

Consolidated Financial Review for the First Quarter Ended June 30, 2014

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, 2014

(1) Operating results (Cumulative)

	Three months ended	
	June 30, 2013	June 30, 2014
Net sales (Millions of yen)	103,452	151,325
Operating income (Millions of yen)	(9,646)	17,069
Ordinary income (Millions of yen)	(9,898)	16,913
Net income (Millions of yen)	(2,976)	11,835
Net income per share (Yen)	(16.61)	66.04
Fully diluted net income per share (Yen)	-	65.88
Comprehensive income:	Three months ended June 30, 2014: 12,241 million yen Three months ended June 30, 2013: 2,092 million yen	

(2) Financial position

	As of March 31, 2014	As of June 30, 2014
Total assets (Millions of yen)	828,591	768,783
Net assets (Millions of yen)	590,613	586,605
Equity ratio (%)	69.8	76.1
Equity:	584,731 million yen (as of June 30, 2014) 578,091 million yen (as of March 31, 2014)	

2. Dividends

	Year ended March 31, 2014	Year ending March 31, 2015
1Q-end dividend per share (Yen)	-	10.00
2Q-end dividend per share (Yen)	25.00	-
3Q-end dividend per share (Yen)	-	-
Year-end dividend per share (Yen)	25.00	-
Annual dividend per share (Yen)	50.00	-

Note: The effective date of the business combination with Applied Materials, Inc. has not yet been determined despite this merger having been announced because it is conditional upon the approval from the relevant authorities in Japan, the U.S., and other countries subject to competition laws. Given these circumstances, we will not disclose estimates for dividends after the second quarter ended September 30, 2014.

3. Earnings forecasts for the year ending March 31, 2015

	Six months ending September 30, 2014 (Cumulative)	Year ending March 31, 2015
Net sales (Millions of yen)	290,000	-
Operating income (Millions of yen)	24,500	-
Ordinary income (Millions of yen)	24,500	-
Net income (Millions of yen)	15,500	-
Net income per share (Yen)	86.49	-

- Notes: 1. Revision of earnings forecast : Yes
2. Regarding TEL's forecasts for consolidated operating results of the next fiscal year ending March 31, 2015, we are disclosing provisional estimates for cumulative consolidated operating results through the second quarter because the date on which the business combination with Applied Materials, Inc. will be effected has not yet been determined.

4. Others

- (1) Important changes in subsidiaries: None
(Changes on specific subsidiaries with changes in scope of consolidation)
- (2) Changes in accounting principles, accounting estimation and restatement
1. Changes in accounting policies along with changes in accountants standards: Yes
 2. Other changes of accounting policies besides number 1 above: None
 3. Changes in accounting estimation: None
 4. Restatement: None
- (3) Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)

As of June 30, 2014:	180,610,911 shares
As of March 31, 2014:	180,610,911 shares
 2. Number of shares of treasury stock

As of June 30, 2014:	1,408,363 shares
As of March 31, 2014:	1,408,950 shares
 3. Average number of shares outstanding

As of June 30, 2014:	179,203,670 shares
As of June 30, 2013:	179,187,348 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 from the projections in this Financial Review.

The company plans to hold a financial meeting for analysts and investors on Tuesday, July 29, 2014. The supplementary materials to these financial reports that will be handed out at this meeting will be posted simultaneously on our company website.

1. Qualitative Information on Financial Results for the Current Quarter

(1) Description of Operating Results

The first quarter of the current fiscal year saw a gradual rebound in the world economy as a whole, despite the decelerating pace of growth in China and India. The gradual upward momentum of the economy also continued in Japan.

In the electronics industry, the primary area of the Tokyo Electron (TEL) Group's business activities, demand for mobile devices remained robust as the expansion of the smartphone market continued, primarily in emerging nations such as China where rapid progress has been made in establishing high speed communications infrastructure.

Under these circumstances, the Group's consolidated results (cumulative) for the first quarter were net sales of 151,325 million yen (a year-on-year growth of 46.3%), operating income of 17,069 million yen (a year-on-year operating loss of 9,646 million yen), ordinary income of 16,913 million yen (a year-on-year ordinary loss of 9,898 million yen); and in addition, the quarterly net income stood at 11,835 million yen (a year-on-year net loss of 2,976 million yen).

The overview of each business segment is as described below.

TEL sold part of the shares held in Tokyo Electron Device Ltd. in April and May of this year. This resulted in Tokyo Electron Device Ltd. being switched from a consolidated subsidiary of the group to an affiliate accounted for under the equity method, and the Electronic Components and Computer Networks segment overseen by the company and its subsidiaries being removed from segments reported from the current quarter onward. The 46.3% year on year increase in consolidated net sales mentioned above reflects the impact of removing Tokyo Electron Device Ltd. from consolidated range.

