Disclaimer Regarding Forward-looking Statements

Matters discussed in this annual report, including forecasts of future business performance of Tokyo Electron, management strategies, beliefs and other statements are based on Tokyo Electron’s assumptions in light of information that is currently available. These forward-looking statements involve known or unknown risks, uncertainties and other factors that could cause actual results to differ materially from those referred to in the forward-looking statements.

Factors that have a direct or indirect impact on Tokyo Electron’s future performance include, but are not limited to:

• Economic circumstances in Japan and overseas, consumption trends, and large fluctuations in foreign exchange rates
• Changes in semiconductor/FPD/PV markets
• Changes in the demand for products and services manufactured or offered by Tokyo Electron’s customers, such as semiconductor manufacturers, FPD manufacturers, photovoltaic cell manufacturers and electronics makers
• Tokyo Electron’s capabilities to continue to develop and provide products and services that respond to rapid technology innovation and changing customer needs in a timely manner

For details, please refer to Business-related and Other Risks on page 22.

Tokyo Electron Limited (TEL) is a world-leading supplier of semiconductor production equipment (SPE) and flat panel display (FPD) production equipment. We provide a broad lineup of products that offer superior process performance and high productivity and related services to semiconductor and LCD panel manufacturers around the world. Additionally, photovoltaic cell (PV) production equipment has been in the product lineup since 2009.

An unwavering commitment to customer satisfaction that dates back to our founding in 1963 has cemented our position as a market leader. Our competitive strength lies in our capability to proactively and precisely identify real customer needs and respond to them with cutting-edge technology and products.

With a global network that spans Japan, the U.S., Europe and Asia, we are opening up new frontiers for digital networks by contributing to enhancing our customers’ production lines through unflinching dedication to technology innovation.
## CONSOLIDATED FINANCIAL HIGHLIGHTS

### For the year:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥906,092</td>
<td>¥508,082</td>
<td>¥418,637</td>
<td>¥668,722</td>
<td>¥633,091</td>
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<tr>
<td><strong>Operating income (loss)</strong></td>
<td>168,498</td>
<td>14,711</td>
<td>(2,181)</td>
<td>97,870</td>
<td>60,443</td>
</tr>
<tr>
<td><strong>Income (loss) before income taxes</strong></td>
<td>106,271</td>
<td>7,543</td>
<td>(9,033)</td>
<td>71,924</td>
<td>36,726</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>21,413</td>
<td>23,068</td>
<td>20,002</td>
<td>17,707</td>
<td>24,198</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>22,703</td>
<td>18,108</td>
<td>14,919</td>
<td>39,140</td>
<td>39,541</td>
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<tr>
<td><strong>R&amp;D expenses</strong></td>
<td>66,073</td>
<td>60,988</td>
<td>54,074</td>
<td>70,568</td>
<td>81,506</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>18.6%</td>
<td>2.9%</td>
<td>(0.5)%</td>
<td>14.6%</td>
<td>9.5%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>21.4%</td>
<td>1.4%</td>
<td>(1.8)%</td>
<td>13.3%</td>
<td>6.3%</td>
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### At year-end:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>¥792,818</td>
<td>¥668,998</td>
<td>¥696,352</td>
<td>¥809,205</td>
<td>¥783,611</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td>545,245</td>
<td>529,265</td>
<td>523,370</td>
<td>584,802</td>
<td>598,603</td>
</tr>
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</table>

### Per share:

<table>
<thead>
<tr>
<th></th>
<th>Yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income (loss)—Basic</strong></td>
<td>¥ 594.01</td>
<td>$ 2.49</td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td>125.00</td>
<td>24.00</td>
</tr>
</tbody>
</table>

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Notes:
1. U.S. dollar amounts are translated from yen, solely for convenience, at the prevailing exchange rate on March 31, 2012 of ¥82.19=U.S.$1.
2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.
In fiscal 2012, the year ended March 31, 2012, the economic environment surrounding Japan saw a year of increasingly severe and even chaotic conditions. The environment was characterized by the effects of the massive floods in Thailand, the yen's prolonged and historic appreciation, and the European financial market risk, in addition to the impact of the Great East Japan Earthquake. In the electronics industry, where Tokyo Electron operates, even the largest Japanese companies faced extremely severe conditions, as reported on a daily basis in the media.

In this environment, Tokyo Electron finished fiscal 2012 with net sales of ¥633.1 billion, operating income of ¥60.4 billion and net income of ¥36.7 billion, despite some impact due to tax code reforms and other factors. This performance was only possible with the support of our customers and all other stakeholders. Accordingly, we wish to take this opportunity to express our heartfelt gratitude for your continued support.

Smartphones and tablets have come to the forefront at blinding speed. Indeed, we are currently standing on the threshold of the mobile device era. Dramatic growth in shipment volume of these types of mobile devices should continue going forward, fueled by an expanding base of purchasers in emerging economies, along with further market penetration in developed countries. These IT devices, which exchange immense amounts of data, will require even higher performing semiconductors than before. This evolution in semiconductors will be made possible by technological innovation in semiconductor production equipment (SPE). Though the market for SPE is subject to the short-term impact of the silicon cycle and macro-economic factors, the market is tipped for sustained growth as it undergoes repeated cycles of technological innovation in support of the evolution of semiconductors and tremendous volume-based expansion. In this dynamic market, Tokyo Electron will continue to fulfill its role of supporting the very foundations of the mobile device era by providing outstanding products and technologies that our customers demand.

Based on its medium- and long-term vision, Tokyo Electron has positioned the past 2 years as a period for laying the foundations of business growth for the next 5 to 10 years down the road. Accordingly, we have made high levels of investment in growth. R&D expenses have been allocated not only to strengthening our existing mainstream SPE business, but also to building new businesses that fully harness our core SPE technology. Examples include 3DI packaging, which has been spotlighted as an advanced wafer level packaging technology; production equipment for OLED displays, which are emerging as the next-generation of flat panel displays (FPD); and production equipment for thin-film silicon photovoltaic cells, which we consider to be an optimal environmentally friendly energy technology for megasolar power generation. We will make every effort to nurture these new fields into future growth drivers that take Tokyo Electron to an even higher level in the near future.

Tokyo Electron will mark the 50th year of its founding in November. The semiconductor industry is a unique and exceptional sector in which growth continues to be driven today by repeated cycles of technological innovation even after more than half a century has passed since the invention of the semiconductor. In this industry, as it remains a global leader in semiconductor production equipment, Tokyo Electron aspires not only to help achieve the betterment of people's lives, but also to make a contribution to the global environment through technology. To realize this vision, we believe that it is crucial for management and employees to come together and share this common mission, while making Tokyo Electron a company brimming with aspirations and vitality that we can all be more proud of. At the same time, we will continue to take a diligent approach to management in order to make Tokyo Electron an even more attractive, high-value company for all of our stakeholders. We look forward to your continued understanding and support as we endeavor to reach these goals.
What progress did you make on the management front in fiscal 2012?

The business environment surrounding Tokyo Electron was extremely severe over the past year, mainly due to the Great East Japan Earthquake that struck in March 2011, as well as the yen’s rapid appreciation to historic levels and a downturn in final electronics products due to the impact of the flooding in Thailand. In this environment, Tokyo Electron managed to minimize the impact of the Great East Japan Earthquake through concerted efforts by the entire company to restore operations in the aftermath of the earthquake. Nonetheless, overall net sales decreased by around 5% year over year.

Meanwhile, as in the previous fiscal year, we executed sizable growth investments in preparation for future growth. In fact, we allocated R&D expenses of ¥81.5 billion in fiscal 2012, which was an all-time high. We have started to see the positive results of these outlays gradually become apparent, including improved positions in focused areas like the markets for etch systems and cleaning systems. Fiscal 2012 was also a year that saw us make steady progress in several new business fields.

In relation to capital investments for the future, we established three new manufacturing and development sites, namely the new Miyagi plant for strengthening the etch system business; the new Kunshan plant in China to address the country’s expanding demand for flat panels through localization; and the TEL Technology Center Tsukuba, to enhance basic R&D activities and promote the commercialization of photovoltaic cell (PV) production equipment. In another development, in April 2012 we established TEL Technology Center Korea, in the city of Hwasoeng, South Korea, with the view to strengthen business operations in South Korea’s booming semiconductor market. In this manner, we invested in the future according to each of our intended objectives.

In addition, we announced two acquisitions. We have often said that the source of Tokyo Electron’s growth lies in technological innovation. We believe that acquisitions fall into three categories. The first is acquisitions to strengthen existing businesses. The second is acquisitions to expand related businesses. Finally, the third is acquisitions to enter new businesses. In every category, Tokyo Electron seeks to create high-value businesses by incorporating technologies it does not have, and fusing them with its own technologies. The latest acquisitions are intended to enhance our range of products in the semiconductor advanced packaging field, which has a high growth rate, and to enter the thin-film silicon PV production equipment field, where we can harness the technologies Tokyo Electron has developed over the years.

Hiroshi Takenaka, President & CEO

INTERVIEW WITH THE CEO

Capital Investments For Medium-term Growth

Over the last 2 years, Tokyo Electron has allocated high levels of R&D expenses and made sizable capital investments, aiming at future growth.
What changes have taken place in the business environment surrounding Tokyo Electron? How will you respond to these changes and how will you convert them into business opportunities?

Tokyo Electron’s overseas sales ratio for SPE has now reached nearly 85%. There has also been an increasingly prominent trend for only a few major customers to make very large investments. In response to these changes in the business environment, Tokyo Electron has conducted its most important R&D activities in close proximity to global semiconductor manufacturers. We have established cutting-edge process-technology centers in the U.S., South Korea and Taiwan, in addition to Japan. These centers allow us to work closely with customers in their semiconductor development from an early stage. Efforts are focused on embodying customers’ real needs in the next generation production equipment as early as possible.

The market for semiconductor production equipment (SPE) seems to have struggled to grow since the global financial crisis erupted three years ago. What is your outlook for the industry?

The semiconductor market has already seen fierce borderless competition for many years. A glance at recent newspapers shows that the Japanese electronics industry in particular has struggled to cope with intensified global competition. Looking around the world, demand for final electronics products still remains weak due to the lingering impact of the global financial crisis.

However, semiconductors are finding growing uses in devices that process massive amounts of data exchanged over the Internet, including PCs and smartphones, as well as servers. More semiconductors are also being used in numerous digital home appliances, as well as in automobiles and medical equipment. Considering these factors, along with accelerated growth in the supply of these products to emerging countries, we believe that growth in demand for semiconductors and related technological advances will still continue indefinitely into the future. Indeed, the arrival of the mobile computing era heralds the beginning of the second major growth phase of semiconductors.

Meanwhile, our basic approach is to conduct manufacturing primarily in Japan in order to take full advantage of the country’s strong manufacturing capabilities. However, we are expanding procurement of parts and materials to the rest of Asia, in order to leverage the yen’s recent appreciation, in an effort to improve the overseas procurement ratio. In the SPE business, we will work to strengthen Tokyo Electron’s position and enhance profitability through these types of development and manufacturing strategies.

In the flat panel display (FPD) production equipment business, the market has now arrived at a major turning point. There has been a large drop in the prices of large LCD TVs at mass home appliance retailers. Because of the commoditization of LCD panels, FPD production equipment has also faced fierce price-based competition from emerging Asia-based players. In response, Tokyo Electron will maintain its competitive edge in the market by building manufacturing infrastructure in China, which has enormous untapped demand for panels, while striving to improve its cost structure. Furthermore, we are eyeing the full-scale emergence of the market for OLED TVs around 2015. OLED TVs promise to rival LCD TVs as the new generation of TVs. Accordingly, Tokyo Electron will accelerate the confirmation of the commercial viability of OLED display production equipment for large panels, and launch this business as early as possible.

Expanding Our Global Development Network

We use our development network linked to our major customers throughout the world to speedily create the products that they demand.
Could you please go into a little more detail on your new businesses?

Tokyo Electron has executed high levels of R&D and capital investment over the past two years, and has recently announced two corporate acquisitions. In addition to strengthening existing businesses, these measures are aimed at creating new growth drivers for Tokyo Electron. These growth drivers include new products based on new plasma technology that uses a radial line slot antenna; 3DI packaging technology in the wafer level packaging field; next-generation test systems; OLED display production equipment; and thin-film silicon PV production equipment. If these growth drivers become viable, Tokyo Electron will create new businesses worth between ¥100 billion and ¥200 billion combined.

Elsewhere, while miniaturization is becoming more and more difficult for memory chips, the era of STT-MRAM, a promising candidate for the next generation of memory, is drawing near. Eyeing the development of this revolutionary new device, Tokyo Electron has teamed up with Tohoku University, which possesses the world's most advanced technology in this field. Under this partnership, Tokyo Electron will take on the challenge of developing high volume production technology for these devices as a production equipment manufacturer. If new business fields emerge, and STT-MRAM devices are successfully introduced in the market as well, we expect they will allow us to establish new growth drivers alongside our existing core SPE products.

Developing Businesses in New Fields
We are targeting business expansion by entering new business fields where we can take full advantage of our core SPE Technology.

Tokyo Electron has transformed itself into an enterprise that can generate stable cash flow. What is your policy on returning profits to shareholders and using cash?

The year before last, we raised the performance-linked dividend payout ratio target from 20% to 35%, as part of our effort to increase returns to shareholders. In addition, as Tokyo Electron marks the 50th year of its founding, we plan to pay a commemorative dividend of ¥20 per share, expressing our appreciation for the continued support of shareholders. However, we believe that our shareholders' strongest expectations for Tokyo Electron are for us to enhance its corporate value by achieving growth. Therefore, we intend to continue using surplus funds primarily to invest in technology development, as well as for other growth investments including corporate acquisitions.

At the same time, we will undertake appropriate considerations for stock buybacks depending on situations. While remaining consciously aware about the need both to drive sales and earnings growth and improve ROE, management will continue to provide the leadership needed to enhance Tokyo Electron’s corporate value.
TOKYO ELECTRON AT A GLANCE

Consolidated Net Sales

(Millions of Yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>668,722</td>
<td>633,091</td>
</tr>
<tr>
<td>Others</td>
<td>453</td>
<td>461</td>
</tr>
</tbody>
</table>

Summary of Business

Semiconductor Production Equipment

Semiconductor devices (IC chips) are the key components of smartphones, tablets, and other digital products. Tokyo Electron offers a wide range of equipment for producing these devices, along with superior technical support and service.

The product lineup comprises six product groups: coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processes, and wafer probers used in the wafer testing process. Moreover, Tokyo Electron is expanding the product lineup for advanced packaging processes, including equipment used for through-silicon via (TSV) processes.

**Main Products**
- Coater/Developer
- Plasma Etch System
- Thermal Processing System
- Single Wafer Deposition System
- Cleaning System
- Wafer Prober

**Share of Net Sales**
- Coater/Developer: 75.5%
- Plasma Etch System: 11.0%
- Thermal Processing System: 13.4%

FPD/PV Production Equipment

Tokyo Electron supplies flat panel display (FPD) production equipment used to manufacture displays for PCs, LCD TVs, and other electronic devices, along with solid technical support and service.

The product lineup includes FPD coater/developer and plasma etch/ash system. Photovoltaic cells (PV) are in the spotlight these days as an environmentally friendly form of clean energy. In FY2009, Tokyo Electron added PV production equipment as a new field of operations.

**Main Products**
- FPD Coater/Developer
- FPD Plasma Etch/Ash System
- Plasma CVD System for Thin-film Silicon PV Cells
- End-to-end Thin-film Silicon PV Solutions (as Swiss company Oerlikon Solar’s exclusive representative for the Asia/Oceania region)

**Share of Net Sales**
- FPD Coater/Developer: 11.0%

Electronic Components and Computer Networks

Tokyo Electron has developed a new type of dual model for this business: the trading business handles sales, in which it acts as a distributor of a wide array of sophisticated electronic components and computer network equipment, while the development business designs and develops products in response to customer needs, as well as our own in-house brand products. Business operations for this segment are handled by Tokyo Electron Device Limited.

**Main Products**
- Semiconductor Products
- Other Electronic Components
- Computer Networks
- Software

**Share of Net Sales**
- Semiconductor Products: 13.4%
REVIEW OF OPERATIONS

Overview of FY2012
Semiconductor Production Equipment Sales
In the fiscal year ended March 31, 2012, the global economy was characterized by slowing growth, mostly in advanced economies, amid a clouded outlook over the future stemming primarily from the financial crises in Europe. In the second half of the fiscal year, however, signs of a mild recovery emerged primarily in the U.S. economy. The manufacturer of logic chips that meet lower power consumption and higher telecommunication standards was robust, driven by strong demand for advanced mobile devices such as smartphones and tablets. Meanwhile as for DRAM manufacturing, production adjustments were carried out due to the slowing growth of PC sales.

Net sales in the segment declined 6.5% year on year to ¥477.9 billion, as logic chips manufacturers’ robust investments in scaling, or miniaturization, was outweighed by the cutbacks in investment carried out by memory manufacturers.

By region, while there were year-on-year sales increases of 73% in Europe, 24% in South Korea, and 12% in the United States, sales declined in all other regions. There was an especially large decline in Taiwan, a 50% down, due to sluggish capital investment by DRAM manufacturers.

FPD/PV Production Equipment
While demand for small- and medium-sized LCD panels used in smartphones and tablets was robust, the market for large LCD panels used in TVs slumped as global shipments of TVs declined year-on-year for the first time ever. Investments by flat panel manufacturers mirrored this trend, focusing on the small- and medium-sized LCD production equipment for advanced mobile electronics. In the photovoltaic cell (PV) production equipment business, while the PV market continued to grow, the market environment became severe as panel prices continued to plunge amid a worsened supply-demand balance, which forced many PV-related companies to exit the business.

Net sales in the segment rose 4.7% year-on-year to ¥69.9 billion. FPD production equipment sales were slightly down compared with the previous year, while sales of PV production equipment increased.

Electronic Components and Computer Networks
In the Japanese electronic components market during the fiscal year ended March 31, 2012, while the market for smartphones and other mobile devices expanded steadily, demand slumped for digital household electronics, particularly TVs. In terms of IT investment, there were signs of a gradual recovery, with expanded investment in cloud computing and other areas amid a growing awareness of the benefits of IT to support corporate and social activities.

