

By region, during the consolidated first quarter, the Asian economy showed signs of recovery in China and other countries, but the European and North American economies continued to face a difficult situation due to the financial crisis and the deterioration of the real economy. Even though the Japanese economy has been recovering from the worst period, with exports beginning to pick up and production showing signs of bottoming out, a tough situation persisted due to reduced capital investment and other factors related to the uncertainty of a recovery for corporate earnings.

In the electronics industry in which the Tokyo Electron group operates, demand for electronic equipment such as PCs, mobile phones, and digital home appliances remained sluggish. The semiconductor and FPD-related markets began to show signs of bottoming out, as evidenced by the recovery of semiconductor prices due to inventory adjustment having run its course and the rising demand for liquid crystal panels destined for the Chinese market, but those markets continued to face a difficult situation, falling short of genuine recovery.

Under these circumstances, consolidated net sales for the first quarter were 68,915 million yen (down 55.5% compared to the same period of the previous year). Consolidated operating losses and ordinary losses, respectively, were 14,388 million yen (down by 35,818 million yen) and 14,021 million yen (down by 36,284 million yen). In addition, since the Company reported losses on impairment as a result of its decision to make operational bases more efficient as "Unusual or infrequent loss," the net losses for the first quarter were 11,035 million yen (down by 23,888 million yen).

The overview of each business segment is as described below.

(1) Industrial Electronic Equipment Business

Net sales from external customers in this segment during the consolidated first quarter were 50,470 million yen (down 61.1% compared to the same period of the previous year).

(a) Semiconductor Production Equipment

Due to the worldwide recession in the semiconductor industry, semiconductor manufacturers continued to curtail capital investment, and as a result sales for this segment remained sluggish. There were signs of the industry bottoming out, as evidenced by the recovery of semiconductor prices due to inventory adjustment in recent months and the rise in the equipment operating rate for semiconductor manufacturers, and orders

for the segment began to grow for the first time in three quarters, but the segment continued to face difficulties, falling short of a genuine recovery. Under these circumstances, net sales from external customers in this segment during the consolidated first quarter were 30,437 million yen (down 73.0% compared to the same period of the previous year).

(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 continued sluggish demand for finished products since last year, but net sales for external customers in the segment during the consolidated first quarter were higher than those for the same period of the previous year, at 19,943 million yen (a 15.5% increase). In addition, the business environment began to take a favorable turn, as evidenced by moves among some panel manufacturers to increase production and resume capital investment because of the rising demand in China for liquid crystal panels. In the segment of photovoltaic cell production equipment, meanwhile, the Company received many inquiries about this business as environmental measures were taken on a global scale, but due to the effects of the global financial crisis that has continued since last year, manufacturers tended to postpone their investment plans.

(c) Others

Net sales for external customers in this segment during the consolidated first quarter were 89 million yen (down 4.7% compared to the same period of the previous year).

(2) Electronic Components and Computer Networks Business

In the segment of semiconductors and electronic devices, sales of consumer electronics such as digital home appliances were recovering due in part to the contribution of new products, but the overall demand remained stagnant; in particular, sales of semiconductor products for industrial equipment continued to be slow. In the segment related to computer systems, sales of computer network equipment remained sluggish, as manufacturers remained cautious about new IT investment given the worsening economic climate, although the performance of maintenance-related businesses continued to be strong. Under these circumstances, net sales for external customers in this segment during the consolidated first quarter were 18,445 million yen (down 26.0% compared to the same period of the previous year).