(i) Semiconductor Production Equipment

Demand for electronic components such as DRAM and NAND flash memory remained firm as a result of strong smartphone and tablet sales, resulting in increased capital investment in facilities among semiconductor manufacturers. Consequently, net sales to external customers in this segment for the first quarter of the current fiscal year were 136,126 million yen (a year-on-year growth of 81.6%).

(ii) Flat Panel Display (FPD) Production Equipment

Demand for small to medium-sized flat panel displays used primarily for mobile devices remained steady, and the market for FPD production equipment remained strong, including large-sized flat panel displays in China. These circumstances resulted in net sales to external customers in this segment of 13,929 million yen (a year-on-year growth of 183.9%) for the first quarter of the current fiscal year.

(iii) Photovoltaic Panel (PV) Production Equipment

We have ceased new sales activities of PV production equipment. However, sales entries for work in progress to fulfill existing orders and other facts resulted in net sales to external customers in this segment of 1,102 million yen (a year-on-year loss of 46.6%) for the first quarter of the current fiscal year.

(iv) Others

Net sales to external customers for this segment were 167 million yen (a year-on-year growth of 50.4%) for the first quarter of the current fiscal year.

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY 2014 Full Year					FY 2015 1Q
		1Q	2Q	3Q	4Q	
Net Sales	612,170	103,452	151,048	138,400	219,269	151,325
Semiconductor Production Equipment	478,841	74,944	119,828	102,284	181,784	136,126
Japan	76,424	11,648	21,585	21,589	21,601	13,421
U.S.	104,363	15,101	29,715	24,474	35,071	33,790
Europe	29,636	5,666	7,909	3,815	12,244	12,530
Korea	73,403	11,184	17,679	14,660	29,877	22,451
Taiwan	130,252	24,509	31,550	21,504	52,688	38,456
China	48,897	4,711	4,924	12,764	26,496	13,911
S.E.Asia	15,865	2,123	6,463	3,474	3,803	1,565
FPD Production Equipment	28,317	4,906	4,486	8,813	10,110	13,929
PV Production Equipment	3,805	2,062	1,225	1,196	(679)	1,102
Electronic Components & Computer Networks	100,726	21,426	25,359	26,029	27,910	—
Others	479	111	146	76	144	167
Operating Income (loss)	32,204	(9,646)	7,824	9,067	24,959	17,069
Ordinary Income (loss)	35,487	(9,898)	10,487	8,502	26,395	16,913
Net Income (loss)	(19,408)	(2,976)	5,452	(38,098)	16,212	11,835

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

Production and Order Performance

1. Production

(Millions of yen)

	FY 2014 Full Year					FY 2015 1Q
		1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	470,086	79,358	105,784	145,944	138,999	124,318
FPD Production Equipment	36,047	6,037	4,777	9,508	15,724	7,419
PV Production Equipment	3,876	2,146	1,212	1,226	(709)	1,081
Total	510,010	87,542	111,774	156,679	154,014	132,818

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

2. Orders Received

(Millions of yen)

	FY 2014 Full Year	FY 2014				FY 2015 1Q
		1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	546,932	97,708	151,322	143,495	154,405	137,297
FPD Production Equipment	41,336	14,491	6,351	3,885	16,607	14,280
PV Production Equipment	4,303	1,185	1,101	1,447	569	541
Electronic Components & Computer Networks	103,141	23,872	24,735	26,525	28,008	—
Others	479	111	146	76	144	167
Total	696,194	137,369	183,657	175,431	199,735	152,286

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 2014				FY 2015 1Q
	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	164,587	196,081	237,292	209,914	211,085
FPD Production Equipment	25,584	27,449	22,522	29,019	29,371
PV Production Equipment	7,618	7,494	7,744	8,994	8,433
Electronic Components & Computer Networks	17,231	16,606	17,102	17,200	-
Others	-	-	-	-	-
Total	215,022	247,632	284,663	265,129	248,889

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 561,660 million yen, down 59,831 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 31,614 million yen decrease in trade notes and accounts receivable, and a 27,144 million yen decrease in inventories.

Tangible fixed assets decreased by 1,680 million yen from the end of the previous fiscal year, to 110,663 million yen.

Intangible fixed assets decreased by 2,689 million yen from the end of the previous fiscal year, to 26,866 million yen.

Investments and other assets increased by 4,393 million yen from the end of the previous fiscal year, to 69,593 million yen.

As a result, total assets decreased by 59,808 million yen compared to the end of the previous fiscal year, to 768,783 million yen.