Net sales in the segment declined 5.9% to ¥84.9 billion. In the electronic components business, while sales of semiconductors used in communications equipment such as mobile phone base stations were robust, sales of semiconductors both for consumer and industrial electronics products slumped. In the computer networks business, sales of equipment, primarily storage, and maintenance services were strong on increased corporate demand for cloud computing.

Business Outlook
There is need for enormous quantities of IC chips as well as technological innovation for higher density, higher speed and lower power consumption in IC chips because of the spread of mobile devices including smartphones and tablets, and the expansion of data communication volumes accompanying the spread of cloud computing. Semiconductor production equipment will play an increasingly important role in the realization of this quantitative expansion of IC chips and further technological innovation, and this importance will continue to drive semiconductor capital investment.

Tokyo Electron will focus on the comprehensive strengthening of existing products and the launching of new businesses to link these market and technology trends to business expansion. In existing products, Tokyo Electron will continue to introduce high productivity models of coater/developers and thermal processing systems, products in which the Company possesses solid strengths. The company will seek sales growth from etch systems and cleaning systems, products that are targeted for reinforcement, by increasing customer recognition of the technological superiority of Tokyo Electron products through customer evaluations. In addition, the Company will develop strategies that link expansion of the served available market (SAM) to increased sales of single wafer deposition systems by entering into the new product area for logic chips, and the introduction of new testing products that meet customer need to reduce test costs.

In new business fields, Tokyo Electron will expand the product line in the wafer-level packaging sector, where high growth is expected, above all in 3D packaging technologies. In May 2012 the Company acquired and integrated NEXX Systems of the U.S., which owns technologies related to this field.

Overview of FY2012
Sales by Region

Overview of FY2012
Business Outlook

Electronic Components and Computer Networks Sales

Overview of FY2012
Business Outlook

Sales by Region

Overview of FY2012
Business Outlook

Sales by Region
We have set ourselves the challenge to “become the world’s top semiconductor production equipment manufacturer.” As part of our plan to achieve that goal, we began operations at the Tokyo Electron Miyagi new plant in Japan in October 2011. This new plant unifies all the processes behind etch systems, from development to product manufacturing. The plant's mission is to use this unified structure to deliver products with even higher value to customers on a timely basis. We will shorten the product development time, enhance product quality from the development stage, and improve productivity by completely eliminating wasted time, communication, and costs. What we challenge with flow-line manufacturing introduced at this new plant is “production innovation” through visualization.

In March 2012, Tokyo Electron (Kunshan) Limited began operating its plant in Kunshan, China. Initially, the plant is engaged in the repair of parts used in FPD plasma etch systems. It successfully shipped its first products to customers at the end of April. Through the challenge to manufacture FPD etch systems at a cost that meets market expectations, we seek to build a manufacturing base in the area where demand for digital consumer electronics is expected to grow significantly.

From the customers’ perspective, our value lies in products backed by unsurpassed technology and product manufacturing supported by a cost structure consistent with market expectations. The new plants in Miyagi and China put this concept of value into practice.

Other issues which we must always keep in mind are the provision of fast, high-quality services delivered close to the customer, exchange rate fluctuations, BCP, and the national policies of the countries in which we operate. To deal with these issues, we are promoting localization and global procurement initiatives aimed at ensuring our costs are in line with market expectations.

Through our sourcing in Taiwan, Korea, and China, we have gradually grasped the characteristics of the cost and quality of goods in each region. Important things are, we have to fully leverage these characteristics, and at the same time we have to value the good faith and trusting relationships with new local partner companies as well as established partner companies. When pursuing costs, we should not overly focus on direct costs and neglect to see the mechanism of production and quality. Paradoxically, by utilizing global sourcing, the Japanese art of manufacturing can continue to find value through thoroughly examining indirect costs for all processes and slimming them down.

With our 50th anniversary approaching, we will spare no effort to advance product manufacturing based on our enduring desire to maximize customer value.
FEATURE 1

Actively Introducing
New Products to Achieve Growth That Outpaces Market Expansion

Hikaru Ito
Corporate Director, Executive V.P. and General Manager, SPE

After the global financial crisis of 2008, two major changes in trends have been occurring in the semiconductor production equipment (SPE) market. One is an increase in the ratio of investments for logic devices. The other is a decrease in the number of semiconductor manufacturers who are able to make large capital investments; in other words, advancement of so-called “oligopolization.” In response to these changes, the SPE Division has upgraded and expanded the line of products for logic devices and strengthened the sales organization.

In fiscal 2012, in particular, we gained a foothold for further increasing our position in the coming years in the fields of etch and clean, our focus areas. These two products achieved market share gains, and in addition, succeeded in getting approvals from major customers as their next-generation volume production equipment.

At the same time, the year brought considerable accomplishments in product development. A notable example is Atomic Layer Deposition (ALD), a new deposition process that is expected to be an essential technology for the manufacturing of next-generation devices. Tokyo Electron succeeded in developing and commercializing a semi-batch ALD system for this process. In addition, in coaters/developers, an area in which Tokyo Electron has dominant market share, the Company began full-scale market introduction of a new model for 20nm node following favorable evaluations from customers.

Looking ahead, Tokyo Electron will aim for further expansion of the SPE business by boosting competitiveness in etch systems, cleaning systems, and the field solutions business while solidifying its position in products with high market share through active introduction of new products.

To that end, we will continue to develop products and technologies unavailable from competitors, as exemplified by new plasma technology that uses a radial line slot antenna, and to nurture and develop human resources all around the world who can provide the best solutions by matching such technologies to customer needs.

Expand Sales with Differentiated New Products

Plasma Etch System
Tactras™ MLS™ Etch
High-density low-damage silicon etcher. Its strength lies in critical processes such as transistor formation.

Single Wafer Cleaning System
CELLESTA™
This system boasts max. 1,000 wafers/hour, the highest in the industry. It responds to various cleaning requirements accompanying miniaturization.

ALD Silicidation System
NT330™
A semi-batch ALD system that uses a different concept from conventional ones. It simultaneously realizes high quality and high productivity.

Seizing Opportunities to Achieve Our Growth Strategy

Kenji Washino
Corporate Director, Executive V.P. and General Manager, Corporate Business Strategy/Organic EU FPDP/PIVE

In recent years, the amount of IP traffic being sent over the Internet has exploded, as GPS, sensor data and other types of data are being transmitted to servers, in addition to computer data. By 2015, the amount of data transmitted is forecasted to be more than double compared to today. We are also seeing smartphones, tablets, and other mobile products drive the growth in the electronics industry, as consumers demand products that are faster, more energy efficient, and thinner.

To meet the ever-evolving needs, we are expanding our products for wafer-level packaging (WLP) which promises strong future growth, as well as strengthening our existing products for front-end wafer processing. Ranging from our Etch system and CVD system to the recent additions of wafer bonder/debonder, our product lineup for through-silicon via (TSV) processes is winning high appreciation from our customers. In May 2012, we bolstered our presence in the WLP market with the acquisition of NEXX Systems, a U.S. company with an established reputation for electrochemical deposition and PVD technology. We will maximize synergies between our existing product lines to aggressively expand this business.

In the display fields, organic light-emitting diode (OLED) displays continue to draw attention for their high resolution and energy efficiency. We are collaborating with Seiko Epson Corporation on the development of a coating system using an inkjet method, while developing an evaporation system using our own proprietary technology.

In FY2012, Tokyo Electron invested the highest R&D expenses to date of ¥81.5 billion. We will continue to invest in new areas, as well as in our existing core SPE fields, and challenge ourselves to create new businesses which draw on our strengths and lead to the establishment of differentiated technologies.
**FEATURE 2**

**Tokyo Electron—50 years of untiring progress through innovation**

Tokyo Electron marks the 50th year of its founding in 2012. The driving force behind the company’s growth has been its policy of placing the customer first, unchanged since its founding, and a corporate culture facilitating flexible and swift response to market change. Tokyo Electron will continue to be a global leader through the creation of revolutionary technologies and contribute to the creation of a prosperous future society through its products and technologies.

2012 marks an important occasion in the history of Tokyo Electron—the 50th year of its founding. I wish to take this opportunity to thank our shareholders, customers, suppliers, and business partners for the tremendous support and guidance which have made Tokyo Electron the company it is today.

Since our founding, the company has astonishingly repeatedly changed its business model and operations in the course of evolving to its present form. The driving force behind Tokyo Electron's growth throughout these changes has been a DNA which enables us to respond to market needs and customer demands flexibly, rapidly, and boldly. We started business in 1963 as a technology specialty trading company, and we grew swiftly in the 1970s and 1980s in tandem with the growth and progress of Japan's semiconductor and electronics industry. For a period, we were a unique company with both trading and manufacturing functions, and then over the past 20 years we powerfully evolved into a world-class production equipment manufacturer alongside the breathtaking growth of the electronics industry.

The key factor behind our growth over the years has been our commitment to placing the customer first—a policy which has rooted the company since its founding. On the basis of this policy, we strive to maximize the added value we provide through our products and technology, and in return we receive a profit connected with that value. The profits we receive are reinvested into the development of cutting-edge technology and high value-added products which can contribute to the growth of the market and industry as well as to a more prosperous life for people. At Tokyo Electron, we recognize that the sustainment of this positive cycle is the key to our ability to continue our growth into the future. We have fostered an open corporate culture characterized by honesty, fairness, and open-mindedness and sincerity in everything we do. This culture has won us the respect and trust of our customers worldwide and has greatly contributed to our half-century of growth.

To enhance our corporate value further, I believe it is important to set our sights on even higher world-class goals and performance standards while demonstrating a technological leadership in our industries. We must also continue to be a vibrant global company with ambitious dreams. I am very confident that the electronics and IT industry, driven by semiconductor technology, will achieve remarkable growth together with technological innovation.
The business environment in Japan in fiscal 2012 was extremely difficult because of the Great East Japan Earthquake, power shortages stemming from the accident at the Fukushima nuclear power plants, supply chain disruption resulting from the flooding in Thailand, and yen appreciation triggered by the financial crisis in Greece. Nevertheless, as mentioned elsewhere in this annual report, Tokyo Electron was able to make important strategic moves, including commencing operations of a new Miyagi plant, and other new manufacturing and development bases that hold the key to the Company’s future growth and market penetration of its new products. I am deeply grateful for the earnest support and understanding of our shareholders and other stakeholders, which made this progress possible.

Many uncertainties continue to weigh on the worldwide economic situation, and the future outlook remains unclear. However, I believe that it is at just such a time that it is critically important for a company to clearly set forth policies and measures for corporate value enhancement from a medium- to long-term perspective, articulate a vision for the future, and maintain and strengthen management transparency and soundness. To that end, the Company must function as a dynamic organization, with the Board of Directors, the organization entrusted with management of the Company by the shareholders, the executive body, which is responsible for the execution of business, and the individual employees who execute business on the front lines, each brimming with vision and vitality to create a bright future.

It is also essential that communication among these three levels of the organization be prompt and highly transparent. Moreover, the management and business policies generated by these three organizational levels must win wide-ranging acceptance and generate expectations from our customers and society at large.

Dynamic growth can be ensured only when a company enhances the governance I have described above. As a global supplier, the Company should gain the trust and meet the expectations of our shareholders and all other stakeholders worldwide by maintaining and strengthening our highly transparent management activities. In this light, I continue to offer support, encouragement, and advice to the Company’s executive body and employees. I look forward to your continued understanding and support.

CORPORATE GOVERNANCE

The Assurance of Transparency Generates Dynamism

Tetsuro Higashi
Chairman of the Board

Against a backdrop of ongoing business globalization, Tokyo Electron maintains a management philosophy that puts emphasis on improving corporate value for its shareholders and all other stakeholders. To this end, the Company considers it important to strengthen corporate governance. In line with the following three basic principles, the Company is building a highly effective corporate governance structure, and upgrading and strengthening its internal control systems and risk management system.

Tokyo Electron’s Basic Principles of Corporate Governance
1. Ensure the transparency and soundness of business operations
2. Facilitate quick decision-making and the efficient execution of business operations
3. Disclose information in a timely and suitable manner

The Corporate Governance Framework
Tokyo Electron uses the statutory auditor system based on the Companies Act, and furthermore has established its own Compensation Committee and Nomination Committee to increase the transparency and objectivity of management. Also, Tokyo Electron has adopted the executive officer system to separate the business execution function from the Board of Directors. Moreover, Tokyo Electron has been disclosing the individual remunerations of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

The Board of Directors
The Board of Directors consists of 14 directors, two of whom are outside directors. In principle, the Board of Directors meets once a month, with additional meetings if necessary. (During fiscal 2012, the Board of Directors met on 12 occasions.) In order to ensure that the Company can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year.

Furthermore, Tokyo Electron has set up two committees whose activities are intended to ensure the transparency of management: the Compensation Committee and the Nomination Committee. The members of both these committees are directors and statutory auditors, excluding the representative directors.

Diagram of the Corporate Governance Framework, Internal Control System and Risk Management System
Compensation Committee: This committee proposes the remuneration to be paid to representative directors at the Board meeting for approval.

Nomination Committee: This committee nominates candidates for directors to be selected at the annual shareholders’ meeting, and nominates a candidate for CEO to be selected by the Board, which it submits at the Board meeting for approval.

The Board of Statutory Auditors

The Company has four statutory auditors, two of whom are outside auditors. The statutory auditors not only attend meetings of the Board of Directors, the Top Management Conference and other important business meetings, but also conduct operations audits and accounting audits, and evaluate risk management, in addition to auditing the performance of duties by directors. During fiscal 2012, the board of statutory auditors met seven times.

Outside Directors and Outside Auditors

From the viewpoint of objectively ensuring the effectiveness of the decision-making of the Board of Directors, Tokyo Electron has appointed two outside directors to the Board: Mr. Hiroshi Inoue, who is Chairman of the Board, Tokyo Broadcasting System Holdings, Inc., and Mr. Masahiro Sakane, who is Chairman of the Board, Komatsu Ltd. From the viewpoint of objectively ensuring the reasonableness of the audits, Tokyo Electron has appointed two outside auditors: Mr. Togo Tajika, and Mr. Ryuji Sakai, who is a Partner at Nagashima Ohno & Tsunematsu. Mr. Togo Tajika conducts audits of the Tokyo Electron Group as a full-time company auditor.

The Executive Officer System

In order to further clarify the roles of the Board of Directors and executives in charge of business operations, Tokyo Electron has adopted the executive officer system. This system promotes fast decision-making and the quick establishment and execution of business strategies.

Compensation for Corporate Directors and Statutory Auditors

Tokyo Electron has adopted the following executive compensation program with the intention of tying compensation more closely to financial results and shareholder value, raising corporate competitiveness, and enhancing management transparency.

1. The compensation for corporate directors consists of a monthly fixed remuneration and a performance-linked compensation.
2. The performance-linked compensation system for corporate directors is designed to align compensation more clearly with financial results and increases in shareholder value. It takes into account consolidated return on equity (ROE) and consolidated net income, two performance indicators of consolidated business results. Necessary adjustments are then made when there are special factors that should be taken into account, such as principal performance indicators for the term under review, including profits and losses, and so on. Performance-linked compensation comprises cash bonuses and stock-based compensation. The ratio of cash bonuses to stock-based compensation has generally been one to one. Stock-based compensation consists of granting share subscription rights with a set strike price of one yen per share and setting unexercisable period for three years. Performance-linked compensation is limited to five times the fixed compensation.
3. The performance-linked compensation of outside directors does not include stock-based compensation.
4. The compensation for statutory auditors consists only of a monthly fixed remuneration, to maintain independence from management.
5. Retiree allowances systems for corporate directors and statutory auditors have been abolished in and after the end of fiscal 2005, as part of the revisions to Tokyo Electron’s executive compensation program.

Internal Control and Risk Management System

In order to enhance corporate value and ensure that all business activities are conducted responsibly and in the interests of all stakeholders, Tokyo Electron is taking steps to strengthen its internal control systems and make them more effective. The Company is implementing practical measures in line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group decided by the Board of Directors. The Company is also implementing measures for the Internal Controls Over Financial Reporting, based on the Financial Instruments and Exchange Act.

Internal Control Systems

To strengthen the internal control and risk management systems of the entire Tokyo Electron Group more effectively, Tokyo Electron appointed a Chief Internal Control Director and a Compliance & Internal Control Executive Officer. Under them, the Company established the Risk Management & Internal Control Department, which evaluates and analyzes the risks which could affect the Group, and works to reduce risks by promoting the necessary measures. Tokyo Electron has also established the Information Security Committee and the Export Trade Control Committee to further strengthen the management of confidential information and the export compliance system.

Internal Audit Department (Global Audit Center)

The Global Audit Center oversees the internal auditing activities of the entire Tokyo Electron Group. The Center is responsible for auditing the business activities of the Group’s domestic and overseas bases, as well as their compliance and systems, and evaluating the effectiveness of internal control systems. When necessary, the Global Audit Center also provides guidance to operating divisions.

Coordination Between Statutory Auditors and Independent Auditors

The statutory auditors receive audit plans for the fiscal year from the independent auditors, as well as explanations regarding auditing methods and particular areas of focus, among other matters. The independent auditors audit the year-end financial statements and review the quarterly financial statements, and report the results of their audits to the statutory auditors.

The Company provides KPMG AZSA LLC, its independent auditors, with all necessary information and data to ensure that it can conduct its audits during the fiscal year promptly and correctly.

Compliance

Trust from stakeholders is the cornerstone of business activities. In order to maintain trust, it is necessary to continuously act in rigorous conformity to business ethics and compliance. In line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group, all Group executives and employees are required to maintain high standards of ethics and to act with a clear awareness of compliance.

Code of Ethics, Chief Business Ethics Director and Ethics Committee

In 1998, Tokyo Electron formulated the “Code of Ethics of the Tokyo Electron Group” to establish uniform standards to govern all of its global business activities. In the same year, the Company appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the Group. The Code and its Q&A section are published in Japanese, English, Korean and Chinese editions, and the Company distributes it to all Group executives and employees, including those overseas. Moreover, the Code is appropriately reviewed and revised in response to changes in the environment and societal demands. The most recent revision of the Code and Q&A was in April 2011.
CORPORATE GOVERNANCE

Compliance & Internal Control Executive Officer
Tokyo Electron has appointed a Compliance & Internal Control Executive Officer from among the executive officers to raise awareness of compliance across the Group, and further improve its implementation.

