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# Business Environment and Revision of FY2012 Financial Estimates

Tom Tsuneishi, Vice Chairman of the Board

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**TOKYO ELECTRON**

CORP IR/August 1, 2011

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# Business Environment



# Business Environment (as of end July 2011)

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## ▶ SPE capex

In addition to uncertainty of global economy, demand for consumer electronics such as smartphones and tablets is slowing down compared to our initial expectations at the beginning of the year. Hence the semiconductor price is falling and fab capacity utilization is declining, we expect it to take some time for the SPE market to recover.

With these trends, we are currently assuming that the scale of SPE capex this fiscal year will decline by around 10% in contrast to our initial expectation of a 10% increase.

As we enter 2012, we expect a number of factors to stimulate chip demand including Windows8, further evolution of new mobile devices such as iPhone5 and new tablets, as well as the 2012 Olympics and the US presidential election.

# Business Environment (as of end July 2011)

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## ▶ FPD capex

Large panel capex remains sluggish, and although there is some expectation for growth in small- and medium-sized panel investment, this will not be enough to raise overall FPD capex.

## ▶ PV capex

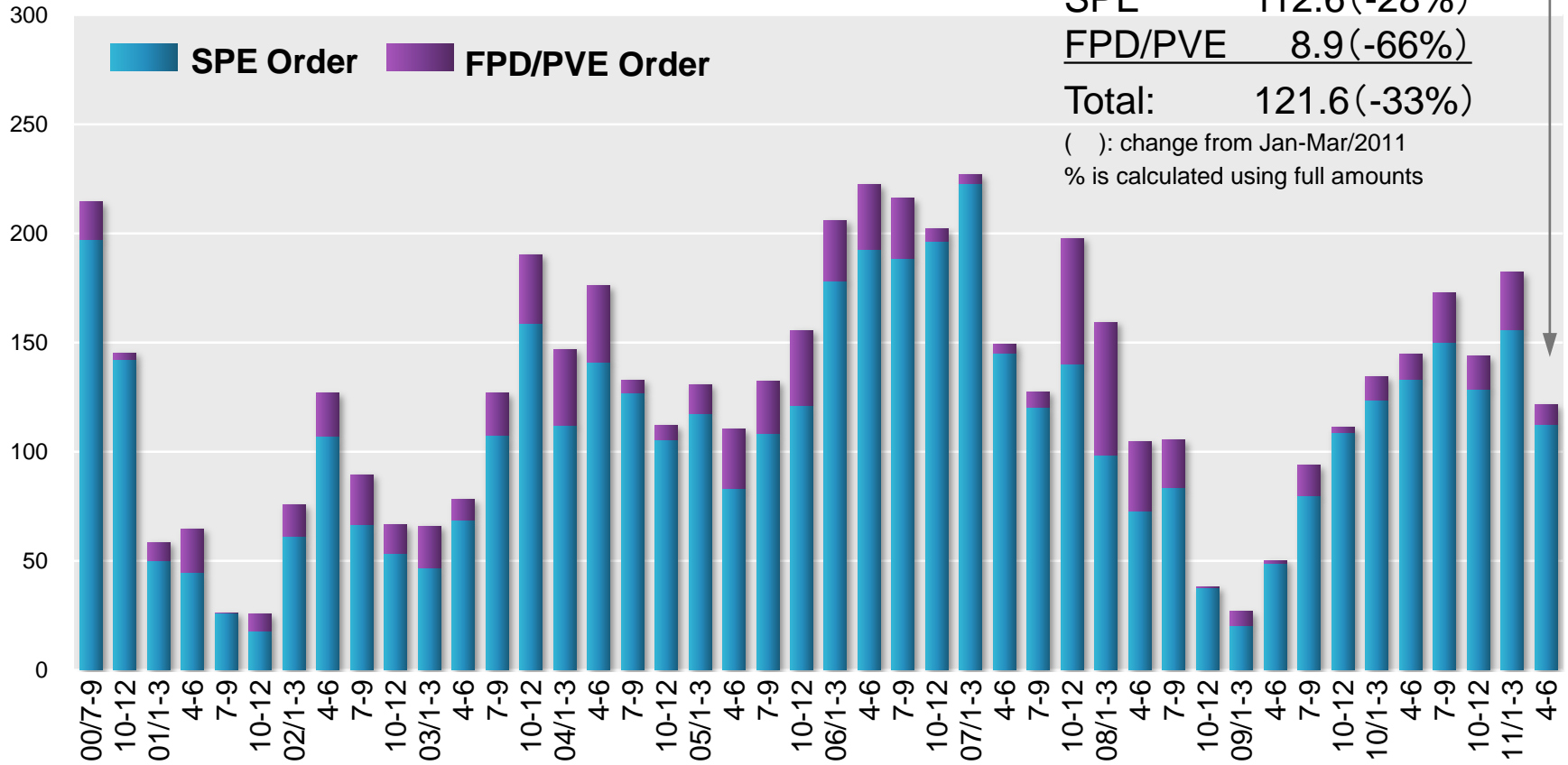
A worldwide boom in solar energy is developing and the current core product types are single crystal silicon and Cd-Te.

In the medium-term, growth expectations for thin film silicon are high, but cost and performance improvements will be necessary.