(For reference)
Consolidated

(Millions of yen)

	FY2010 1Q	FY2009				
		Full Year	1Q	2Q	3Q	4Q
Net Sales	68,915	508,082	154,827	146,398	101,088	105,767
Industrial Electronic Equipment	50,470	413,874	129,904	119,196	78,253	86,520
Semiconductor Production Equipment	30,437	325,383	112,546	96,156	57,827	58,852
Japan	4,932	105,334	32,896	33,369	21,007	18,061
U.S.	12,430	65,374	18,909	16,010	13,538	16,915
Europe	2,833	30,389	7,900	6,942	5,751	9,794
Korea	2,861	37,546	14,842	11,791	5,700	5,211
Taiwan	5,917	49,308	25,724	13,160	4,896	5,526
China	483	11,087	3,788	3,236	3,301	760
S.E.Asia	979	26,343	8,484	11,645	3,631	2,582
FPD/PV Production Equipment	19,943	88,107	17,264	22,915	20,370	27,557
Others	89	384	93	124	55	110
Electronic Components & Computer Networks	18,445	94,207	24,923	27,202	22,835	19,246
Operating Income (Loss)	(14,388)	14,710	21,430	4,852	(2,001)	(9,570)
Ordinary Income (Loss)	(14,021)	20,555	22,263	6,644	(74)	(8,278)
Net Income (Loss)	(11,035)	7,543	12,853	4,508	(7,686)	(2,132)

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 current consolidated first quarter decreased by 29,318 million yen compared to the end of the previous fiscal year, to 476,368 million yen. Major factors included a combined increase of 12,409 million yen in cash and deposits and certificates of deposit in securities; a decrease in trade notes and accounts receivable of 23,366 million yen; and a decrease in merchandise and finished goods of 10,201 million yen.

Tangible fixed assets decreased by 7,370 million yen from the end of the previous fiscal year, to 92,535 million yen.

Intangible fixed assets decreased by 772 million yen from the end of the previous fiscal year, to 9,987 million yen.

Investments and other assets increased by 8,833 million yen from the end of the previous fiscal year, to 61,477 million yen.

As a result, total assets decreased by 28,628 million yen from the end of the previous fiscal year, to 640,369 million yen.

Current liabilities decreased by 20,429 million yen from the end of the previous fiscal year, to 68,842 million yen. Major factors included a decrease in trade notes and accounts payable of 4,519 million yen.

Long-term liabilities increased by 739 million yen from the end of the previous fiscal year to 51,200 million yen.

Net assets decreased because a net loss of 11,035 million yen was reported for the current first quarter 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 current first quarter were 520,326 million yen. The equity ratio was 79.5%.

(2) Cash Flow

Cash and cash equivalents at the end of the current consolidated first quarter increased by 8,682 million yen from the end of the previous fiscal year, to 74,566 million yen. The combined balance of cash and cash equivalents, plus time deposits and certificates of deposit with deposit terms of over three months (which are not included in cash and cash equivalents), increased by 12,409 million yen from the end of the previous fiscal year, to 222,566 million yen. Cash flow from various activities during the current consolidated first quarter is as described below.

Cash flow from operating activities decreased by 20,288 million yen from the same period of the previous year, to 14,372 million yen. Major positive factors included 4,913 million yen in depreciation and amortization, a decrease in trade notes and accounts receivable of 23,531 million yen, a decrease in inventories of 9,089 million yen, and a decrease in prepaid consumption tax of 10,315 million yen. Major negative factors included 18,406 million yen in loss before income taxes for the first quarter and a decrease in customer advances of 8,626 million yen.

Cash flow from investing activities during the current first quarter increased from 635 million yen for the same period of the previous year to 5,372 million yen mainly because of the expenditure of 1,331 million yen for the acquisition of tangible fixed assets, as well as the expenditure of 3,665 million yen due to a net increase in time deposits.

Cash flow from financing activities during the current first quarter decreased from 10,047 million yen during the same period of the previous year to 1,002 million yen mainly due to the payment of 715 million yen in dividends.

3. Qualitative Information on Forecasts for Consolidated Financial Results

It is feared that Europe and North America will experience a prolonged recession in the future due to the financial crisis and the deterioration of the real economy, but there are some signs of recovery in Asia, particularly China. In the semiconductor-related market, due to the worldwide recession in the semiconductor market, capital investment by semiconductor manufacturers remains sluggish, but there are growing signs of a bottoming out, as evidenced by the recovery of semiconductor prices and the rising operating rate for production equipment. Under these circumstances, sales for the semiconductor production equipment segment during the consolidated second quarter are expected to be larger than previously predicted. Meanwhile, the Company reported unusual or infrequent loss as a result of its decision to close three domestic bases for more efficient operation.