Framework for Thorough Implementation of Compliance
Tokyo Electron has drawn up the Compliance Regulations setting out basic compliance-related requirements in line with the Code. The Compliance Regulations are intended to ensure that all individuals who take part in business activities for the Group clearly understand the pertinent laws, regulations, international standards and internal company rules, and continuously apply these rules in all of their activities. The Company also conducts web-based training programs for employees, makes information on compliance issues available to employees via the Company intranet, and takes other steps to promote broad awareness of compliance throughout the Company.

Internal Reporting System
In the event that an employee becomes aware of any activity which may violate laws, regulations or principles of business ethics, the Group operates an internal reporting system that employees may use to report their concerns. The entire Group has established an ethics hotline and a compliance hotline, and this reporting system is also in place at each overseas base. In all cases, this system ensures that strict confidentiality is maintained to protect the whistleblower and ensure that they are not subject to any disadvantage or repercussions.

Disclosure Policy
Tokyo Electron is committed to disclosing information about the Company in a fair, prompt and accurate manner, to ensure that all stakeholders, including shareholders and other investors, can obtain an accurate, in-depth understanding of the Company and its activities, and evaluate the Company’s corporate value appropriately. The Company also solicits feedback from its stakeholders as part of its information disclosure activities, and uses the feedback as a point of reference to guide corporate management.

Information Disclosure Standards
• Tokyo Electron complies fully with the Financial Instruments and Exchange Act, and the Tokyo Stock Exchange's listing regulations pertaining to marketable securities.

• Even when the information is not subject to the listing regulations pertaining to marketable securities, the Company discloses the information proactively, in a fair, prompt and accurate manner if the information is deemed useful in providing stakeholders with an accurate understanding of the Company.

Disclosure Practices
• If it is subject to the marketable securities listing regulations (material information), Tokyo Electron will release information simultaneously in a press release and via the Tokyo Stock Exchange's “Timely Disclosure Network” (TDnet), and will post the information on its website as soon as possible, following the official announcement.

• Even when it does not fall into the category of “material information,” the Company will voluntarily disclose information which may be of interest to stakeholders in a fair, accurate, and easy-to-understand manner, either on its website or in printed form, through various means of communication.

• Tokyo Electron conducts meetings to discuss its financial results with securities analysts and investors; these meetings are also open to members of the press. The Company makes audio recordings of its fiscal year-end and mid-term financial results meetings, and posts these recordings on the Company's website. All of the documents distributed at its quarterly financial results meetings are also posted on the website.

• To ensure that foreign investors have fair and equal access to the information, the Company strives to disclose all information simultaneously in Japanese and English. However, due to the time required for translation, there may be cases where the posting of English information to the website is delayed slightly.

Shareholder Measures
Tokyo Electron mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting, as one of its measures to vitalize these meetings and to promote smooth and efficient voting. It also sets the date of the Company's meeting to avoid days on which many such meetings are concentrated. In addition, shareholders are free to cast their votes via the Internet. Moreover, Tokyo Electron participates in the web-based voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ). To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries notices, resolutions and presentation materials of shareholders' meetings. An English version of the Notice of Annual General Meeting of Shareholders is also provided.

Does Tokyo Electron have these major components of corporate governance?

<table>
<thead>
<tr>
<th>Compensation Committee</th>
<th>Yes</th>
<th>Composed of directors, excluding representative directors, or statutory auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nomination Committee</td>
<td>Yes</td>
<td>Composed of directors, excluding representative directors, or statutory auditors</td>
</tr>
<tr>
<td>Outside directors</td>
<td>Yes</td>
<td>Two of the 14 directors are outside directors</td>
</tr>
<tr>
<td>Outside auditors</td>
<td>Yes</td>
<td>Two of the four statutory auditors are outside auditors</td>
</tr>
<tr>
<td>Executive officer system</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Disclosure of individual remunerations of representative directors</td>
<td>Yes</td>
<td>Disclosed since 1999</td>
</tr>
<tr>
<td>Performance-linked compensation system</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Stock options system</td>
<td>Yes</td>
<td>Does not apply to outside directors and auditors</td>
</tr>
<tr>
<td>Retirement allowance system for executives</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Anti-takeover measures</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

Tokyo Electron is a constituent of the FTSE4Good Global Index.

Since September 2003, Tokyo Electron has been chosen for the FTSE4Good Global Index, which is a CSR index provided by the FTSE Group. The FTSE Group is a world leading index firm 100% owned by the London Stock Exchange.
BOARD OF DIRECTORS, STATUTORY AUDITORS AND EXECUTIVE OFFICERS
(As of July 1, 2012)

Executive Officers

President & CEO
Hiroshi Takenaka

Executive Vice Presidents
Hirofumi Kitayama
General Manager; Manufacturing Division (Quality)

Kenji Washino
General Manager; Corporate Business Strategy, Organic EL/FPD/PVE

Hikaru Ito
General Manager; SPE
Senior General Manager; SPE Sales Division

Kiyoshi Sato
Corporate Director

Vice Presidents
Yoshiteru Harada
Deputy General Manager; Corporate Administration Division
HR; General Affairs; Accounting; Export and Logistics Control

Hideyuki Tsutsumi
General Manager; Etch Systems BU

Tatsuya Nagakubo
General Manager; HR; Human Resources Development Center
Corporate Branding Promotion

Tetsuro Hori
General Manager; Corporate Strategic Planning; Finance; Legal; Intellectual Property

Senior Vice Presidents
Takashi Nakamura
General Manager; Corporate Administration Division
Compliance/Internal Control

Masami Akimoto
General Manager; System Development Division

Takashi Ito
General Manager; PVE

Chiaki Yamaguchi
General Manager; SPE Sales Division

Gishi Chung
General Manager; SPE Process Development Division

Shigetoshi Hosaka
General Manager; Corporate Development Division

Statutory Auditors

Mitsutaka Yoshida * Statutory Auditor
Shojiro Mori Statutory Auditor
Togo Tajika * Corporate Director
Ryuji Sakai * Statutory Auditor; Attorney-at-law; Nagashima Ohno & Tsunematsu

Notes:
1. Member of Compensation Committee
2. Member of Nomination Committee
3. Chief Business Ethics Director
4. Chief Internal Control Director
* Outside Director; Outside Statutory Auditor

* BU stands for “business unit”
Tokyo Electron’s important corporate missions include placing the highest priority on ensuring people’s health and safety and preserving the global environment when conducting business activities.

Fundamental Policy
Tokyo Electron positions environmental, health and safety activi ties as one of its most important management issues to achieve both sustained corporate growth and a sustainable society. With that in mind, Tokyo Electron is committed to reducing the environmental impact of all its activities, and to ensuring absolute safety in the Company’s facilities and in those of its customers. In order to accelerate our environmental activities, in May 2008 we codified Tokyo Electron’s environmental commitment, selecting “Technology for Eco Life” as a slogan to guide our environmental activities. One of the stipulated goals of this commitment is to develop production equipment that will enable customers to cut the total environmental burden of their factories in half by 2015, and also to cut the Company’s own environmental burden from business activities and logistics in half by the same date. As a result of progress in the related activities, the Company expected to achieve these goals ahead of schedule. The Company has therefore set new goals this fiscal year, and under the slogan “Technology for Eco Life” continues its global environmental preservation activities centered on innovative product and technology.

Moreover, to push ahead with these environmental, health and safety initiatives, we believe that it is vital to promote communica tion with all stakeholders as well as to receive and give feedback. In line with this, we are also actively engaging in activities that contribute to society.

EHS Management
Since 1997, Tokyo Electron has developed and implemented management systems based on ISO 14001 standards, mainly for the plants conducting manufacturing operations, and obtained the relevant certification. Furthermore, to enhance the workability and effectiveness of the System, we are continu ously raising the level of the audits that check the system and its results. These audits are performed from various viewpoints: from within the workplace or the Group, or by a third party.

Initiatives to Reduce the Environmental Burden of Products
Proactive Environmentally Conscious Product Design
Tokyo Electron believes that the promotion of product designs sensitive to the environment is vital. In particular, Tokyo Electron has positioned promotion of energy conservation in its products, as well as the reduction and replacement of hazardous chemicals, as priority issues.

1. Initiatives to Reduce the Environmental Impact During Equipment Usage
Tokyo Electron set a roadmap for reducing the environmental impact of major products, together with such policies for the equipment usage as reducing the energy consumption, and reducing the heat, air output, water and chemical substances used. In this connection, we now make technological and opera tional proposals to our customers, and in cooperation with them adjust our approach to each product’s characteristics in a multi faceted manner. We are actively implementing initiatives to achieve these goals. Furthermore, we are working to reduce the total environmental burden during product usage: not merely of our products, but also of the facility equipment owned by cus tomers by means of optimal power management.

2. Initiatives Regarding Regulated Hazardous Substances in Products
As an environmental measure, Tokyo Electron promotes efforts to reduce hazardous chemical substances in its products. Chemical substances contained in the units and parts used in products are all managed in a dedicated database. Tokyo Electron has positioned those products in which at least 98.5% of the constituent parts meet standards stipulated by the European RoHs directive as "equipment containing reduced amounts of chemicals." Ship ment of these products first began in October 1, 2008.

Health and Safety Activities
Tokyo Electron promotes health and safety in all of its operations. This includes giving top priority to the health and safety not only to our employees but also our customers and cooperating com panies, and to designing products with health and safety in mind.

In fiscal 2012, Tokyo Electron developed activities in line with its important goal of preventing accidents that could lead to serious injuries. As a result, succeeded in reducing the number of acci dents to half of the number in fiscal 2011. The Company ten aiously continued to implement accident prevention measures such as prior checks of clean rooms before installing equipment, on-site risk prediction activities, safety patrols activities, and safety education for workers that uses accident examples. Tokyo Electron marks the 50th year of its founding this year, and it will be returning to prioritizing fostering a safety culture in line with the safety slogan “Safety First,” with the entire Company united in preventing accidents and disasters. For fur ther details, see the “Tokyo Electron Environmental and Social Report 2012” (to be published in September 2012).


Tokyo Electron’s Environmental Goals
The Tokyo Electron Group has assessed the impact of its products throughout their entire lifecycle—the development of major products, through manufacturing and logistics to product use. Based on this assessment, Tokyo Electron has set a goal of achieving a 50% reduction of perunit CO2 emissions by 2015 compared with 2007 (FY2008) base line year, and we are promoting measures to reduce environmental impact.

Achieving Environmental Goals and New Goals
Tokyo Electron’s Environmental Goals
1. Developed equipment that enables a 50% reduction in the total environmental impact of customer factories
We are nearly achieving the target of CO2 emissions per 300 mm wafer unit for most of our major products.

2. Reduce the environmental impact of our business activities and logistics by 50%
1-2 Logistic
The amount of CO2 emissions in fiscal 2012 was decreased by 54%, and reduced by 22% per ton-kilometer in comparison to the baseline year.

2-2 Business Activities
CO2 emissions for FV2012 centered on development and manu facturing factories decreased by approximately 25,000 tons com pared to the baseline year (FY2008: CO2 emissions approximately 113,000 tons) to approximately 88,000 tons. We achieved this by energy-saving environmental investment, including the installa tion of solar power generation systems at the Miyagi and Yamashita plants, energy-saving activities, and plant integrations.

We expect to achieve our goal of reducing CO2 emissions per unit of sales by 52% and by over 60% in total volume by using Domestic CDM**1 (Clean Development Mechanism) to achieve carbon offset**2 of about 50,000 tons, including the Great East Japan Earthquake Recovery Program under Japan’s Domestic Carbon Credit System, and green power in the U.S.

Tokyo Electron has closed the initial environmental goals in these three fields of activities because we expect to achieve them, and set new environmental goals.

Based on this new environmental vision, these new environmental goals proclaim individual targets in the fields of products, plants and offices, procurement and logistics, and we will strengthen environmental management to contribute to global environmen tal preservation through enhanced initiatives. For further details, see the “Tokyo Electron Environmental and Social Report 2012” (to be published in September 2012).

1. Domestic CDM (Clean Development Mechanism)
   The approved reduction amount in CO2 emissions in Japan’s Domestic CDM system is subject to the emission amount that can be transferred to other countries. The Company is aiming to achieve a reduction amount of 50,000 tons by fiscal 2015.

2. Carbon offset
   The compensation for part or all of greenhouse gases that cannot easily be reduced by purchasing credits equal to the amount of reductions, or reabsorption, in greenhouse gas elsewhere.

Initiatives in the Thermal Processing System TELINDY PLUS®
The Thermal Processing System Business Unit (TPS BU) has developed a process for forming silicon dioxide films for double pattern ing*1 at room temperature. In conventional processes, a temperature of several hundred degrees is required in order to break down gases and promote a vapor phase reaction, but this newly developed process places at room temperature through techniques such as selecting the source gas and generating radicals*2 of oxidized species using plasma. This process has yielded the following results.

1. Reduced number of process steps
This process makes it possible to form film at a highly heat-susceptible resist and achieve miniaturization using double patterning to reduce the number of processes, which results in reducing the energy used at other utilities.

2. Reduced environmental impact from film formation
Because heat is not required when forming the film, this process reduces the environmental impact from film formation, heat emissions and cooling water by 48% in CO2 equivalent.

3. Reduced size of equipment:
Because no heater is required to apply heat to the wafer, this process is able to reduce the number of parts by 30% and footprint by 39%.

*1 Double patterning: One type of miniaturization process
*2 Generating radicals: Describes one type of atom configuration where a single electron orbits around the atomic nucleus in the outer shell, where normally electrons orbit in a pair

Status of Tokyo Electron Group’s Environmental Initiatives

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental, Health and Safety Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactive Environmentally Conscious Product Design</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental and Social Report 2012</td>
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</table>

Tokyo Electron is committed to reducing the environmental impact of its products, but also of the facility equipment owned by customers by means of optimal power management.

Environmental Impact from Film Formation (CO2 Emissions per Wafer Area Unit)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero emissions of waste</td>
<td></td>
<td></td>
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</tbody>
</table>

status of Tokyo Electron Group’s Environmental Initiatives

<table>
<thead>
<tr>
<th>Status of Tokyo Electron Group’s Environmental Initiatives</th>
<th>FY2019</th>
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</tr>
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<td></td>
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<td>Environmental and Social Report 2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The semiconductor industry will continue to expand. Electronic devices pervade every corner of the world, and the number of semiconductors in each device continues to increase. In the future, the reach of semiconductors will not be limited to computers and telecommunications, but will expand to healthcare, agriculture and myriad other applications. Already a core component supporting modern society, semiconductors will take on an ever larger role as their applications expand.

Technology is driving the growth in the semiconductor industry. Speed is increasingly important in achieving technology development. In this ultra-competitive era, business opportunities are lost if technology—even superior technology—is misses its window. Tokyo Electron establishes development sites close to the customers and builds collaborative relations to accelerate technology commercialization and ensure that the right technology is supplied to customers exactly when they need it.

The development of cutting-edge technology, commonly called “high technology,” requires the integration of expert knowledge in a variety of fields to invent entirely new technical concepts. The proactive use of open innovation to gain outside knowledge has become increasingly important as a result. In April 2012, Tokyo Electron relocated its corporate R&D division, which is tasked with developing future technologies, from Yamanashi to the newly established TEL Technology Center Tsukuba, in Ibaraki Prefecture (Japan). Tsukuba has been a magnet for R&D organizations, and we will increase collaborative research efforts with these outside organizations on new semiconductor materials, photovoltaic (PV) power generation, and other high-tech fields to nurture new seed technologies.

Over the next five to ten years, the research and development activities at Tsukuba will crystallize into new products which will become a major issue. With an astounding number of miniaturized elements packed onto a small silicon chip, the chip’s power consumption rises dramatically and a significant amount of heat is generated. At datacenters where large numbers of servers and other electronic equipment are concentrated, it is amazing to find that cooling the electronic equipment requires more power than the equipment itself. It’s not an exaggeration to state that semiconductors will not advance unless their power consumption is reduced. Amid this conundrum, important technological innovations are being made with the goal of reducing the power consumption of semiconductors.

One approach to lower power consumption involves changing the structure and materials of transistors. Intel Corporation announced the introduction of the world's first 22nm node three-dimensional transistor (Tri-gate FET) which promises both low operating voltage and high performance. Tokyo Electron is supporting the device manufacturers of these kinds of three-dimensional transistors with the development of new products which incorporate proprietary low-damage plasma technologies needed in the transistor manufacturing process.

In other areas of technological innovation for transistors, indium gallium arsenide (InGaAs) and germanium (Ge) are among the new materials being adopted. Considering silicon’s long history as the core semiconductor material, its replacement with InGaAs and Ge represents a major innovation. Many of the current semiconductor manufacturing processes, including epitaxial growth, surface processing, and gate dielectric film formation, require innovation. Tokyo Electron views the changes in the industry as new opportunities. We are proactively responding to recent innovations in semiconductor materials with the development of new equipment and processes.

Another approach to reducing power consumption is the development of nonvolatile memory based on new scientific principles and materials. Semiconductor manufacturers are racing to develop spin transfer torque-magnetoresistive random access memory (STT-MRAM), a promising technology seen as the possible next-generation memory device. STT-MRAM records data in terms of 1s and 0s by changing the direction of the magnetic field. Since no electricity is used to store data, STT-MRAM device can operate using less than half the energy consumed by today’s DRAM and SRAM devices. We are collaborating with Tohoku University, the world’s leading technology research organization in this field, to develop cutting-edge manufacturing technology for STT-MRAM to ensure that we are fully prepared for the advent of the technology in the marketplace.

**Evolution of Semiconductors**

- **3D Transistor (Logic FinFET)**
  - New transistor structure that enables both lower power consumption and higher device performance.

- **3D NAND**
  - New NAND flash memory with vertically stacked memory cells realizing higher capacity.

- **3D TSV**
  - Through-silicon via interconnection technology for three-dimensional chip stack achieving higher performance.

In the area of three-dimensional interconnect (3DI) packaging, in which multiple silicon chips are stacked to increase performance, we are pursuing commercialization of high-aspect-ratio silicon etch systems and proprietary polyimide dielectric film deposition systems to support through-silicon via (TSV) technology. These efforts will prepare Tokyo Electron for the full-fledged arrival of 3DI packaging technology.