Current liabilities were down 47,158 million yen compared to the end of the previous fiscal year, to 123,351 million yen.

The major factors causing the decrease were a 12,246 million yen decrease in trade notes and accounts payable, a 11,531 million yen decrease in short-term borrowings from the removal of Tokyo Electron Device Ltd. from consolidated accounting, a 10,799 million yen decrease in customer advances and a 8,562 million yen decrease in accrued income taxes

Long-term liabilities were down 8,642 million yen compared to the end of the previous fiscal year, to 58,826 million yen.

Net assets were down 4,007 million yen compared to the end of the previous fiscal year, to 586,605 million yen.

The main factors were an increase due to reported quarterly net income of 11,835 million yen, a decrease of 10,671 million yen in minority interests from the removal of Tokyo Electron Device Ltd. from consolidated accounting and other facts, and a decrease as a result of a payment of 4,480 million yen in year-end dividends.

The equity ratio was 76.1%.

(ii) Cash Flow

Cash and cash equivalents at the end of the first quarter of the current consolidated fiscal year increased by 34,166 million yen compared to the end of the previous fiscal year, to 138,963 million yen. The combined balance including a 141,047 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 280,011 million yen, up 11,864 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 was positive 16,447 million yen, compared to negative 1,370 million yen in the same period of the previous fiscal year. The main positive factors were 15,022 million yen in quarterly net income before income taxes, a 10,072 million yen decrease in accrued consumption and other taxes and a 8,231 million yen decrease in trade notes and accounts receivable. The main negative factors were the payment of income taxes of 12,560 million yen and a 6,866 million yen decrease in customer advances. Cash flow from investing activities was positive 21,060 million yen, compared to positive 13,207 million yen in the same period of the previous financial year. This primary positive factor was a 22,300 million yen decrease in time deposits and short-term investments. The primary negative factor was 3,059 million yen in payments for purchase of tangible fixed assets.

Cash flow from financing activities was negative 4,614 million yen, compared to negative 1,442 million yen in the same period of the previous fiscal year. This was primarily the result of the payment of 4,480 million yen in dividends.

Consolidated Cash Flow (Summary)

(Millions of yen)

	Three month ended June 30, 2013	Three month ended June 30, 2014
Cash flow from operating activities	(1,370)	16,447
Income before income taxes (loss)	(9,845)	15,022
Depreciation and amortization	6,307	4,717
Decrease in trade notes and accounts receivable (increase)	5,111	8,231
Decrease in inventories (increase)	(15,751)	4,992
Increase in accounts payable (decrease)	715	(4,096)
Others	12,092	(12,420)
Cash flow from investing activities	13,207	21,060
Decrease in time deposits and short-term investments (increase)	17,651	22,300
Others (purchase of fixed assets)	(4,443)	(1,239)
Cash flow from financing activities	(1,442)	(4,614)
Effect of exchange rate changes on cash and cash equivalents	(2,134)	1,273
Net increase in cash and cash equivalents (decrease)	8,260	34,166
Cash and cash equivalents at beginning of period	85,313	104,797
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	92,367	138,963
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	229,552	280,011

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

In the market for semiconductors and associated products, robust demand for mobile devices has stimulated capital investment in facilities among semiconductor manufacturers. In light of this situation, we anticipate cumulative, consolidated sales and income from our semiconductor production equipment operations for the first half of the current fiscal year to exceed previous forecasts, and we have therefore revised the financial forecast for the first half. Note that due to the timing that the effect of the business combination is realized, we have not yet disclosed earnings forecasts for the full year; but on a group basis our previous forecasts for the second half remain unchanged, with net sales of 307 billion yen and operating income of 48 billion yen.

Consolidated Forecast

(Billions of yen, Y/Y change)

	FY2015(E)	
	Interim	
Net Sales	290.0	13.9%
Semiconductor Production Equipment	270.0	38.6%
FPD Production Equipment	18.0	91.6%
PV Production Equipment	2.0	39.2%
Others	0.0	
Operating Income (loss)	24.5	
Ordinary Income	24.5	
Net Income (loss)	15.5	525.8%

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, 2014	As of June 30, 2014
ASSETS		
Current assets		
Cash and deposit	56,345	47,521
Trade notes and accounts receivable	129,032	97,417
Securities	211,800	232,489
Merchandise and finished goods	114,289	86,978
Work in process	38,074	37,326
Raw materials and supplies	15,912	16,827
Others	57,538	44,517
Allowance for doubtful accounts	(1,502)	(1,418)
Total current assets	621,492	561,660
Long-term assets		
Tangible fixed assets	112,344	110,663
Intangible fixed assets		
Goodwill	9,400	8,675
Others	20,155	18,191
Total intangible fixed assets	29,556	26,866
Investments and other assets		
Others	67,065	71,459
Allowance for doubtful accounts	(1,866)	(1,866)
Total investments and other assets	65,199	69,593
Total long-term assets	207,099	207,123
Total assets	828,591	768,783