Taking these circumstances into account, the Company has revised the forecast of consolidated financial results for the entire fiscal year announced on May 14, 2009, as follows:

Consolidated forecast

(Billions of yen, Y/Y change)

	FY2010			
	Interim		Full Year	
Net Sales	144.0	-52.2%	318.0	-37.4%
Industrial Electronic Equipment	107.5	-56.8%	241.0	-41.8%
Semiconductor Production Equipment	77.0	-63.1%	181.0	-44.4%
FPD/PV Production Equipment	30.5	-24.1%	60.0	-31.9%
Others	0.0	-	0.0	-
Electronic Components & Computer Networks	36.5	-30.0%	77.0	-18.3%
Operating Income (Loss)	-36.0	-	-57.0	-
Ordinary Income (Loss)	-35.0	-	-55.0	-
Net Income (Loss)	-26.0	-	-38.0	-

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 June 30, 2009
ASSETS		
Current assets		
Cash and deposit	51,156	54,066
Trade notes and accounts receivable	119,687	96,320
Securities	159,001	168,500
Merchandise and finished goods	88,416	78,214
Work in process	29,306	30,661
Raw materials and supplies	16,518	16,517
Others	41,620	32,116
Allowance for doubtful accounts	(20)	(28)
Total current assets	505,687	476,368
Long-term assets		
Tangible fixed assets	99,906	92,535
Intangible fixed assets		
Others	10,760	9,987
Total intangible fixed assets	10,760	9,987
Investments and other assets		
Others	60,189	69,040
Allowance for doubtful accounts	(7,545)	(7,562)
Total investments and other assets	52,644	61,477
Total long-term assets	163,311	164,001
Total assets	668,998	640,369

(Millions of yen)

	As of March 31, 2009	As of June 30, 2009
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	24,393	19,873
Other allowance	11,113	7,547
Others	53,765	41,421
Total current liabilities	89,272	68,842
Long-term liabilities		
Accrued pension and severance costs	47,046	47,716
Other allowance	639	605
Others	2,773	2,878
Total long-term liabilities	50,460	51,200
Total liabilities	139,732	120,042
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,114	78,081
Retained earnings	404,435	392,684
Treasury stock	(11,111)	(11,082)
Total shareholders' equity	526,398	514,644
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(842)	787
Deferred gains or losses on hedges	66	76
Translation adjustments	(7,235)	(6,155)
Total valuation and translation adjustments	(8,011)	(5,290)
Subscription rights to shares	1,148	1,336
Minority interests	9,729	9,637
Total net assets	529,265	520,326
Total liabilities and net assets	668,998	640,369

Consolidated Statement of Income

TOKYO ELECTRON

(Millions of yen)

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net sales	154,827	68,915
Cost of sales	102,729	57,715
Gross profit	52,098	11,199
Selling, general & administrative expenses		
Research and development expenses	14,562	12,166
Others	16,106	13,421
Total selling, general & administrative expenses	30,668	25,588
Operating income (loss)	21,430	(14,388)
Non-operating income		
Interest income	403	281
Revenue from development grants	529	380
Others	310	211
Total non-operating income	1,242	873
Non-operating expenses		
Foreign currency translation loss	211	398
Others	197	108
Total non-operating expenses	409	506
Ordinary income (loss)	22,263	(14,021)
Unusual or infrequent profit		
Gain on sale of fixed assets	25	1
Others	1	-
Total unusual or infrequent profit	26	1
Unusual or infrequent loss		
Loss on retirement or sale of fixed assets	35	10
Loss on impairment	-	4,375
Total unusual or infrequent loss	35	4,386
Income (loss) before income taxes	22,253	(18,406)
Provision for income taxes and enterprise taxes	9,237	(7,418)
Minority interests	163	48
Net income (loss)	12,853	(11,035)