**Exploring New Fields**

Tokyo Electron nurtures new fields of research in order to ensure the company’s sustainable growth. One example is the development of manufacturing technology for printed electronics, a field attracting significant attention. Innovative printed electronics technologies utilizing patterning and deposition have the potential to greatly lower display panel manufacturing costs. Tokyo Electron is a member of the Japan Advanced Printed Electronics Technology Research Association (JAPERA) and monitors the development of applications for printed electronics technologies utilizing new materials.

Through-silicon via interconnection technology for three-dimensional chip stack achieving higher performance.

In addition to technological innovation in the semiconductor industry, Tokyo Electron is working on the development of new applications of semiconductor manufacturing technologies. One example is the development of a new propulsion system for rail transport combining magnetoresistive random access memory (MRAM) and nanotechnology.

**Advantages of STT-MRAM**

- **Magnetic materials used**
- **Low power consumption**
- **Non-volatile**
RESEARCH AND DEVELOPMENT/INTELLECTUAL PROPERTY

INTELLECTUAL PROPERTY

Policy for Intellectual Property Activities
Tokyo Electron basic policy for intellectual property (IP) activities is that our IP activities should contribute to increase corporate revenues through supporting our business activities. It’s also essential that our IP strategy is integrated with our technological and product strategies. Our IP strategy prioritizes differentiation of our products and bolstering our competitive advantages with our IP rights, over earning income from licensing to other companies.

Technologies are continuing to advance in complexity in our business fields and the risk to become involved in IP disputes in the development of new products increases significantly unless we fully respect the IP rights of other companies. To minimize the risks of disputes, Tokyo Electron monitors others’ IP and takes appropriate approaches including obtaining licenses from others if necessary.

Operation of Intellectual Property Activities
Tokyo Electron continues aggressive R&D activities to satisfy the requests of our customers. In order to maintain competitiveness from the achievements of our R&D activities, it is necessary that we protect such achievements through steadily obtaining IP rights. To facilitate obtaining IP rights, we cooperate closely among our R&D operations and we have local IP departments in our major plants. We also assign IP engineers/staff locally in several countries outside of Japan in response to an increase of our R&D activities globally. We also revised our internal regulations regarding IP management last fiscal year to deal with frequent interaction and joint R&D activities between engineers in different countries.

For effective IP activities, it is necessary to respond flexibly to dramatically changing markets and various technological trends. To exchange information about the market and technological trends frequently, IP engineers in charge of surveys and external affairs related to IP are assigned our corporate headquarters, which has sales and marketing divisions. In addition, IP engineers in the plants and headquarters, a manager of sales or marketing division, and a manager of R&D division have meetings periodically so that our IP activities are conducted to include market and technological trends.

Status of Intellectual Property Rights
Tokyo Electron vigorously builds an IP portfolio that encompasses our technology in each business field. We obtain IP rights not only for core technologies but also for technologies associated with and around our core technologies.

We always optimize the numbers of our patent applications and patents in each country, reflecting market and competitor trends in each of our business fields. The graph in this section shows the numbers of patent applications and patents of Tokyo Electron in each country. In recent years, we have filed about 70%*1 of our applications globally, reflecting the importance of overseas markets for our business. In particular, we have been increasing the numbers of patent applications and patents in South Korea and China. These numbers are based on our patent strategies reflecting the recent growing importance of the South Korean and Chinese markets for our business, as well as the rise of semiconductor and FPD production equipment manufacturers in South Korea.

*1 This figure is the percentage of patents filed overseas out of all our patents filed with the Japan Patent Office. The average among Japanese companies is about 25%.

Number of Tokyo Electron Patent Applications
(Fiscal year)

Number of Patents Held by Tokyo Electron
(As of March 31)
SALES AND INCOME

Operating Environment
During fiscal 2012, the global economy slowed overall, especially in developed nations, due to future uncertainty rooted in Europe’s financial crises. However, in the second half of the fiscal year, there were signs of the beginning of a gradual recovery, mainly in the U.S. In emerging countries such as China and India, the speed of growth slowed, but economic growth continued, led by internal demand. Japan’s economy quickly began its recovery from the Great East Japan Earthquake at an early stage, but the subsequent worldwide economic recession and historically high yen have slowed this recovery.

In the electronics industry, in which Tokyo Electron serves, smartphones and tablets have spread widely, resulting in an overall positive performance. However, as sales of PCs and televisions continued to be sluggish, sales of semiconductors and LCD panels that are key components in these products were not sufficient to lead to active capital investments.

Sales
Net sales in fiscal 2012 decreased 5.3% year on year to ¥633.1 billion. This was mainly because memory manufacturers refrained from investments due to sluggish PC sales. Sales in Japan were down 5.9% year on year, to ¥171.4 billion, and overseas sales decreased 5.1% to ¥461.7 billion. Overseas sales as a share of total consolidated sales remained at about the same level, up from 72.8% in fiscal 2011 to 72.9% in fiscal 2012.

Orders received during the fiscal year decreased by 26.4%, to ¥541.0 billion, and the order backlog at the end of March 2012 decreased 29.8% year on year, to ¥216.7 billion. Behind these decreases were declines in the willingness to invest by memory manufacturers and panel manufacturers, the Tokyo Electron Group’s customers, due to surplus inventory in DRAMs caused by sluggish sales of PCs, and to surplus inventory in LCD panels caused by sluggish sales of TVs.

Gross Profit, SG&A Expenses and Operating Income (Loss)
Cost of sales for the period was down 2.8% year on year, to ¥421.6 billion, and the cost of sales ratio was 66.6%, 1.7 percentage points worse than in fiscal 2011.

As a result, gross profit decreased by 9.9% year on year, to ¥211.4 billion, and the gross profit margin decreased to 33.4%, from 35.1% in fiscal 2011. SG&A expenses increased by 10.3% year on year, to ¥151.0 billion as a result of aggressive spending in research and development. As a percentage of consolidated net sales, the SG&A ratio increased to 23.9%, from 20.5% in the previous year. Consequently, operating income decreased by 38.2% to ¥60.4 billion and the operating margin declined from 14.6% to 9.5%.

Research & Development
R&D expenses are included in SG&A expenses. The Company views these expenses as the source of future growth and as such incurred ¥81.5 billion in R&D expenses in fiscal 2012, up 15.5% year on year.

Breaking down these costs by division, R&D investment in the semiconductor production equipment business focused on the development of next-generation models in various equipment fields, and on the development of original double and multiple patterning technology that helps to promote further chip miniaturization, of film deposition technologies for new materials, and of extreme ultraviolet (EUV) lithography which is a promising next-generation lithography process. Tokyo Electron’s R&D investments focused not only on existing business segments, but also on the development of production equipment for 3D packaging technology, OLED displays, photovoltaic cells and other new product segments.

Other Income (Expenses) and Net Income
During fiscal 2012, Tokyo Electron posted income of ¥1.4 billion in gain on collection of written-off receivables and ¥1.1 billion in revenue from development grants, and expenses of ¥1.8 billion in provision of allowance for doubtful accounts and a ¥0.9 billion loss from natural disasters. As a result, other income (expenses) amounted to a net income of ¥0.2 billion.

This contributed to ¥60.6 billion in income before income taxes and minority interests, compared with ¥99.6 billion in fiscal 2011. A net income for fiscal 2012 of ¥36.7 billion was recorded, compared to ¥71.9 billion in fiscal 2011. Net income per share was ¥205.04 in fiscal 2012, compared with ¥401.73 in fiscal 2011.

Comprehensive Income
For fiscal 2012, Tokyo Electron posted comprehensive income of ¥37.0 billion, compared with ¥69.6 billion in the previous fiscal year. This mainly reflected a gain of ¥0.8 billion from changes in fair value of investment securities and a loss of ¥0.9 billion due to foreign currency translation adjustments with high yen appreciation.

Dividend Policy and Dividends
It is the policy of Tokyo Electron to pay dividends on the basis of business performance and earnings results. The dividend payout ratio has been set at approximately 35% of consolidated net income. As a result, the Company paid an interim dividend of ¥53 (a ratio of 35.6%), and set the year-end dividend at ¥27 (a ratio of 48.0%). Thus, the total dividend applicable to fiscal 2012 was ¥80 (a combined ratio of 39.0%). Looking ahead, we will respond to the support of all our shareholders through achieving business expansion and earnings growth.
FINANCIAL REVIEW

PERFORMANCE BY SEGMENT

Semiconductor Production Equipment
Net sales (including intersegment sales or transfers) for fiscal 2012 decreased by 6.5% year on year, to ¥477.9 billion. While logic manufacturers made substantial investments led by smartphones, tablets and other cutting-edge mobile devices, memory manufacturers refrained from making investments due to lower PC sales. The segment profit declined by 26.3% to ¥99.0 billion and the segment profit margin decreased from 23.6% to 18.6%.

The segment’s net sales to external customers decreased 6.5% year on year, to ¥477.9 billion. Orders in this segment dropped 23.0% to ¥437.6 billion. The order backlog declined 17.6% to ¥187.8 billion as of March 31, 2012.

For a business overview of this segment, please see pages 8.

FPD/PV (Flat Panel Display and Photovoltaic Cell) Production Equipment
Net sales (including intersegment sales or transfers) in the segment decreased 5.9% to ¥84.9 billion. The fiscal-year-end order backlog declined 78.3% to ¥14.2 billion as of March 31, 2012.

For a business overview of this segment, please see pages 8.

Electronic Components and Computer Networks
Net sales (including intersegment sales or transfers) in the segment decreased 75.3% to ¥18.6 billion. The fiscal-year-end order backlog declined 75.3% to ¥18.6 billion. Net sales to external customers decreased 7.4% to ¥84.3 billion. The fiscal-year-end order backlog declined 4.1% to ¥13.8 billion.

For a business overview of this segment, please see pages 8.

Others
Sales in the “Others” segment mainly include group-wide logistics services, leasing and insurance.

Net sales to external customers in the segment amounted to ¥0.5 billion, almost the same level as in fiscal 2011.

For a business overview of this segment, please see pages 8.

FINANCIAL REVIEW

PERFORMANCE BY SEGMENT

SEMICONDUCTOR PRODUCTION EQUIPMENT

Net sales (including intersegment sales or transfers) for the fiscal year decreased by 5.5% year on year, to ¥477.9 billion. While logic manufacturers made substantial investments led by smartphones, tablets, and other cutting-edge mobile devices, memory manufacturers refrained from making investments due to lower PC sales. The segment profit declined by 26.3% to ¥99.0 billion and the segment profit margin decreased from 23.6% to 18.6%.

The segment’s net sales to external customers decreased 6.5% year on year, to ¥477.9 billion. Orders in this segment dropped 23.0% to ¥437.6 billion. The order backlog declined 17.6% to ¥187.8 billion as of March 31, 2012. For a business overview of this segment, please see page 8.

FPD/PV (Flat Panel Display and Photovoltaic Cell) Production Equipment
Net sales (including intersegment sales or transfers) in the segment decreased 23.0% to ¥477.6 billion. The order backlog declined 16.7% to ¥187.8 billion as of March 31, 2012. For a business overview of this segment, please see pages 8.

Electronic Components and Computer Networks
Net sales (including intersegment sales or transfers) in the segment decreased 75.3% to ¥18.6 billion. Demand for electronic components used in consumer electronics and industrial electronic equipment were sluggish except for components used in mobile devices such as smartphones. Increased corporate demand for cloud computing and the increased usage of data centers propelled sales of computer networks products as well as maintenance services. As a result, the segment profit declined 20.5% to ¥2.3 billion and segment profit margin declined from 3.2% to 2.7%.

The segment’s net sales to external customers decreased 5.9% to ¥84.9 billion. Orders in this segment decreased 7.4% to ¥84.3 billion. The fiscal-year-end order backlog declined 4.1% to ¥13.8 billion.

For a business overview of this segment, please see pages 8.

OTHERS

Sales in the “Others” segment mainly include group-wide logistics services, leasing and insurance.

Net sales to external customers in the segment amounted to ¥0.5 billion, almost the same level as in fiscal 2011.

For a business overview of this segment, please see pages 8.

FINANCIAL REVIEW

PERFORMANCE BY SEGMENT

SEMICONDUCTOR PRODUCTION EQUIPMENT

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For a business overview of this segment, please see pages 8.

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Sales in the “Others” segment mainly include group-wide logistics services, leasing and insurance.

Net sales to external customers in the segment amounted to ¥0.5 billion, almost the same level as in fiscal 2011.

For a business overview of this segment, please see pages 8.
FINANCIAL REVIEW

FINANCIAL POSITION AND CASH FLOWS

Assets, Liabilities and Net Assets

**Assets**

Current assets decreased by ¥37.2 billion from the end of the previous fiscal year, to ¥607.1 billion, reflecting decreases of ¥37.4 billion in liquidity on hand (cash and cash equivalents + short-term investments) and of ¥19.5 billion in inventories, and an increase of ¥13.9 billion in trade notes and accounts receivable. The turnover period for trade notes and accounts receivable increased from 74 days in fiscal 2011 to 87 days in fiscal 2012, and the inventory turnover period decreased from 92 days in fiscal 2011 to 86 days in fiscal 2012.

Net property, plant and equipment increased by ¥14.3 billion year on year, to ¥126.9 billion, as ¥24.2 billion in depreciation and amortization was outweighed by ¥39.5 billion in fixed asset acquisitions.

Investments and other assets decreased by ¥2.7 billion year on year, to ¥49.7 billion.

As a result, as of March 31, 2012, total assets stood at ¥783.6 billion, a decrease of ¥25.6 billion year on year.

**Liabilities and Net Assets**

Current liabilities decreased by ¥43.2 billion, from the end of fiscal 2011, to ¥124.8 billion. This reflected decreases of ¥21.0 billion in income taxes payable, and an increase of ¥13.9 billion in trade notes and accounts receivable. The turnover period decreased from 92 days in fiscal 2011 to 87 days in fiscal 2012, and the inventory turnover period decreased from 92 days in fiscal 2011 to 86 days in fiscal 2012.

Financial Section

- **Total liabilities** increased by ¥3.8 billion, to ¥60.2 billion.
- **Non-current liabilities** increased by ¥3.8 billion, to ¥60.2 billion.
- **Total current assets** increased by ¥25.6 billion year on year, to ¥158.8 billion, a decrease of ¥6.3 billion from the ¥165.1 billion balance at the end of fiscal 2011. Total liquidity on hand, which consists of cash, cash equivalents and short-term investments, decreased by ¥37.4 billion year on year, to ¥5.5 billion in trade notes and accounts payable and ¥5.6 billion in customer advances. The balance of interest-bearing debt, which consists only of short-term borrowings, stood at ¥4.4 billion as of March 31, 2012. The debt/equity ratio declined to 0.8%, 0.6 points lower than the end of March 2011.
- Non-current liabilities increased by ¥3.8 billion, to ¥60.2 billion. Non-current assets increased by ¥13.8 billion year on year, to ¥598.6 billion. This reflected an increase in retained earnings of ¥13.5 billion resulting from a net income of ¥36.7 billion and ¥23.1 billion in dividends paid. As a result, the equity ratio improved from 70.8% at the end of March 2011 to 74.9% as of March 31, 2012, and ROE dropped to 6.3%, from 13.3% in fiscal 2011.

**Capital Expenditures** and Depreciation and Amortization

Total capital expenditures increased by 1.0% year on year in fiscal 2012, to ¥39.5 billion.

- **New Miyagi plant (Taiwa-cho, Kurokawa-gun, Miyagi Prefecture)**
- **New Kunschkan plant (Kunschkan, Jiangsu Province, China)**
- **TEL Technology Center Tsukuba (Tsukuba, Ibaraki Prefecture)**
- **Purchase of evaluation and measuring equipment**
- **Depreciation and amortization increased by 36.7% year on year, to ¥24.2 billion.**

**Capital Expenditures**

- **Purchase of evaluation and measuring equipment**
- **TEL Technology Center Tsukuba (Tsukuba, Ibaraki Prefecture)**
- **New Miyagi plant (Taiwa-cho, Kurokawa-gun, Miyagi Prefecture)**
- **New Kunschkan plant (Kunschkan, Jiangsu Province, China)**

**Depreciation and Amortization**

- **Capital expenditures represent only the gross increase in property, plant and equipment.**
- **Depreciation does not include amortization and losses on impairment of goodwill.**

**Financing activities** used net cash of ¥27.3 billion, compared with ¥5.2 billion in fiscal 2011. The main contributors were the ¥60.6 billion in income before income taxes and minority interests, ¥24.2 billion in depreciation and amortization, and a ¥16.0 billion decrease in inventories. Major negative factors included a ¥47.6 billion in income taxes paid and a ¥15.5 billion increase in trade notes and accounts receivable.

Investing activities used net cash of ¥8.4 billion, compared with ¥35.9 billion used in fiscal 2011. This mainly reflected a ¥36.0 billion outflow to purchase property, plant and equipment and a ¥31.0 billion inflow from a net decrease in short-term investments.

**Cash Flows**

Cash flows from operating activities showed a net inflow of ¥29.7 billion, ¥53.5 billion less than in fiscal 2011. The main contributors were the ¥60.6 billion in income before income taxes and minority interests, ¥24.2 billion in depreciation and amortization, and a ¥16.0 billion decrease in inventories. Major negative factors included a ¥47.6 billion in income taxes paid and a ¥15.5 billion increase in trade notes and accounts receivable.

Investing activities used net cash of ¥8.4 billion, compared with ¥35.9 billion used in fiscal 2011. This mainly reflected a ¥36.0 billion outflow to purchase property, plant and equipment and a ¥31.0 billion inflow from a net decrease in short-term investments.

Financing activities used net cash of ¥27.3 billion, compared with ¥5.2 billion in fiscal 2011. The main outflow was ¥23.1 billion in dividends paid and ¥3.6 billion in repayment of short-term borrowings.

As a result, the balance of cash and cash equivalents at the end of March 2012 stood at ¥158.8 billion, a decrease of ¥6.3 billion from the ¥165.1 billion balance at the end of fiscal 2011. Total liquidity on hand, which consists of cash, cash equivalents and short-term investments, decreased by ¥37.4 billion year on year, to ¥285.1 billion at the end of March 2011 to ¥247.6 billion at the end of March 2012.
BUSINESS-RELATED AND OTHER RISKS
The following are possible risks that may have an impact on Tokyo Electron’s business performance, stock price, or financial position.