	(Millions of yen)	
	As of March 31, 2014	As of June 30, 2014
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	53,667	41,421
Accrued warranty expenses	10,072	10,333
Other allowance	8,642	3,996
Others	98,127	67,600
Total current liabilities	170,509	123,351
Long-term liabilities		
Other allowance	582	374
Net defined benefit liability	53,448	48,610
Others	13,436	9,840
Total long-term liabilities	67,468	58,826
Total liabilities	237,978	182,177
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	436,174	442,422
Treasury stock	(9,478)	(9,473)
Total shareholders' equity	559,679	565,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,592	5,861
Deferred gains or losses on hedges	60	(46)
Translation adjustments	5,777	6,509
Remeasurements of defined benefit plans	6,981	6,473
Total accumulated other comprehensive income	18,411	18,797
Subscription rights to shares	1,643	1,667
Minority interests	10,878	206
Total net assets	590,613	586,605
Total liabilities and net assets	828,591	768,783

Consolidated Statement of Income

	(Millions of yen)	
	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	103,452	151,325
Cost of sales	73,535	95,942
Gross profit	29,916	55,383
Selling, general & administrative expenses		
Research and development expenses	17,993	16,754
Others	21,570	21,558
Total selling, general & administrative expenses	39,563	38,313
Operating income (loss)	(9,646)	17,069
Non-operating income		
Interest income	326	275
Dividend revenue	237	305
Others	373	282
Total non-operating income	937	863
Non-operating expenses		
Foreign currency translation loss	1,096	852
Others	91	166
Total non-operating expenses	1,188	1,019
Ordinary income (loss)	(9,898)	16,913
Unusual or infrequent profit		
Gain on sale of fixed assets	74	55
Gain on sale of investment securities	-	54
Total unusual or infrequent profit	74	110
Unusual or infrequent loss		
Loss on sales of subsidiaries' stocks	-	1,609
Others	21	392
Total unusual or infrequent loss	21	2,001
Income (loss) before income taxes	(9,845)	15,022
Income taxes	(6,876)	3,169
Income (loss) before minority interests	(2,969)	11,853
Minority interests	6	18
Net income (loss)	(2,976)	11,835

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income (loss) before minority interests	(2,969)	11,853
Other comprehensive income		
Valuation difference on available-for-sale securities	288	269
Deferred gains or losses on hedges	53	(117)
Translation adjustments	4,719	739
Remeasurements of defined benefit plans	-	(498)
Share of other comprehensive income of associates accounted for using equity method	-	(5)
Total other comprehensive income	5,061	387
Comprehensive income	2,092	12,241
(Breakdown)		
Comprehensive income attributable to owners	2,016	12,221
Comprehensive income attributable to minority interests	75	19

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, Flat Panel Display (FPD) Production Equipment, and Photovoltaic Panel (PV) Production Equipment.

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 consisted of photovoltaic panel production equipment used in the manufacturing of thin film silicon photovoltaic panels, and we were engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products. However, we have scaled down our business structure of the PV production equipment, by halting development, production, and sales activities for this business and limit operations to support for equipment already delivered as of the end of March, 2014.

(ii) Net sales and income (loss) in reportable segments

Three months ended June 30, 2014

(Millions of yen)

	Reportable Segments			Others	Total
	Semiconductor Production Equipment	FPD Production Equipment	PV Production Equipment		
Net sales	136,126	13,929	1,102	2,894	154,052
Segment income (loss)	32,034	(451)	(3,042)	438	28,978

	Eliminations	Consolidated Total
Net sales	(2,727)	151,325
Segment income (loss)	(13,955)	15,022

Notes:

- The "Others" is all other businesses segment 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.
- The eliminations of segment income or loss amounting to 13,955 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 3,869 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
- Segment income (loss) is adjusted against income before income taxes in consolidated statement of income.

Segment Information

(iii) Items Related to Changes in Reportable Segments

In conjunction with the change of Tokyo Electron Device Limited (TED) from a consolidated subsidiary to an equity-method affiliate, from the first quarter of the current fiscal year, the "Electronic Components and Computer Networks" handled by TED and its subsidiaries has been eliminated from the reportable segment, and investment profit or loss on equity method relating to TED has been included in segment income or loss adjustment amounts.

(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