Consolidated Cash Flow

TOKYO ELECTRON

(Millions of yen)

	Three months ended June 30, 2008	Three months ended June 30, 2009
Cash flow from operating activities		
Income (loss) before income taxes	22,253	(18,406)
Depreciation and amortization	5,110	4,913
Loss on impairment	-	4,375
Increase in accrued pension and severance costs (decrease)	732	657
Increase in accrued employees' bonuses (decrease)	(9,913)	(2,566)
Increase in accrued warranty expenses (decrease)	(1,069)	(1,026)
Interest and dividend revenue	(451)	(297)
Decrease in trade notes and accounts receivable (increase)	45,665	23,531
Decrease in inventories (increase)	(550)	9,089
Increase in accounts payable (decrease)	(8,996)	(4,584)
Decrease in prepaid consumption tax (increase)	13,612	10,315
Increase in accrued consumption tax (decrease)	(4,012)	-
Increase in customer advances (decrease)	764	(8,626)
Others	(2,428)	(2,251)
Subtotal	60,716	15,124
Receipts from interest and dividends	536	356
Interest paid	(28)	(9)
Income taxes paid	(26,563)	(1,099)
Net cash generated by operating activities	34,660	14,372
Cash flow from investing activities		
Decrease in time deposits (increase)	8,969	(3,665)
Payment for purchase of tangible fixed assets	(6,300)	(1,331)
Payment for purchase of intangible fixed assets	(376)	(93)
Payment for purchase of investment securities	(2,783)	-
Others	(144)	(282)
Net cash used in investing activities	(635)	(5,372)
Cash flow from financing activities		
Net increase in short-term borrowings (decrease)	(62)	(126)
Dividends paid	(9,841)	(715)
Others	(144)	(159)
Net cash generated by financing activities	(10,047)	(1,002)
Effect of exchange rate changes on cash and cash equivalents	105	685
Net increase in cash and cash equivalents (decrease)	24,082	8,682
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	217,642	74,566

Segment Information

1. Business Segment Information

(Millions of yen)

Three months ended June 30, 2008					
	Industrial Electronic Equipment	Electronic Components and Computer Networks	Total	Eliminations and Corporate	Consolidated
Net sales	130,175	25,062	155,237	(410)	154,827
Operating income	20,765	656	21,422	7	21,430

- 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)

Three months ended June 30, 2009					
	Industrial Electronic Equipment	Electronic Components and Computer Networks	Total	Eliminations and Corporate	Consolidated
Net sales	50,656	18,497	69,154	(238)	68,915
Operating income (loss)	(14,634)	238	(14,395)	7	(14,388)

- 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)

Three months ended June 30, 2008					
	Japan	Other Regions	Total	Eliminations and Corporate	Consolidated
Net sales	147,308	32,690	179,998	(25,171)	154,827
Operating income	19,034	2,014	21,048	381	21,430

- 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)

Three months ended June 30, 2009					
	Japan	Other Regions	Total	Eliminations and Corporate	Consolidated
Net sales	62,794	17,420	80,215	(11,299)	68,915
Operating income (loss)	(16,176)	721	(15,454)	1,066	(14,388)

- 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, Europe

Segment Information

3. Overseas sales

(Millions of yen)

	Three months ended June 30, 2008				
	Taiwan	Korea	U.S.	Others	Total
Overseas sales	31,249	21,187	18,918	24,136	95,491
Consolidated net sales					154,827
Proportion of overseas sales in consolidated net sales (%)	20.2	13.7	12.2	15.6	61.7

- 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)

	Three months ended June 30, 2009				
	Taiwan	Korea	U.S.	Others	Total
Overseas sales	12,437	9,587	7,720	8,534	38,279
Consolidated net sales					68,915
Proportion of overseas sales in consolidated net sales (%)	18.0	13.9	11.2	12.4	55.5

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