(1) Impact From Changes in the Semiconductor Market
Tokyo Electron has achieved a high profit margin by concentrating resources in high-tech fields, including semiconductor production equipment, where technological innovation is rapid but Tokyo Electron can effectively use its strengths. Although technological change is responsible for the semiconductor market’s rapid growth, Tokyo Electron has actively undertaken structural reforms to be able to generate profits under any circumstances, including when the market contracts temporarily due to imbalance of supply and demand. However, order cancellations, excess capacity and personnel, and increased inventories resulting from an unexpectedly large market contraction, losses from bad debts resulting from the worsening of a customer's financial position, and supply shortages resulting from the worsening of a supplier’s management situation, could adversely affect Tokyo Electron’s business performance considerably.

(2) Impact From Concentration of Transactions on Particular Customers
Tokyo Electron has been successful at increasing transactions with the leading semiconductor manufacturers worldwide, including those in Japan, through the provision of products featuring outstanding, cutting-edge technology and services offering a high level of customer satisfaction. However, Tokyo Electron’s sales may from time to time be temporarily concentrated on particular customers due to the timing of large capital investments of major semiconductor manufacturers. The resulting escalation in sales competition could adversely affect Tokyo Electron’s business performance.

(3) Impact From Research and Development
Through ongoing and proactive R&D investment and activities in cutting-edge technologies—miniaturization, vacuum, plasma, thermal processing, coating/developing, cleaning, wafer-transfer, and clean technologies—Tokyo Electron has created advanced technologies. At the same time, by quickly bringing to market new products incorporating these technologies, Tokyo Electron has successfully captured a high market share in each of the product fields it has entered and generated a high profit margin. However, delays in the launch of new products and other factors could adversely affect Tokyo Electron’s business performance.

(4) Safety-related Impact
Tokyo Electron’s basic philosophy is to always bear in mind safety and health in the execution of business activities, including development, manufacturing, sales, services, and management. In accordance with this philosophy, Tokyo Electron works actively and continuously to improve the safety of its products and to eliminate any harmful impact on health. However, harm to customers, order cancellations or other circumstances resulting from safety or other problems related to Tokyo Electron’s products could adversely affect Tokyo Electron’s business performance.

(5) Impact From Quality Issues
Tokyo Electron actively develops outstanding, cutting-edge technologies for incorporation in new products that are brought quickly to market. At the same time, Tokyo Electron works to establish a quality assurance system, efforts that include obtaining ISO 9001 certification, as well as to establish a world-class service system. These actions have resulted in a large number of customers adopting Tokyo Electron’s products. However, because Tokyo Electron’s products are based on cutting-edge technologies, and due to other factors, many of the technologies developed are in unfamiliar fields. The occurrence of unforeseen defects or other issues could adversely affect Tokyo Electron’s business performance.

(6) Impact of Intellectual Property Rights
In order to distinguish its products and make them more competitive, Tokyo Electron has promoted its R&D strategy for the early development of cutting-edge technologies together with its business and intellectual property strategies. This approach has enabled Tokyo Electron to obtain sole possession of many proprietary technologies that have been instrumental to the Company's ability to capture a high market share and generate high profit margins in each of its product fields. Tokyo Electron’s products incorporate and optimize many of these proprietary cutting-edge technologies. There may be cases in which, by avoiding the use of third-party technologies and intellectual property rights, Tokyo Electron’s business performance could be adversely affected.

(7) Impact of Fluctuating Foreign Exchange Rates
Success in the development of overseas operations has increased the share of sales generated overseas. As a rule, Tokyo Electron conducts export transactions on a yen basis to avert exposure to foreign currency risks. However, some exports are denominated in foreign currencies. In these cases, Tokyo Electron hedges foreign currency risk by using a forward foreign exchange contract when an order is received or by other means. However, foreign exchange rate risks can arise from fluctuations in prices due to sudden foreign exchange movements, which could have an indirect adverse effect on Tokyo Electron’s business performance.

(8) Other Risks
Tokyo Electron is actively engaged in reforming its corporate structure so that it can generate profits even when markets contract. These reforms have entailed creating new high-growth and high-return businesses and pursuing higher earnings from existing businesses. At the same time, Tokyo Electron has promoted activities to preserve the environment and worked to restructure its compliance, risk management and information security management systems. However, as long as it conducts business activities, as with peer companies or companies in different industries, Tokyo Electron is subject to the effect of many other factors. These include the world and regional economic environments, natural disasters, war, terrorism, unavoidable occurrences, financial or stock market, government or other regulations, supply systems of suppliers, market conditions for products and real estate, the ability to recruit personnel in Japan and overseas, competition over standardization, and loss of key personnel. Any of these factors could adversely affect Tokyo Electron’s business performance.
### CONsolidated EleVEn-Year Summary

#### Tokyo Electron Limited and Subsidiaries

As of and for the years ended March 31

<table>
<thead>
<tr>
<th>Thousands of U.S. dollars</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$7,702,774</td>
</tr>
<tr>
<td>FPD/PV production equipment</td>
<td>850,337</td>
</tr>
<tr>
<td>Computer networks</td>
<td>–</td>
</tr>
<tr>
<td>Electronic components and computer networks</td>
<td>1,032,583</td>
</tr>
<tr>
<td>Other</td>
<td>5,609</td>
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<tr>
<td>Income (loss) before income taxes</td>
<td>733,340</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>246,843</td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td>449,617</td>
</tr>
<tr>
<td><strong>Domestic sales</strong></td>
<td>2,084,974</td>
</tr>
<tr>
<td><strong>Overseas sales</strong></td>
<td>5,617,800</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>294,415</td>
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<tr>
<td><strong>Capital expenditures</strong></td>
<td>481,093</td>
</tr>
<tr>
<td><strong>R&amp;D expenses</strong></td>
<td>991,678</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>9,534,140</td>
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<tr>
<td><strong>Net assets (Total shareholders' equity)</strong></td>
<td>7,283,161</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>10,684</td>
</tr>
</tbody>
</table>

#### Financial Section

**Net income (loss) per share of common stock:**

<table>
<thead>
<tr>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.49</td>
<td>$2.49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>U.S. dollars</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td><strong>2005-2004</strong></td>
</tr>
<tr>
<td>$205.04</td>
<td>$401.73</td>
</tr>
<tr>
<td>$42.15</td>
<td>$594.01</td>
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<tr>
<td>$267.61</td>
<td>$343.63</td>
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<tr>
<td>$52,654</td>
<td>$71,718</td>
</tr>
<tr>
<td>$1,127,000</td>
<td>$1,179,906</td>
</tr>
</tbody>
</table>

**Net assets per employee:**

<table>
<thead>
<tr>
<th>Thousands of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>$59,256</td>
<td>$720,964</td>
</tr>
<tr>
<td>$64,655</td>
<td>$41,581</td>
</tr>
</tbody>
</table>

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1. Unit fiscal year, the FPD (Flat Panel Display) division was included in Semiconductor production equipment. From fiscal 2008, Computer networks is included in Electronic components and computer networks.
2. From fiscal 2009, the FPD division was changed to the FPD/PV production equipment division. Photovoltaic Cell (PV) production equipment is included in FPD/PV production equipment.
3. From fiscal 2011, the Company applied "Accounting Standards for Presentation of Comprehensive Income" (Statement No. 25) released by the Accounting Standards Board of Japan (ABJ). Accordingly, comprehensive income (loss) have been disclosed from fiscal 2010.
4. Depreciation and amortization does not include amortization and loss on impairment of goodwill.
5. Capital expenditures only represent the gross increase in property, plant and equipment.
6. From fiscal 2007, "Total net assets" has been disclosed in accordance with "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 1) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 1) released by the Accounting Standards Board of Japan (ABJ). "Total net assets" through fiscal 2006 represents "Total shareholders' equity" under the former accounting standards.
7. From fiscal 2009, the Company applied "Accounting Standards Regarding Net Income per Share (Business Accounting Standards No. 2)" and "Practical Guidelines for Applying Accounting Standards Regarding Net Income per Share (Practical Guidelines for Applying Accounting Standards No. 4)" released by the Accounting Standards Board of Japan (ABJ).
8. From fiscal 2011, the Company calculated net income per share of common stock (diluted) in accordance with "Accounting Standard for Earnings Per Share" (Statement No. 3 issued as of June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (Guidance No. 3 issued as of June 30, 2010) released by the Accounting Standards Board of Japan (ABJ). Dilution is not assumed for the years ended March 31, 2010, 2003 and 2002.
9. Effective from fiscal 2005, Tokyo Electron changed its method of revenue recognition upon receiving customer confirmation of product set-up and testing of products for Semiconductor and FPD production equipment. The effect of this change decreased net sales, operating income and income before income taxes by ¥185 million, ¥170 million and ¥206 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.
10. Effective from fiscal 2005, Tokyo Electron changed its method of account for after-sale repair expenses by recording accrued warranty expenses for Semiconductor and FPD production equipment. The effect of this change decreased operating income and income before income taxes by ¥125 million and ¥133 million, respectively, for the year ended March 31, 2005.
## CONSOLIDATED BALANCE SHEETS

**Tokyo Electron Limited and Subsidiaries**

As of March 31, 2012 and 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥158,776</td>
<td>¥165,051</td>
<td>¥1,931,817</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>88,849</td>
<td>120,000</td>
<td>1,081,020</td>
</tr>
<tr>
<td>Trade notes and accounts receivable</td>
<td>150,306</td>
<td>136,385</td>
<td>1,828,763</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(1,376)</td>
<td>(1,154)</td>
<td>(16,742)</td>
</tr>
<tr>
<td>Inventories</td>
<td>149,470</td>
<td>168,925</td>
<td>1,818,591</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>23,546</td>
<td>27,610</td>
<td>286,482</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>37,480</td>
<td>27,414</td>
<td>465,016</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>607,051</td>
<td>644,231</td>
<td>7,385,947</td>
</tr>
</tbody>
</table>

| Property, plant, and equipment: | | | |
| Land | 26,260 | 25,773 | 319,504 |
| Buildings | 143,462 | 121,598 | 1,745,492 |
| Machinery and equipment | 115,834 | 104,699 | 1,409,344 |
| Construction in progress | 9,515 | 19,509 | 115,768 |
| **Total property, plant, and equipment** | 295,071 | 271,579 | 3,590,108 |
| Less: Accumulated depreciation | 168,186 | 159,027 | 2,046,307 |
| **Net property, plant, and equipment** | 126,885 | 112,552 | 1,543,801 |

| Investments and other assets: | | | |
| Investment securities | 16,082 | 15,726 | 195,669 |
| Deferred income taxes | 17,585 | 20,728 | 213,955 |
| Intangible assets | 4,704 | 4,212 | 57,233 |
| Other assets | 15,152 | 13,787 | 184,353 |
| Allowance for doubtful accounts | (3,848) | (2,031) | (46,818) |
| **Total investments and other assets** | 49,675 | 52,422 | 604,392 |
| **Total assets** | ¥783,611 | ¥809,205 | ¥5,934,140 |

## LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥4,403</td>
<td>¥7,996</td>
</tr>
<tr>
<td>Trade notes and accounts payable</td>
<td>58,243</td>
<td>63,766</td>
</tr>
<tr>
<td>Customer advances</td>
<td>26,373</td>
<td>31,925</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>4,289</td>
<td>25,328</td>
</tr>
<tr>
<td>Accrued employees’ bonuses</td>
<td>8,646</td>
<td>11,131</td>
</tr>
<tr>
<td>Accrued warranty expenses</td>
<td>8,904</td>
<td>7,594</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>13,936</td>
<td>20,298</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>124,794</td>
<td>168,038</td>
</tr>
<tr>
<td>Accrued pension and severance costs</td>
<td>55,266</td>
<td>52,826</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td>4,948</td>
<td>3,539</td>
</tr>
<tr>
<td><strong>Contingent liabilities</strong></td>
<td>185,008</td>
<td>224,403</td>
</tr>
<tr>
<td><strong>Net liabilities</strong></td>
<td>524,792</td>
<td>507,427</td>
</tr>
<tr>
<td><strong>Shareholders’ equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>54,961</td>
<td>54,961</td>
</tr>
<tr>
<td>Issued: 180,610,911 shares as of March 31, 2012 and 2011</td>
<td>54,961</td>
<td>54,961</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>471,186</td>
<td>457,658</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(9,748)</td>
<td>(10,484)</td>
</tr>
<tr>
<td>1,446,079 and 1,554,231 shares as of March 31, 2012 and 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>¥809,205</td>
<td>¥809,205</td>
</tr>
</tbody>
</table>

See accompanying notes to Consolidated Financial Statements.
## CONSOLIDATED STATEMENTS OF INCOME

Tokyo Electron Limited and Subsidiaries

### Years ended March 31, 2012 and 2011

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>¥633,091</td>
<td>¥668,722</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>421,646</td>
<td>433,964</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>211,445</td>
<td>234,758</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>151,002</td>
<td>136,888</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>60,443</td>
<td>97,870</td>
</tr>
</tbody>
</table>

**Other income (expenses):**

- Interest and dividend income ........................................... 1,010 696 12,289
- Revenue from development grants ........................................ 1,131 3,027 13,761
- Provision of allowance for doubtful accounts ....................... (1,848) 0 (22,485)
- Reversal of allowance for doubtful accounts ................................ – 1,892 –
- Gain on sale of property, plant and equipment .......................... 566 34 6,886
- Gain on collection of written-off receivables ........................... 1,437 – 17,484
- Loss on business restructuring ............................................. (849) – (10,330)
- Loss on devaluation of investment securities ........................... (817) (74) (9,940)
- Maintenance cost for closed domestic facilities .......................... (112) (186) (1,363)
- Loss from natural disasters ................................................. (936) (1,114) (11,388)
- Expenses for plant relocation .............................................. (144) (1,839) (1,752)
- Other, net ........................................................................... 721 (727) 8,772

Income before income taxes and minority interests ....................... 60,602 99,579 737,340

Income taxes:

- Current .............................................................................. 15,023 29,483 182,784
- Deferred ............................................................................. 8,400 (2,712) 102,202

Income before minority interests ............................................. 37,179 72,808 452,354

Minority interests ..................................................................... 401 114 0

Net income ............................................................................... 36,726 71,924 446,434

### Per share of common stock:

- Net income — basic ............................................................... ¥205.04 ¥401.73 $2.49
- Net income — diluted ............................................................. 204.72 401.10 2.49
- Net assets ............................................................................. 3,275.14 3,198.66 39.85
- Cash dividends ..................................................................... 80.00 114.00 0.97

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Tokyo Electron Limited and Subsidiaries

As of March 31, 2012 and 2011

### Income before minority interests ............................................. ¥37,179 ¥72,808 $452,354

### Other comprehensive income (loss):

- Changes in fair value of investment securities ................................ 769 303 9,356
- Changes in deferred gains (losses) on hedging instruments ............ (69) 72 (839)
- Foreign currency translation adjustments .................................... (925) (3,585) (11,254)

Total other comprehensive income (loss) ...................................... (225) (3,210) (2,737)

Comprehensive income ................................................................ 36,954 69,598 449,617

Total comprehensive income attributable to:

- Owners of the Company ....................................................... 36,532 68,732 444,822
- Minority interests ................................................................. 422 866 5,135

See accompanying Notes to Consolidated Financial Statements.
### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

**Tokyo Electron Limited and Subsidiaries**  
Years ended March 31, 2012 and 2011

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Unrealized gains on investment securities</th>
<th>Deferred loss on hedging instruments</th>
<th>Foreign currency translation adjustments</th>
<th>Share subscription rights</th>
<th>Minority interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of April 1, 2010</strong></td>
<td>¥54,961</td>
<td>¥78,034</td>
<td>¥393,970</td>
<td>¥10,900</td>
<td>¥2,504</td>
<td>(6,683)</td>
<td>(1,578)</td>
<td>¥9,974</td>
<td>¥522,230</td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td>–</td>
<td>–</td>
<td>(8,236)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(8,236)</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>–</td>
<td>–</td>
<td>71,924</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>71,924</td>
<td></td>
</tr>
<tr>
<td>Repurchase of treasury stock</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(37)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(37)</td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stocks</td>
<td>–</td>
<td>12</td>
<td>–</td>
<td>453</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>465</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2011</strong></td>
<td>¥54,961</td>
<td>¥78,023</td>
<td>¥471,186</td>
<td>¥(43)</td>
<td>¥523,370</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2012</strong></td>
<td>¥54,961</td>
<td>¥78,046</td>
<td>¥457,658</td>
<td>¥(10,484)</td>
<td>¥548,852</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thousands of U.S. dollars</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Unrealized gains on investment securities</th>
<th>Deferred loss on hedging instruments</th>
<th>Foreign currency translation adjustments</th>
<th>Share subscription rights</th>
<th>Minority interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of March 31, 2011</strong></td>
<td>$686,707</td>
<td>$949,580</td>
<td>$5,566,293</td>
<td>$127,558</td>
<td>$34,153</td>
<td>(1146)</td>
<td>$124,516</td>
<td>$18,238</td>
<td>$128,494</td>
<td>$7,115,245</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>–</td>
<td>–</td>
<td>(281,080)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(281,080)</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>–</td>
<td>–</td>
<td>446,843</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>446,843</td>
<td></td>
</tr>
<tr>
<td>Repurchase of treasury stocks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(146)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(146)</td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stocks</td>
<td>–</td>
<td>(280)</td>
<td>–</td>
<td>1,168</td>
<td>9,101</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,575</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,356</td>
<td>(475)</td>
<td>(11,243)</td>
<td>(4,161)</td>
<td>(1,169)</td>
<td>(5,354)</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2012</strong></td>
<td>$686,707</td>
<td>$949,300</td>
<td>$5,732,888</td>
<td>$(118,603)</td>
<td>$43,509</td>
<td>$(621)</td>
<td>$(135,759)</td>
<td>$14,077</td>
<td>$129,663</td>
<td>$7,283,161</td>
</tr>
</tbody>
</table>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Tokyo Electron Limited and Subsidiaries**  
Years ended March 31, 2012 and 2011

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2012</th>
<th>2011</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥60,602</td>
<td>¥99,579</td>
<td>$737,340</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>24,198</td>
<td>17,707</td>
<td>294,415</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>–</td>
<td>242</td>
<td>–</td>
</tr>
<tr>
<td>Increase in accrued pension and severance costs</td>
<td>2,446</td>
<td>2,317</td>
<td>29,760</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>2,111</td>
<td>(4,341)</td>
<td>25,684</td>
</tr>
<tr>
<td>Increase (decrease) in accrued employees’ bonuses</td>
<td>(2,506)</td>
<td>5,087</td>
<td>(30,490)</td>
</tr>
<tr>
<td>Increase in accrued warranty expenses</td>
<td>1,343</td>
<td>2,352</td>
<td>16,340</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(1,010)</td>
<td>(696)</td>
<td>(12,289)</td>
</tr>
<tr>
<td>Increase in trade notes and accounts receivable</td>
<td>(15,540)</td>
<td>(13,319)</td>
<td>(189,074)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>16,023</td>
<td>(36,533)</td>
<td>194,951</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid consumption tax</td>
<td>1,508</td>
<td>(8,025)</td>
<td>18,348</td>
</tr>
<tr>
<td>Increase (decrease) in accrued consumption tax</td>
<td>(2,417)</td>
<td>2,305</td>
<td>(29,408)</td>
</tr>
<tr>
<td>Increase (decrease) in trade notes and accounts payable</td>
<td>(5,807)</td>
<td>1,667</td>
<td>(70,653)</td>
</tr>
<tr>
<td>Increase (decrease) in customer advances</td>
<td>(4,567)</td>
<td>9,575</td>
<td>(55,566)</td>
</tr>
<tr>
<td>(Increase) decrease in specific doubtful receivables</td>
<td>(1,890)</td>
<td>5,303</td>
<td>(22,995)</td>
</tr>
<tr>
<td>Other, net</td>
<td>1,912</td>
<td>6,902</td>
<td>23,263</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>76,406</td>
<td>90,122</td>
<td>929,626</td>
</tr>
<tr>
<td>Receipts from interest and dividends</td>
<td>978</td>
<td>746</td>
<td>11,900</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(43)</td>
<td>(46)</td>
<td>(523)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(47,629)</td>
<td>(7,583)</td>
<td>(579,499)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>29,712</td>
<td>83,239</td>
<td>361,504</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for purchases of short-term investments</td>
<td>(284,500)</td>
<td>(360,000)</td>
<td>(3,461,492)</td>
</tr>
<tr>
<td>Proceeds from maturities of short-term investments</td>
<td>315,500</td>
<td>360,000</td>
<td>3,838,667</td>
</tr>
<tr>
<td>Payment for purchase of property, plant and equipment</td>
<td>(36,010)</td>
<td>(33,542)</td>
<td>(483,131)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>1,102</td>
<td>509</td>
<td>13,408</td>
</tr>
<tr>
<td>Payment for acquisition of intangible assets</td>
<td>(2,140)</td>
<td>(926)</td>
<td>(26,037)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(2,304)</td>
<td>(1,923)</td>
<td>(28,033)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(8,352)</td>
<td>(35,882)</td>
<td>(101,618)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in short-term borrowings</td>
<td>(3,594)</td>
<td>2,891</td>
<td>(43,728)</td>
</tr>
<tr>
<td>(Increase) decrease in treasury stock, net</td>
<td>(12)</td>
<td>428</td>
<td>(146)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(23,102)</td>
<td>(8,236)</td>
<td>(281,080)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(627)</td>
<td>(320)</td>
<td>(7,629)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(27,335)</td>
<td>(5,237)</td>
<td>(332,583)</td>
</tr>
<tr>
<td><strong>Effect of exchange rate changes on cash and cash equivalents</strong></td>
<td>(300)</td>
<td>(1,009)</td>
<td>(3,650)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(6,275)</td>
<td>41,111</td>
<td>(76,347)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>165,051</td>
<td>123,940</td>
<td>2,008,164</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>¥158,776</td>
<td>¥165,051</td>
<td>$1,931,817</td>
</tr>
</tbody>
</table>

See accompanying Notes to Consolidated Financial Statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited (hereinafter “the Company”) and its subsidiaries (hereinafter collectively referred to as “Tokyo Electron”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The Company uses financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards or U.S. generally accepted accounting principles for the preparation of the consolidated financial statements, together with adjustment for certain items which are required to be adjusted in the consolidation process.

The accompanying consolidated financial statements have been restructured and translated into English from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥82.19 to $1.00, the approximate rate as of March 31, 2012. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 30 and 32 subsidiaries for the years ended March 31, 2012 and 2011, respectively. Investments in affiliates in which the Company’s ownership is 20% to 50% are accounted for by the equity method. All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated in consolidation.

The fiscal year-end of all entities is March 31, except for three consolidated foreign subsidiaries, which use a December 31 year-end, and adjustment is made for any significant transactions between the different fiscal year-ends.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates, except for those hedged by forward exchange contracts, which are translated at the contracted rates. Resulting exchange gains and losses are included in earnings for the year.

Revenue and expense items are translated at the rates that approximate those prevailing at the time of the transactions. The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders’ equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of accumulated other comprehensive income and minority interests in the consolidated balance sheets.

(c) Cash equivalents

For purposes of the consolidated statements of cash flows, Tokyo Electron considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

(d) Short-term investments

Short-term investments consist of short-term deposits and low-risk financial instruments with original maturities of more than three months.

(e) Investment securities

Tokyo Electron examines the intent of holding each security and classifies those securities as trading securities, held-to-maturity debt securities or other securities. Tokyo Electron has no trading securities. Held-to-maturity debt securities are stated mainly at amortized cost. Other securities with market prices are valued at fair market value prevailing at the balance sheet date. The differences between the book and market prices of other securities, net of applicable income taxes, are presented in net assets as a component of accumulated other comprehensive income. Other securities without market value are valued at cost using the weighted-average method.

The cost of sold securities is calculated using the weighted-average method.

(f) Inventories

Inventories other than raw materials are stated at the lower of cost, determined by the specific identification method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Raw materials are stated at the lower of cost, determined principally by the moving-average method, or net realizable value.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment of the Company and its domestic subsidiaries is computed using the declining balance method, except for buildings acquired subsequent to March 31, 1998 which are depreciated using the straight-line method, based on the estimated useful lives of assets. Foreign subsidiaries mainly apply the straight-line method over the estimated useful lives of assets. Estimated useful lives of property, plant and equipment are as follows:

Buildings 2 to 60 years

Machinery and equipment 2 to 17 years

(h) Intangible assets

Intangible assets, which primarily comprise of capitalized costs for computer software and goodwill, are amortized by the straight-line method over their estimated useful lives. Capitalized costs for computer software for internal use are amortized over a period of 2 to 5 years. Goodwill is evaluated on an individual basis and amortized over a period not exceeding 20 years.

(i) Impairment of fixed assets

Tokyo Electron evaluates the carrying value of fixed assets held for use in the business. If the carrying value of a fixed asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount, being the higher of the net selling price or the value in use of the assets. Net selling price is determined using the fair value less disposal costs and value in use is based on the total amount of discounted cash flows estimated to be generated from the continuing use of the individual assets or the asset group and the disposal of the assets.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(k) Accrued pension and severance costs

The Company and its domestic subsidiaries provide an accrual for defined benefit employees’ pension and severance costs based on the projected benefit obligation and the fair value of pension assets. Prior service costs are charged to earnings on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to earnings on a straight-line basis, beginning from the following fiscal year after they are recognized, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

The provision for accrued pension and severance costs for directors and statutory auditors of the Company and its domestic subsidiaries is calculated in accordance with internal regulations.

The Company and certain domestic subsidiaries decided to discontinue the payment of severance pay for directors and statutory auditors after April 1, 2005, and at the general shareholders’ meeting in June 2005, it was resolved that the severance pay for directors and statutory auditors until March 31, 2005 would be paid at the termination of their service and the decision regarding the payment amount for each director and statutory auditor was delegated to the board of directors and statutory auditors. As discussed in note 9, the accruals for severance costs for directors and statutory auditors are included in accrued pension and severance costs in the consolidated balance sheets.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) Accrued expenses

Accrued expenses are primarily accounted for as operating expenses (whether such expenses were classified as operating or finance expenses), except for leases that transfer ownership to the lessee at the end of the lease, which had been accounted for as finance leases. Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Lease Transactions” and “Guidance on Accounting Standard for Lease Transactions.” As a result, the Company and its domestic subsidiaries capitalized leased assets under finance leases commencing after March 31, 2008 and such leased assets are depreciated using the straight-line method over the period of the lease contract with zero residual value.

(b) Derivatives and hedge accounting

The Company and a domestic subsidiary make use of derivatives in order to manage risks arising from adverse fluctuations in foreign currency exchange rates. The amount of derivatives is limited to the extent of foreign currency assets, liabilities and actual orders, and the Company and the domestic subsidiary do not trade in derivatives for speculative purposes. Derivatives are carried at fair value in the consolidated balance sheet with changes in unrealized gain or loss charged to earnings as incurred, except for those which meet the criteria for hedge accounting. Unrealized gains or losses on hedging derivatives, net of taxes, are reported in net assets as a component of accumulated other comprehensive income. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(c) Per share information

Net income per share and net assets per share are computed based on the weighted-average number of shares of common stock outstanding during each year. Dividends per share has been presented on an accruals basis and include, in each fiscal year ended March 31, dividends approved or to be approved after March 31 but applicable to the year then ended.

(d) Research and development expenses

Research and development expenses charged to earnings as incurred and amounted to ¥81,506 million ($991,678 thousand) and ¥70,568 million for the years ended March 31, 2012 and 2011, respectively.

(e) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2012.

3. Change in Accounting Policies and Adoption of New Accounting Standards

(a) Accounting standards for earnings per share

Effective from April 1, 2011, the Company adopted “Accounting Standard for Earnings Per Share” (Statement No. 2 issued as of June 30, 2010 by the Accounting Standards Board of Japan) and “Guidance on Accounting Standards for Earnings Per Share” (Guidance No. 4 issued as of June 30, 2010 by the Accounting Standards Board of Japan). Based on these new standards, the Company has changed its method of calculating diluted net income per share. Under the new method, for share option rights which vest after a specified period of service, the fair value amount of the share options for service expected to be provided in the future is included in the proceeds assumed to be received when options are exercised.

(b) Accounting standard for accounting changes and error corrections

Effective from April 1, 2011, the Company and its domestic subsidiaries adopted “Accounting Standard for Accounting Changes and Error Corrections” (Statement No. 24 issued by the Accounting Standards Board of Japan) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (Guidance No. 24 issued by the Accounting Standards Board of Japan) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011. The adoption of this standard had no significant impact on the consolidated financial statements.

(c) Accounting standards for asset retirement obligations

Effective from April 1, 2010, the Company and its domestic subsidiaries adopted “Accounting Standards for Asset Retirement Obligations” (Statement No. 18 issued by the Accounting Standards Board of Japan) and “Guidance on Accounting Standards for Asset Retirement Obligations” (Guidance No. 21 issued by the Accounting Standards Board of Japan). The adoption of this standard had no significant impact on the consolidated financial statements.

(d) Accounting standard for disclosures about segments of an enterprise and related information

Effective from the year ended March 31, 2011, the Company adopted “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Statement No. 17 issued by the Accounting Standards Board of Japan) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Guidance No. 20 issued by the Accounting Standards Board of Japan). The accounting standard requires the Company to adopt a management approach as the segment reporting method. As a result of the adoption of this standard the Company changed the basis of segmentation and segment measures.

(e) Accounting standard for presentation of comprehensive income

Effective from the year ended March 31, 2011, the Company adopted “Accounting Standard for Presentation of Comprehensive Income” (Statement No. 25 issued by the Accounting Standards Board of Japan). As a result of the adoption of this standard the Company prepared a consolidated statements of comprehensive income from the year ended March 31, 2011.

(f) Accounting standard for consolidated financial statements

Effective from the year ended March 31, 2011, the Company adopted “Partial amendments to the accounting standards of financial statements” (Cabinet office ordinance No. 5) in accordance with “Accounting Standard for Consolidated Financial Statements” (Statement No. 22 issued by Accounting Standards Board of Japan). As a result of the adoption of this standard, the Company added a subtotal of “Income before minority interests” in the consolidated statements of Income.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Securities

Other securities as of March 31, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>Millions of yen</th>
<th>2011</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Carrying value</td>
<td>Cost</td>
</tr>
<tr>
<td>Noncurrent</td>
<td>Securities with market prices</td>
<td>¥ 9,212</td>
<td>¥ 14,699</td>
</tr>
<tr>
<td></td>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Securities without market prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unlisted stock</td>
<td>¥ 485</td>
<td>¥ 473</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>¥ 910</td>
<td>¥ 910</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>¥ 10,607</td>
<td>¥ 16,082</td>
</tr>
<tr>
<td>Current</td>
<td>Securities with market prices</td>
<td>¥ 232,058</td>
<td>¥ 232,058</td>
</tr>
<tr>
<td></td>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Securities without market prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unlisted stock</td>
<td>¥ 365</td>
<td>¥ 370</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>¥ 911</td>
<td>¥ 911</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>¥ 11,039</td>
<td>¥ 15,726</td>
</tr>
</tbody>
</table>

5. Inventories

Inventories as of March 31, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>Millions of yen</th>
<th>2011</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Carrying value</td>
<td>Cost</td>
</tr>
<tr>
<td>Finished products</td>
<td>¥ 110,790</td>
<td>¥ 111,918</td>
<td></td>
</tr>
<tr>
<td>Work in process, raw materials and supplies</td>
<td>¥ 47,680</td>
<td>¥ 57,007</td>
<td>¥ 580,119</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 148,470</td>
<td>¥ 168,925</td>
<td>¥ 1,818,591</td>
</tr>
</tbody>
</table>

The amounts of change in inventory provision included in cost of sales in the consolidated statements of income for the years ended March 31, 2012 and 2011 were an increase of ¥1,115 million ($13,566 thousand) and ¥1,202 million, respectively.

6. Impairment of Property, Plant and Equipment and Intangible Assets

For assessing fixed asset impairment, the Company generally groups fixed assets used for normal operations at a business unit level for which profits are reasonably controllable. Also, the Company assesses the recoverability of individual assets not used in normal operations or that are idle.

7. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2012 and 2011.

8. Short-term Borrowings

Short-term borrowings represent 365-day notes issued by Tokyo Electron to banks and bore interest at an average annual rate of 0.40% and 0.39% as of March 31, 2012 and 2011, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2012 and Other securities as of March 31, 2011 to the amounts of short-term investments in the consolidated balance sheets are as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>Millions of yen</th>
<th>2011</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Carrying value</td>
<td>Cost</td>
</tr>
<tr>
<td>Held-to-maturity securities classified as current assets</td>
<td>¥211,790</td>
<td>¥211,790</td>
<td>¥257,835</td>
</tr>
<tr>
<td>Held-to-maturity (current)</td>
<td>¥211,790</td>
<td>¥211,790</td>
<td></td>
</tr>
<tr>
<td>Other securities (current)</td>
<td>¥232,058</td>
<td>¥232,058</td>
<td></td>
</tr>
<tr>
<td>Deposits and low-risk financial instruments with original maturities of three months or less</td>
<td>(132,790)</td>
<td>(142,058)</td>
<td>(1,615,647)</td>
</tr>
<tr>
<td>Deposits with original maturities of more than three months</td>
<td>¥ 9,849</td>
<td>¥ 30,000</td>
<td>¥ 119,832</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>¥ 88,849</td>
<td>¥ 120,000</td>
<td>¥ 1,081,020</td>
</tr>
</tbody>
</table>

9. Accrued Pension and Severance Costs

The Company and its domestic subsidiaries have defined benefit plans (cash balance plan and noncontributory retirement and severance benefit plans) covering substantially all their employees who meet eligibility requirements. The benefits under the plans are based on length of service and certain other factors.

The cash balance plan provides for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Certain foreign subsidiaries have noncontributory retirement and severance benefit plans that provide for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>Millions of yen</th>
<th>2011</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Carrying value</td>
<td>Cost</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>45,139</td>
<td>41,286</td>
<td>549,203</td>
</tr>
<tr>
<td>Funded status</td>
<td>(49,230)</td>
<td>(48,068)</td>
<td>(598,978)</td>
</tr>
<tr>
<td>Unrecognized actuarial difference</td>
<td>(1,809)</td>
<td>(90)</td>
<td>(22,010)</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>–</td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td>Net amount recognized</td>
<td>(51,039)</td>
<td>(48,133)</td>
<td>(620,988)</td>
</tr>
</tbody>
</table>

Amounts recognized in the consolidated balance sheets consist of:

- Prepaid pension and severance costs (Note 1) | ¥3,607 | ¥4,097 | ¥43,886 |
- Accrued pension and severance costs (Note 2) | (54,646) | (52,230) | (664,874) |
- Net amount recognized | (51,039) | (48,133) | (620,988) |

Notes: 1. The prepaid pension and severance costs as of March 31, 2012 and 2011 is included in other assets in the consolidated balance sheets.

2. The provision for accrued pension and severance costs for directors and statutory auditors (¥620 million ($7,544 thousand) as of March 31, 2012 and ¥586 million as of March 31, 2011) is not included.

Net periodic pension cost of the plans is as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>Millions of yen</th>
<th>2011</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>¥5,597</td>
<td>¥5,474</td>
<td>¥68,099</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,768</td>
<td>1,666</td>
<td>21,511</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(814)</td>
<td>(767)</td>
<td>(9,904)</td>
</tr>
<tr>
<td>Amortization of actuarial difference</td>
<td>401</td>
<td>286</td>
<td>4,879</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>25</td>
<td>100</td>
<td>304</td>
</tr>
<tr>
<td>Net periodic pension cost</td>
<td>¥6,977</td>
<td>¥6,759</td>
<td>¥84,889</td>
</tr>
</tbody>
</table>

Significant assumptions of domestic pension plans used to determine the above amounts are as follows:

<table>
<thead>
<tr>
<th>2012 and 2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation method of benefit obligation</td>
<td>Straight-line method</td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Amortization period of actuarial difference</td>
<td>4 years</td>
<td>4 years</td>
</tr>
<tr>
<td>Amortization period of prior service cost</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 10. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012 (Millions of yen)</th>
<th>2011 (Millions of yen)</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued pension and severance costs</td>
<td>19,538</td>
<td>21,172</td>
<td>$237,717</td>
</tr>
<tr>
<td>Tax credit for research and development</td>
<td>12,564</td>
<td>9,510</td>
<td>152,865</td>
</tr>
<tr>
<td>Elimination of unrealized profit in inventories</td>
<td>9,161</td>
<td>10,309</td>
<td>111,461</td>
</tr>
<tr>
<td>Devaluation of inventories</td>
<td>4,749</td>
<td>4,716</td>
<td>57,781</td>
</tr>
<tr>
<td>Accrued warranty expenses</td>
<td>2,971</td>
<td>2,795</td>
<td>36,148</td>
</tr>
<tr>
<td>Accrued employees’ bonuses</td>
<td>2,954</td>
<td>4,471</td>
<td>35,941</td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>1,609</td>
<td>1,475</td>
<td>19,577</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>1,035</td>
<td>690</td>
<td>12,593</td>
</tr>
<tr>
<td>Other</td>
<td>6,994</td>
<td>11,768</td>
<td>85,095</td>
</tr>
<tr>
<td><strong>Total gross deferred tax assets</strong></td>
<td><strong>61,575</strong></td>
<td><strong>63,306</strong></td>
<td><strong>748,178</strong></td>
</tr>
<tr>
<td>Less valuation allowance</td>
<td>(15,134)</td>
<td>(9,031)</td>
<td>(184,134)</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>46,441</strong></td>
<td><strong>54,275</strong></td>
<td><strong>565,044</strong></td>
</tr>
</tbody>
</table>

#### Deferred tax liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2012 (Millions of yen)</th>
<th>2011 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undistributed earnings of foreign subsidiaries</td>
<td>(3,760)</td>
<td>(3,087)</td>
</tr>
<tr>
<td>Net unrealized gains on investment securities</td>
<td>(1,981)</td>
<td>(1,916)</td>
</tr>
<tr>
<td>Prepaid pension and severance costs</td>
<td>(1,200)</td>
<td>(1,635)</td>
</tr>
<tr>
<td>Reserves under Special Taxation Measures Law</td>
<td>(1,084)</td>
<td>(8)</td>
</tr>
<tr>
<td>Other</td>
<td>(748)</td>
<td>(1,524)</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td><strong>8,773</strong></td>
<td><strong>18,170</strong></td>
</tr>
</tbody>
</table>

Net deferred tax assets included in the consolidated balance sheets as of March 31, 2012 and 2011 as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012 (Millions of yen)</th>
<th>2011 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued pension and severance costs</td>
<td>19,538</td>
<td>21,172</td>
</tr>
<tr>
<td>Tax credit for research and development</td>
<td>12,564</td>
<td>9,510</td>
</tr>
<tr>
<td>Elimination of unrealized profit in inventories</td>
<td>9,161</td>
<td>10,309</td>
</tr>
<tr>
<td>Devaluation of inventories</td>
<td>4,749</td>
<td>4,716</td>
</tr>
<tr>
<td>Accrued warranty expenses</td>
<td>2,971</td>
<td>2,795</td>
</tr>
<tr>
<td>Accrued employees’ bonuses</td>
<td>2,954</td>
<td>4,471</td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>1,609</td>
<td>1,475</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>1,035</td>
<td>690</td>
</tr>
<tr>
<td>Other</td>
<td>6,994</td>
<td>11,768</td>
</tr>
</tbody>
</table>

The Company and its wholly-owned domestic subsidiaries apply a consolidated tax filing system for corporate tax purposes.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which temporary differences become deductible. For assessment of the realizability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, future estimated taxable income, tax planning strategies and level of net operating loss carryforwards, if any, in accordance with accounting principles generally accepted in Japan.

Based on the level of historical taxable income and future estimated taxable income over the periods which the deferred tax assets are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2012 and 2011.

The Company is subject to corporate tax, inhabitants’ tax and a deductible enterprise tax, which in the aggregate resulted in a statutory income tax rate of approximately 40.69% for the years ended March 31, 2012 and 2011. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.01% for years beginning on or after April 1, 2012 and 35.64% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.01% and 35.64%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥3,310 million ($40,273 thousand) as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 increased by ¥3,587 million ($43,643 thousand).

Net deferred tax assets decreased by ¥3,310 million ($40,273 thousand) as of March 31, 2012

#### 11. Net Assets

Net assets comprises four subsections, which are shareholders’ equity, accumulated other comprehensive income, share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital which is included in capital surplus. In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders’ meeting. Additional paid-in capital and legal reserve may not be distributed as dividends. All additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general shareholders’ meeting on June 23, 2006, in accordance with Japanese laws and regulations, the Company altered its articles to allow for the distribution of earnings to shareholders on dates, other than the mid-term and year-end, by a resolution of the board of directors. At the board of directors’ meeting held on May 15, 2012, the distribution of cash dividends amounting to ¥4,837 million ($58,851 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012 since they are recognized in the period in which they are resolved at the board of directors’ meeting.

#### Adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate in Japan</td>
<td>40.69 %</td>
<td>40.69 %</td>
</tr>
<tr>
<td>Effect of enacted changes in Japanese tax rates on net deferred tax assets</td>
<td>5.92</td>
<td>-</td>
</tr>
<tr>
<td>Tax credit for research and development</td>
<td>(5.20)</td>
<td>(7.22)</td>
</tr>
<tr>
<td>Difference in statutory tax rates of subsidiaries</td>
<td>(4.04)</td>
<td>(2.26)</td>
</tr>
<tr>
<td>Others, net</td>
<td>1.28</td>
<td>(4.33)</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td><strong>38.65 %</strong></td>
<td><strong>26.88 %</strong></td>
</tr>
</tbody>
</table>
12. Other Comprehensive Income (loss)

Other comprehensive income for the year ended March 31, 2012 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gains arising during the year</td>
<td>¥302</td>
<td>$3,674</td>
</tr>
<tr>
<td>Reclassification adjustments</td>
<td>531</td>
<td>6,461</td>
</tr>
<tr>
<td>Sub-total, before tax</td>
<td>833</td>
<td>10,135</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(64)</td>
<td>(779)</td>
</tr>
<tr>
<td>Sub-total, net of tax</td>
<td>769</td>
<td>9,356</td>
</tr>
</tbody>
</table>

Net deferred losses on hedging instruments

Deferred losses arising during the year                    | ¥9                | $112                       |
| Reclassification adjustments                                        | (101)           | (1,229)                    |
| Sub-total, before tax                                                | (110)           | (1,338)                    |
| Tax benefit                                                            | 41              | 499                       |
| Sub-total, net of tax                                                | (69)            | (839)                      |

Foreign currency translation adjustments

Adjustments during the year                      | (925)           | (11,254)                   |
| Reclassification adjustments                                        | –               | –                          |
| Sub-total, before tax                                                | (925)           | (11,254)                   |
| Tax (expense) or benefit                                             | –               | –                          |
| Sub-total, net of tax                                                | (925)           | (11,254)                   |

Total other comprehensive income (loss)                      | ¥(225)          | $(2,737)                   |

Tax effects and amounts reclassified to net income in the period that were recognized in other comprehensive income in the current or previous periods are required to be disclosed effective from the year ended March 31, 2012.

13. Share Subscription Rights

Stock option plan

The Company's shareholders have approved annual stock option plans for directors and selected employees since the year ended March 31, 1999. The options under the plans vest immediately with restriction on exercise up to two or three years after the date of grant, and have an exercise period of eight to twenty years from the date of grant.

Options to purchase 234,200 shares of the Company were authorized and granted at an exercise price of ¥1 for the year ended March 31, 2012. The options under the plans have an exercise period of twenty years from the date of grant, with restriction on exercise up to three years after the date of grant. No options to purchase shares of the Company were authorized and granted for the year ended March 31, 2011.

Shareholders of Tokyo Electron Device Limited, a domestic listed subsidiary, have approved annual stock option plans for directors and selected employees since the year ended March 31, 2005.

A summary of stock options outstanding and exercisable as of March 31, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Weighted-average exercise price</td>
</tr>
<tr>
<td>Outstanding at the beginning of year</td>
<td>1,296,800</td>
<td>¥5,086</td>
</tr>
<tr>
<td>Granted</td>
<td>234,200</td>
<td>1</td>
</tr>
<tr>
<td>Exercised</td>
<td>111,100</td>
<td>1</td>
</tr>
<tr>
<td>Expired (forfeited)</td>
<td>586,600</td>
<td>6,786</td>
</tr>
<tr>
<td>Outstanding at the end of year</td>
<td>833,300</td>
<td>3,139</td>
</tr>
<tr>
<td>Exercisable at the end of year</td>
<td>599,100</td>
<td>4,365</td>
</tr>
</tbody>
</table>

Tokyo Electron Device Limited

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Weighted-average exercise price</td>
</tr>
<tr>
<td>Outstanding at the beginning of year</td>
<td>650</td>
<td>¥308,698</td>
</tr>
<tr>
<td>Granted</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Expired (forfeited)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Outstanding at the end of year</td>
<td>650</td>
<td>308,698</td>
</tr>
<tr>
<td>Exercisable at the end of year</td>
<td>650</td>
<td>308,698</td>
</tr>
</tbody>
</table>

14. Leases

As mentioned in note 2 (m), effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Lease Transactions” and “Guidance on Accounting Standard for Lease Transactions.” As permitted under the standards, finance leases which commenced on or before March 31, 2008 continue to be accounted for as operating leases. Pro forma information of leased property acquired on or before March 31, 2008 including acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expense of finance leases that do not transfer ownership of leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2012 and 2011, are as follows:

Leased assets not recorded in the consolidated balance sheets:

Future minimum lease payments:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost</td>
<td>¥286</td>
<td>¥947</td>
<td>¥3,480</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>216</td>
<td>690</td>
<td>2,628</td>
</tr>
<tr>
<td>Net leased property</td>
<td>70</td>
<td>257</td>
<td>852</td>
</tr>
</tbody>
</table>

Lease payments relating to finance leases accounted for as operating leases amounted to ¥97 million ($1,180 thousand) and ¥158 million, which approximated the corresponding depreciation on the respective leased property computed by the straight-line method over the lease terms, for the years ended March 31, 2012 and 2011, respectively.

Future minimum lease payments on non-cancelable operating leases:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥48</td>
<td>¥139</td>
<td>$584</td>
</tr>
<tr>
<td>Due over one year</td>
<td>22</td>
<td>111</td>
<td>268</td>
</tr>
<tr>
<td>Total</td>
<td>¥70</td>
<td>¥257</td>
<td>$852</td>
</tr>
</tbody>
</table>

Friends Section

Millions of yen

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥2,013</td>
<td>¥1,984</td>
<td>$24,492</td>
</tr>
<tr>
<td>Due over one year</td>
<td>2,905</td>
<td>4,361</td>
<td>35,345</td>
</tr>
<tr>
<td>Total</td>
<td>¥4,918</td>
<td>¥6,345</td>
<td>$59,837</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Fair Value of Financial Instruments

Policy for Financial Instruments
Tokyo Electron limits its fund management to short-term bank deposits and low-risk financial instruments, and obtains funds by utilizing bank-loans or liquidating trade-receivables.

Trade receivables, which consist of notes and accounts receivable, are exposed to credit risk in the event of non-performance by the counterparties. Execution and management of credit risk, maturity and receivable balance are conducted pursuant to the internal management rules for credit control. Credit risk of major customers is assessed on a regular basis.

Short-term investments consist of time deposits and low risk financial instruments and the Company and its listed subsidiary trade with highly-rated financial institutions to mitigate credit risks.

Investment securities consist of mainly equity interests in listed companies exposed to equity market risks. Conditions, including market prices, for these investment securities are monitored on a regular basis.

Short-term borrowings and trade payables, which consist of notes and accounts payable, mainly mature within one year. Trade payables are exposed to liquidity risks which are managed through activities such as implementing cash management plans.

See note 16 for detailed discussion on derivative financial instruments.

Fair Value of Financial Instruments
Carrying amount and estimated fair value of financial instruments as of March 31, 2012 and 2011, are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 4).

<table>
<thead>
<tr>
<th>Years</th>
<th>Carrying amount</th>
<th>Estimated fair value</th>
<th>Carrying amount</th>
<th>Estimated fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥158,776</td>
<td>¥158,776</td>
<td>¥165,051</td>
<td>¥165,051</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>88,849</td>
<td>88,638</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Trade notes and accounts receivable, net of allowance for doubtful accounts</td>
<td>148,930</td>
<td>148,930</td>
<td>135,231</td>
<td>135,231</td>
</tr>
<tr>
<td>Investment securities</td>
<td>14,699</td>
<td>14,699</td>
<td>14,445</td>
<td>14,445</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>4,403</td>
<td>4,403</td>
<td>7,996</td>
<td>7,996</td>
</tr>
<tr>
<td>Trade notes and accounts payable</td>
<td>58,243</td>
<td>58,243</td>
<td>63,766</td>
<td>63,766</td>
</tr>
<tr>
<td>Derivatives (see note 16)</td>
<td>(400)</td>
<td>(400)</td>
<td>(44)</td>
<td>(44)</td>
</tr>
</tbody>
</table>

Note: 1. Fair value calculation of financial instruments
Cash and cash equivalents, trade notes and accounts receivable, short-term investments, short-term borrowings and trade notes and accounts payable
The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities
The fair values of marketable securities are based on quoted market prices.
See note 4 for further information by classification of investment securities.

Derivatives
See note 16 for detailed discussion on derivative financial instruments.

2. Maturities of financial assets and securities are as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥158,776</td>
<td>¥ -</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>88,849</td>
<td>88,638</td>
</tr>
<tr>
<td>Trade notes and accounts receivable</td>
<td>70,639</td>
<td>70,639</td>
</tr>
<tr>
<td>Derivatives (see note 16)</td>
<td>(400)</td>
<td>(400)</td>
</tr>
</tbody>
</table>

3. Repayment schedule of short-term borrowings and capital lease obligations is as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥4,403</td>
<td>¥ -</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>335</td>
<td>267</td>
</tr>
</tbody>
</table>

Note: 1. Fair value calculation of financial instruments
Cash and cash equivalents, trade notes and accounts receivable, short-term investments, short-term borrowings and trade notes and accounts payable
The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities
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<tr>
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<td>267</td>
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</table>

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Derivatives
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<tr>
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<tr>
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<td>70,639</td>
<td>70,639</td>
</tr>
<tr>
<td>Derivatives (see note 16)</td>
<td>(400)</td>
<td>(400)</td>
</tr>
</tbody>
</table>

3. Repayment schedule of short-term borrowings and capital lease obligations is as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥4,403</td>
<td>¥ -</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>335</td>
<td>267</td>
</tr>
</tbody>
</table>

Note: 1. Fair value calculation of financial instruments
Cash and cash equivalents, trade notes and accounts receivable, short-term investments, short-term borrowings and trade notes and accounts payable
The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities
The fair values of marketable securities are based on quoted market prices.
See note 4 for further information by classification of investment securities.

Derivatives
See note 16 for detailed discussion on derivative financial instruments.

2. Maturities of financial assets and securities are as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥158,776</td>
<td>¥ -</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>88,849</td>
<td>88,638</td>
</tr>
<tr>
<td>Trade notes and accounts receivable</td>
<td>70,639</td>
<td>70,639</td>
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<tr>
<td>Derivatives (see note 16)</td>
<td>(400)</td>
<td>(400)</td>
</tr>
</tbody>
</table>

3. Repayment schedule of short-term borrowings and capital lease obligations is as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥4,403</td>
<td>¥ -</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>335</td>
<td>267</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Derivative Financial Instruments

Tokyo Electron is subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Company and its listed domestic subsidiary enter into foreign exchange contracts in order to hedge such risks, but do not enter into such transactions for speculative purposes. The Company and its domestic subsidiary implement a ratio analysis of the total cumulative cash flow fluctuations to assess effectiveness of hedging. Execution and management of all derivative transactions are conducted pursuant to the internal management rule for derivatives and the assessment of effectiveness of hedging activities is reported on a semi-annual basis to the Corporate Director in charge of Finance.

The estimated fair values of the derivative financial instruments as of March 31, 2012 and 2011 are as follows:

1. Derivative financial instruments not designated as hedging instruments

<table>
<thead>
<tr>
<th>Contract</th>
<th>Amount</th>
<th>Fair value</th>
<th>Unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell U.S. dollars</td>
<td>5,874</td>
<td>$(64)</td>
<td>$(64)</td>
</tr>
<tr>
<td>Sell Korean won</td>
<td>701</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Buy U.S. dollars</td>
<td>5,804</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td>116,379</td>
<td>(400)</td>
<td>(400)</td>
</tr>
<tr>
<td>2011:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell U.S. dollars</td>
<td>7,405</td>
<td>(72)</td>
<td>(72)</td>
</tr>
<tr>
<td>Sell Korean won</td>
<td>1,235</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>Buy U.S. dollars</td>
<td>4,763</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Total</td>
<td>11,743</td>
<td>327</td>
<td>327</td>
</tr>
</tbody>
</table>

The contract amounts of forward foreign exchange contracts, entered into to hedge receivables and payables denominated in foreign currencies that have been translated by the corresponding contracted rates, are as follows:

<table>
<thead>
<tr>
<th>Contract</th>
<th>Amount</th>
<th>Fair value</th>
<th>Unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell U.S. dollars</td>
<td>8,679</td>
<td>$(181)</td>
<td>$(2,203)</td>
</tr>
<tr>
<td>Sell Korean won</td>
<td>85</td>
<td>1034</td>
<td>(85)</td>
</tr>
<tr>
<td>Sell Chinese yuan</td>
<td>192</td>
<td>2,336</td>
<td>12</td>
</tr>
<tr>
<td>Buy U.S. dollars</td>
<td>4,325</td>
<td>17</td>
<td>52,622</td>
</tr>
<tr>
<td>Buy EURO</td>
<td>195</td>
<td>17</td>
<td>2,373</td>
</tr>
<tr>
<td>Total</td>
<td>11,876</td>
<td>(153)</td>
<td>$(1,862)</td>
</tr>
<tr>
<td>2011:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell U.S. dollars</td>
<td>6,411</td>
<td>(54)</td>
<td>(54)</td>
</tr>
<tr>
<td>Sell Korean won</td>
<td>37</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Buy U.S. dollars</td>
<td>4,099</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total</td>
<td>10,554</td>
<td>(44)</td>
<td>(44)</td>
</tr>
</tbody>
</table>

The fair value of these derivative financial instruments, which is based on the quoted foreign exchange rates, is included in the carrying value of hedged assets and liabilities.

2. Derivative financial instruments designated as hedging instruments

<table>
<thead>
<tr>
<th>Contract</th>
<th>Amount</th>
<th>Fair value</th>
<th>Unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell U.S. dollars</td>
<td>6,879</td>
<td>$(181)</td>
<td>$(2,203)</td>
</tr>
<tr>
<td>Sell Korean won</td>
<td>85</td>
<td>1,034</td>
<td>(85)</td>
</tr>
<tr>
<td>Sell Chinese yuan</td>
<td>192</td>
<td>2,336</td>
<td>12</td>
</tr>
<tr>
<td>Buy U.S. dollars</td>
<td>4,325</td>
<td>17</td>
<td>52,622</td>
</tr>
<tr>
<td>Buy EURO</td>
<td>195</td>
<td>17</td>
<td>2,373</td>
</tr>
<tr>
<td>Total</td>
<td>11,876</td>
<td>(153)</td>
<td>$(1,862)</td>
</tr>
<tr>
<td>2011:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell U.S. dollars</td>
<td>6,411</td>
<td>(54)</td>
<td>(54)</td>
</tr>
<tr>
<td>Sell Korean won</td>
<td>37</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Buy U.S. dollars</td>
<td>4,099</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total</td>
<td>10,554</td>
<td>(44)</td>
<td>(44)</td>
</tr>
</tbody>
</table>

The fair values are based on the quoted forward foreign exchange rates.

17. Other Income (Expenses)

Reversal of allowance for doubtful accounts of ¥1,892 million for the year ended March 31, 2011 is related to the subsequent collection of specific accounts receivable.

Expenses for plant relocation of ¥1,839 million were recognized as a result of the transfer of etch system business for the year ended March 31, 2011.

Loss from natural disasters of ¥936 million ($11,388 thousand) and ¥1,114 million for the years ended March 31, 2012 and 2011, respectively, represents losses relating to the Great East Japan Earthquake which occurred on March 11, 2011, which mainly consists of repair costs for damaged facilities and fixed costs during the inactive period and repair costs for damaged facilities.

Loss on business restructuring of ¥849 million ($10,330 thousand) for the year ended March 31, 2012 consists of devaluation of inventories, loss on impairment of property, plant and equipment and loss on disposal of inventories and property, plant and equipment.

18. Segment Information

General information about reportable segments

A reportable segment is a component or an aggregated component of Tokyo Electron. For each of the components, discrete financial information is available and its operating result is regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

The operation of Tokyo Electron consists of segments by products and services based on business units (BUS), and Tokyo Electron identifies as a reportable segment, “Semiconductor Production Equipment (SPE),” “Flat Panel Display and Photovoltaic Cell (FPD/PV) Production Equipment,” and “Electronic Components and Computer Networks.”

Products of the SPE segment consist of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probes used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, services and distributes such products.

Products of the FPD/PV Production Equipment segment consist of coaters/developers, plasma etch systems used in the manufacture of flat panel displays, and plasma CVD systems used in the manufacture of thin film silicon PV cells. The FPD/PV segment principally develops, manufactures, services and distributes such products.

The Electronic Components and Computer Networks segment principally designs, develops, procures, and distributes semiconductor products centering on integrated circuits (IC), other electronic components, computer networks and software.

Basis of measurement of reportable segment net sales, segment profit, segment assets and other items

The accounting policies applied in each reportable segment are generally consistent with those applied for the preparation of the consolidated financial statements. Intersegment sales or transfers are determined based on current market prices. Assets in common use have not been allocated to each reportable segment, while costs associated with those assets have been allocated to reportable segments on a systematic basis.
### Information about reportable segment net sales, segment profit, segment assets and other items

Reportable segment information as of and for the year ended March 31, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Reportable Segment</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Semiconductor production equipment</td>
<td>FPD/PV production equipment</td>
<td>Electronic components &amp; computer networks</td>
<td>Other</td>
<td>Total</td>
<td>Eliminations and Corporate</td>
<td>Consolidated</td>
</tr>
<tr>
<td><strong>2012:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>¥477,873</td>
<td>¥69,889</td>
<td>¥84,868</td>
<td>¥461</td>
<td>¥633,091</td>
<td>¥</td>
<td>– ¥633,091</td>
</tr>
<tr>
<td><strong>Sales to external customers</strong></td>
<td>–</td>
<td>–</td>
<td>1,432</td>
<td>14,565</td>
<td>15,997</td>
<td>(15,997)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>477,873</td>
<td>69,889</td>
<td>86,300</td>
<td>15,026</td>
<td>649,088</td>
<td>(15,997)</td>
<td>633,091</td>
</tr>
<tr>
<td><strong>Segment profit</strong></td>
<td>¥89,020</td>
<td>¥2,271</td>
<td>¥2,312</td>
<td>¥1,827</td>
<td>¥95,430</td>
<td>(34,828)</td>
<td>60,602</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>262,789</td>
<td>21,295</td>
<td>46,391</td>
<td>1,927</td>
<td>332,402</td>
<td>451,209</td>
<td>783,611</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>¥11,282</td>
<td>¥678</td>
<td>¥570</td>
<td>¥170</td>
<td>¥12,709</td>
<td>¥11,489</td>
<td>¥24,198</td>
</tr>
<tr>
<td><strong>Capital expenditures, including intangible and other assets</strong></td>
<td>¥13,518</td>
<td>¥672</td>
<td>¥407</td>
<td>¥36</td>
<td>¥14,633</td>
<td>¥28,572</td>
<td>¥43,205</td>
</tr>
<tr>
<td><strong>2011:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>¥511,332</td>
<td>¥66,721</td>
<td>¥90,216</td>
<td>¥453</td>
<td>¥668,772</td>
<td>¥</td>
<td>– ¥668,722</td>
</tr>
<tr>
<td><strong>Sales to external customers</strong></td>
<td>0</td>
<td>–</td>
<td>1,100</td>
<td>14,908</td>
<td>16,008</td>
<td>(16,008)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>511,332</td>
<td>66,721</td>
<td>91,316</td>
<td>15,361</td>
<td>684,730</td>
<td>(16,008)</td>
<td>668,722</td>
</tr>
<tr>
<td><strong>Segment profit</strong></td>
<td>¥120,846</td>
<td>¥6,641</td>
<td>¥2,907</td>
<td>¥1,916</td>
<td>¥132,310</td>
<td>(32,731)</td>
<td>99,579</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>239,707</td>
<td>42,812</td>
<td>50,255</td>
<td>2,094</td>
<td>334,868</td>
<td>474,337</td>
<td>809,205</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>¥7,369</td>
<td>¥543</td>
<td>¥456</td>
<td>¥354</td>
<td>¥8,722</td>
<td>¥8,985</td>
<td>¥17,707</td>
</tr>
<tr>
<td><strong>Capital expenditures, including intangible and other assets</strong></td>
<td>¥13,182</td>
<td>¥553</td>
<td>¥774</td>
<td>¥28</td>
<td>¥14,537</td>
<td>¥26,723</td>
<td>¥41,260</td>
</tr>
</tbody>
</table>
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Table: Reportable Segment Profit

<table>
<thead>
<tr>
<th>Segment</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductor equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FPDPV production equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic components &amp; computer networks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Notes:
1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, leasing and insurance.
2. (1) "Eliminations and Corporate" segment profit totaling ¥34,828 million ($423,750 thousand) and ¥32,731 million for the years ended March 31, 2012 and 2011, respectively, includes corporate expenses not allocated to any reportable segments. The corporate expenses mainly consist of research and development costs of ¥26,071 million ($317,204) and ¥22,719 million for the years ended March 31, 2012 and 2011, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments.
3. "Eliminations and Corporate" capital expenditures totaling ¥28,572 million ($347,633 thousand) and ¥26,723 million for the years ended March 31, 2012 and 2011, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
4. "Eliminations and Corporate" segment assets totaling ¥451,209 million ($5,489,828 thousand) and ¥474,337 million as of March 31, 2012 and 2011, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
5. "Eliminations and Corporate" segment profit totaling ¥34,828 million ($423,750 thousand) and ¥32,731 million for the years ended March 31, 2012 and 2011, respectively, includes corporate expenses mainly consisting of research and development costs of ¥26,071 million ($317,204) and ¥22,719 million for the years ended March 31, 2012 and 2011, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments.
6. "Eliminations and Corporate" capital expenditures totaling ¥28,572 million ($347,633 thousand) and ¥26,723 million for the years ended March 31, 2012 and 2011, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
7. "Eliminations and Corporate" segment assets totaling ¥451,209 million ($5,489,828 thousand) and ¥474,337 million as of March 31, 2012 and 2011, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
8. Net property, plant and equipment by location as of March 31, 2012 and 2011 are as follows:

#### Other Information

1. Domestic and overseas net sales by destination for the years ended March 31, 2012 and 2011 are as follows:

#### Table: Net Sales

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥171,364</td>
<td>¥182,165</td>
</tr>
<tr>
<td>United States of America</td>
<td>114,951</td>
<td>103,013</td>
</tr>
<tr>
<td>Korea</td>
<td>114,218</td>
<td>106,374</td>
</tr>
<tr>
<td>Taiwan</td>
<td>86,882</td>
<td>107,894</td>
</tr>
<tr>
<td>Other</td>
<td>145,673</td>
<td>154,629</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥633,091</td>
<td>¥668,722</td>
</tr>
</tbody>
</table>

Note: Sales are classified in countries or regions based on location of customers.

2. Net property, plant and equipment by location as of March 31, 2012 and 2011 are as follows:

#### Table: Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Location</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥107,874</td>
<td>¥199,011</td>
</tr>
<tr>
<td>United States of America</td>
<td>1,312,495</td>
<td>23,446</td>
</tr>
<tr>
<td>Korea</td>
<td>259,095</td>
<td>4,044,312</td>
</tr>
<tr>
<td>Taiwan</td>
<td>525,672</td>
<td>9,534,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥7,702,774</td>
<td>¥9,534,140</td>
</tr>
</tbody>
</table>

Note: Property, plant and equipment at March 31, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥97,775</td>
<td>¥114,777</td>
</tr>
<tr>
<td>United States of America</td>
<td>1,161,090</td>
<td>154,629</td>
</tr>
<tr>
<td>Korea</td>
<td>347,633</td>
<td>1,543,801</td>
</tr>
<tr>
<td>Taiwan</td>
<td>112,552</td>
<td>737,340</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥1,312,495</td>
<td>¥1,543,801</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Major customer information

Net sales to external customers that represent 10 percent or more of the company's total net sales are as follows:

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Related reportable segment</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Electronics Co., Ltd.</td>
<td>Semiconductor production equipment and FPD/PV production equipment</td>
<td>¥116,919</td>
<td>$1,422,545</td>
</tr>
<tr>
<td>Intel Corporation</td>
<td>Semiconductor production equipment</td>
<td>¥90,399</td>
<td>1,099,878</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Related reportable segment</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Electronics Co., Ltd.</td>
<td>Semiconductor production equipment and FPD/PV production equipment</td>
<td>¥101,074</td>
</tr>
</tbody>
</table>

Note: The amounts include sales to the customer and its subsidiaries.

19. Subsequent Event

Grant of stock options under stock option plans

On May 15, 2012, the Company's board of directors decided to submit a resolution to the shareholders' meeting for approval of the issuance of stock subscription rights to directors and selected employees of Tokyo Electron. The issuance of stock subscription rights is intended to enable the grant of stock options. Under these stock option plans, option to purchase up to 53,800 shares of the Company at an exercise price of ¥1 ($0.01), will be granted to certain executive officers of the Company as of March 31, 2012, certain directors of the Company who resigned on June 22, 2012, certain directors and executive officers of domestic subsidiaries and certain chairmen, presidents, and vice chairmen of overseas subsidiaries as of March 31, 2012, who were determined by a resolution at a board of directors meeting subsequent to the approval of grant at the general meeting of shareholders. This grant of stock options was approved at the annual general meeting of the shareholders of the Company on June 22, 2012.
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Tokyo Electron Limited:

We have audited the accompanying consolidated financial statements of Tokyo Electron Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tokyo Electron Limited and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

June 22, 2012
Tokyo, Japan

KPMG ABSA LLC
As of March 31, 2012, the Tokyo Electron Group was made up of the parent company and its 30 consolidated subsidiaries.

<table>
<thead>
<tr>
<th>Company</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Electron Yamanashi Limited</td>
<td>Manufacture and development</td>
</tr>
<tr>
<td>Tokyo Electron Kyushu Limited</td>
<td>Manufacture and development</td>
</tr>
<tr>
<td>Tokyo Electron Tohoku Limited</td>
<td>Manufacture and development</td>
</tr>
<tr>
<td>Tokyo Electron Miyagi Limited</td>
<td>Manufacture and development</td>
</tr>
<tr>
<td>Tokyo Electron TS Limited</td>
<td>Manufacture and development</td>
</tr>
<tr>
<td>Tokyo Electron Technology Development Institute, Inc.</td>
<td>Manufacture and development</td>
</tr>
<tr>
<td>Tokyo Electron Software Technologies Limited</td>
<td>Development</td>
</tr>
<tr>
<td>Tokyo Electron PV Limited</td>
<td>Development</td>
</tr>
<tr>
<td>Tokyo Electron FE Limited</td>
<td>Field solutions</td>
</tr>
<tr>
<td>Tokyo Electron Device Limited</td>
<td>Sales</td>
</tr>
<tr>
<td>Tokyo Electron BP Limited</td>
<td>Logistics, leasing, facility management, etc.</td>
</tr>
<tr>
<td>Tokyo Electron Agency Limited</td>
<td>Nonlife insurance</td>
</tr>
<tr>
<td>Pan Electron Limited</td>
<td>Sales</td>
</tr>
</tbody>
</table>

**JAPAN**

**AMERICA**

<table>
<thead>
<tr>
<th>Company</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Electron U.S. Holdings, Inc.</td>
<td>Holding company</td>
</tr>
<tr>
<td>Tokyo Electron America, Inc.</td>
<td>Sales and field support</td>
</tr>
<tr>
<td>Timbre Technologies, Inc.</td>
<td>Development</td>
</tr>
<tr>
<td>TEL Technology Center, America, LLC</td>
<td>Development</td>
</tr>
<tr>
<td>TEL Epion Inc.</td>
<td>Development</td>
</tr>
<tr>
<td>TEL Venture Capital, Inc.</td>
<td>Identification and evaluation of new technologies</td>
</tr>
</tbody>
</table>

**EUROPE**

Consolidated subsidiaries

<table>
<thead>
<tr>
<th>Company</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Electron Europe Limited</td>
<td>Sales and field support</td>
</tr>
<tr>
<td>Tokyo Electron Israel Limited</td>
<td>Field support</td>
</tr>
</tbody>
</table>

**ASIA**

Consolidated subsidiaries

<table>
<thead>
<tr>
<th>Company</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Electron Korea Limited</td>
<td>Sales and field support</td>
</tr>
<tr>
<td>Tokyo Electron Korea Solution Limited</td>
<td>Field solutions</td>
</tr>
<tr>
<td>Tokyo Electron Taiwan Limited</td>
<td>Sales and field support</td>
</tr>
<tr>
<td>Tokyo Electron (Kunshan) Limited</td>
<td>Manufacture</td>
</tr>
<tr>
<td>Tokyo Electron (Shanghai) Limited</td>
<td>Sales and field support</td>
</tr>
<tr>
<td>Tokyo Electron (Shanghai) Logistic Center Limited</td>
<td>Logistics</td>
</tr>
<tr>
<td>Tokyo Electron Device Asia Pacific Limited</td>
<td>Sales</td>
</tr>
<tr>
<td>Tokyo Electron Device Singapore Pte. Ltd.</td>
<td>Sales</td>
</tr>
<tr>
<td>Tokyo Electron India Private Limited</td>
<td>Sales and field support</td>
</tr>
</tbody>
</table>
INVESTOR INFORMATION

(Ass of March 31, 2012)

Corporate Name and Head Office:
Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan

Established:
November 11, 1963

Annual General Meeting of Shareholders:
June

For Further Information, Contact:
Investor Relations
Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan
Tel: +81-3-5561-7000
URL: http://www.tel.com

Stock Price and Trading Volume

(Thousands of shares)

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock Price</th>
<th>Trading Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2008</td>
<td>10,000</td>
<td>60,000</td>
</tr>
<tr>
<td>FY2009</td>
<td>8,000</td>
<td>50,000</td>
</tr>
<tr>
<td>FY2010</td>
<td>6,000</td>
<td>40,000</td>
</tr>
<tr>
<td>FY2011</td>
<td>4,000</td>
<td>30,000</td>
</tr>
<tr>
<td>FY2012</td>
<td>2,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Stock Price (Yen)
Trading Volume (Thousands of shares)

Principal Shareholders:

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Number of shares held (thousands)</th>
<th>Voting share ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>19,501</td>
<td>10.88</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>15,183</td>
<td>8.47</td>
</tr>
<tr>
<td>Tokyo Broadcasting System Holdings, Inc.</td>
<td>7,727</td>
<td>4.31</td>
</tr>
<tr>
<td>SSBT ODOS OMINIBUS ACCOUNT – TREATY CLIENTS</td>
<td>4,262</td>
<td>2.37</td>
</tr>
<tr>
<td>State Street Bank and Trust Company 505225</td>
<td>4,175</td>
<td>2.33</td>
</tr>
<tr>
<td>Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension</td>
<td>3,849</td>
<td>2.14</td>
</tr>
<tr>
<td>The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account</td>
<td>2,948</td>
<td>1.64</td>
</tr>
<tr>
<td>JPMorgan Securities Japan Co., Ltd.</td>
<td>2,908</td>
<td>1.62</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. (Investment trust account)</td>
<td>2,714</td>
<td>1.51</td>
</tr>
<tr>
<td>Mellon Bank Treat Clients Omnibus</td>
<td>2,366</td>
<td>1.32</td>
</tr>
</tbody>
</table>

Distribution of Ownership Among Shareholders:

- Japanese individuals and others: 9.62%
- Japanese financial institutions and others: 41.56%
- Other Japanese corporations: 5.27%
- Treasury stock: 0.80%
- Foreign institutions and others: 42.75%

Shares of less than one thousand have been rounded down in the “Number of shares held.”
Voting share ratio is calculated by the number of shares held excluding treasury stocks (1,446,079 shares).