FPD: Flat Panel Display    PV: Photo Voltaic Cell

# Quarterly Orders

(Billions of Yen)



## April-June/2011

SPE 112.6 (-28%)

FPD/PVE 8.9 (-66%)

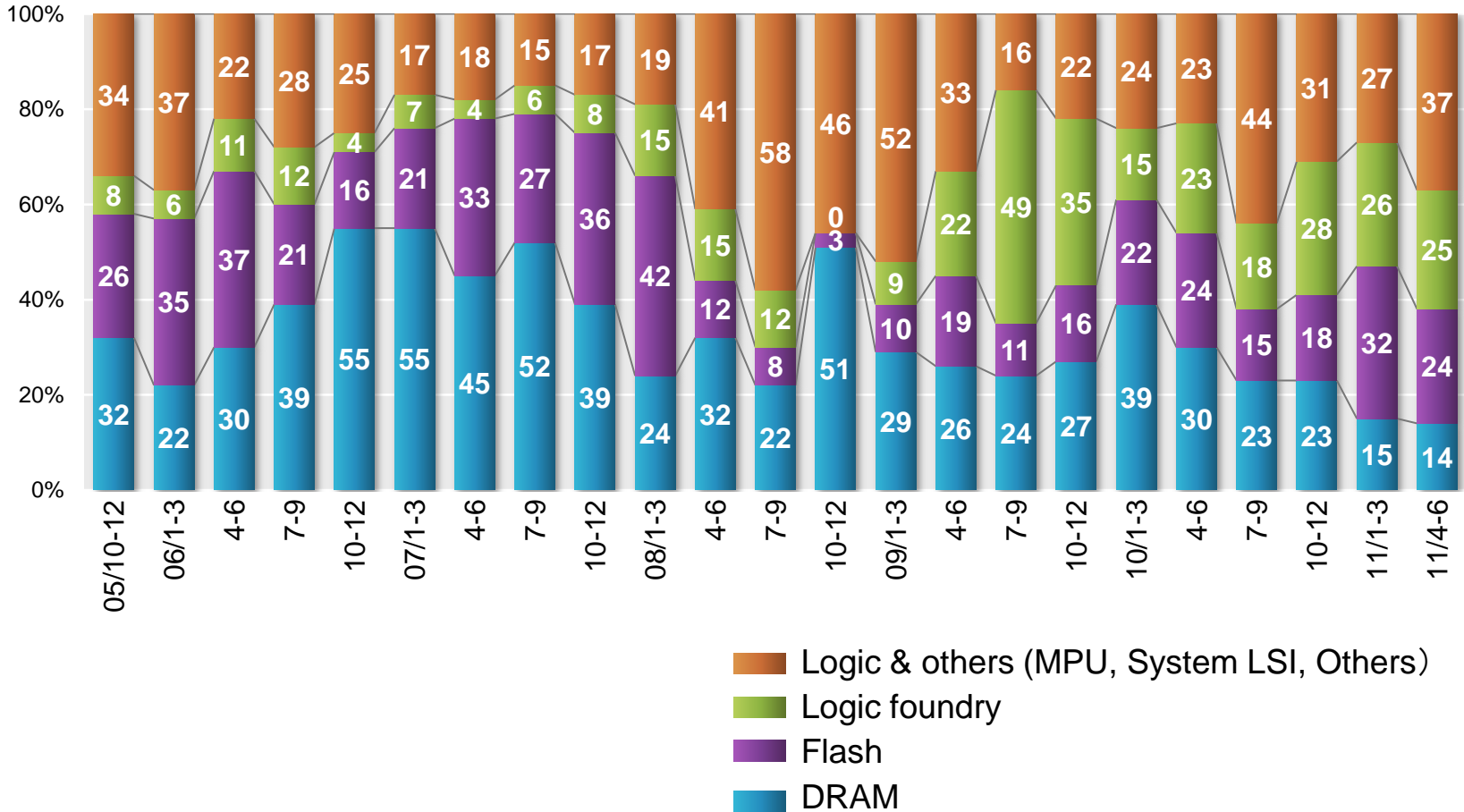
Total: 121.6 (-33%)

( ) : change from Jan-Mar/2011

% is calculated using full amounts

# SPE Orders by Application

(equipment only)



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# Revision of FY2012 Financial Estimates



# Revision of FY2012 Financial Estimates

(Billions of Yen)

	FY2011	FY2012					Change (b) - (a)
		1 <sup>st</sup> Half Estimates As of 5/13	2 <sup>nd</sup> Half		Full Year		
			Estimates as of 5/13	Revised	Estimates as of 5/13 (a)	Revised (b)	
Net Sales	<b>668.7</b>	<b>335.0</b>	<b>395.0</b>	<b>305.0</b>	<b>730.0</b>	<b>640.0</b>	<b>-90.0</b>
SPE	511.3	253.0	306.0	217.0	559.0	470.0	-89.0
FPD/PVE	66.7	38.0	38.0	37.0	76.0	75.0	-1.0
EC/CN	90.2	44.0	51.0	51.0	95.0	95.0	-
Others	0.4	-	-	-	-	-	-
Operating income	<b>97.8</b> 14.6%	<b>35.0</b> 10.4%	<b>65.0</b> 16.5%	<b>15.0</b> 4.9%	<b>100.0</b> 13.7%	<b>50.0</b> 7.8%	<b>-50.0</b>
Income before income taxes	<b>99.5</b>	<b>36.0</b>	<b>66.0</b>	<b>16.0</b>	<b>102.0</b>	<b>52.0</b>	<b>-50.0</b>
Net income	<b>71.9</b>	<b>23.0</b>	<b>43.0</b>	<b>11.0</b>	<b>66.0</b>	<b>34.0</b>	<b>-32.0</b>
Dividends per share (Yen)	114	45	85	22	130	67	-63

SPE: Semiconductor Production Equipment

FPD/PVE: Flat Panel Display and Photovoltaic Cell Production Equipment

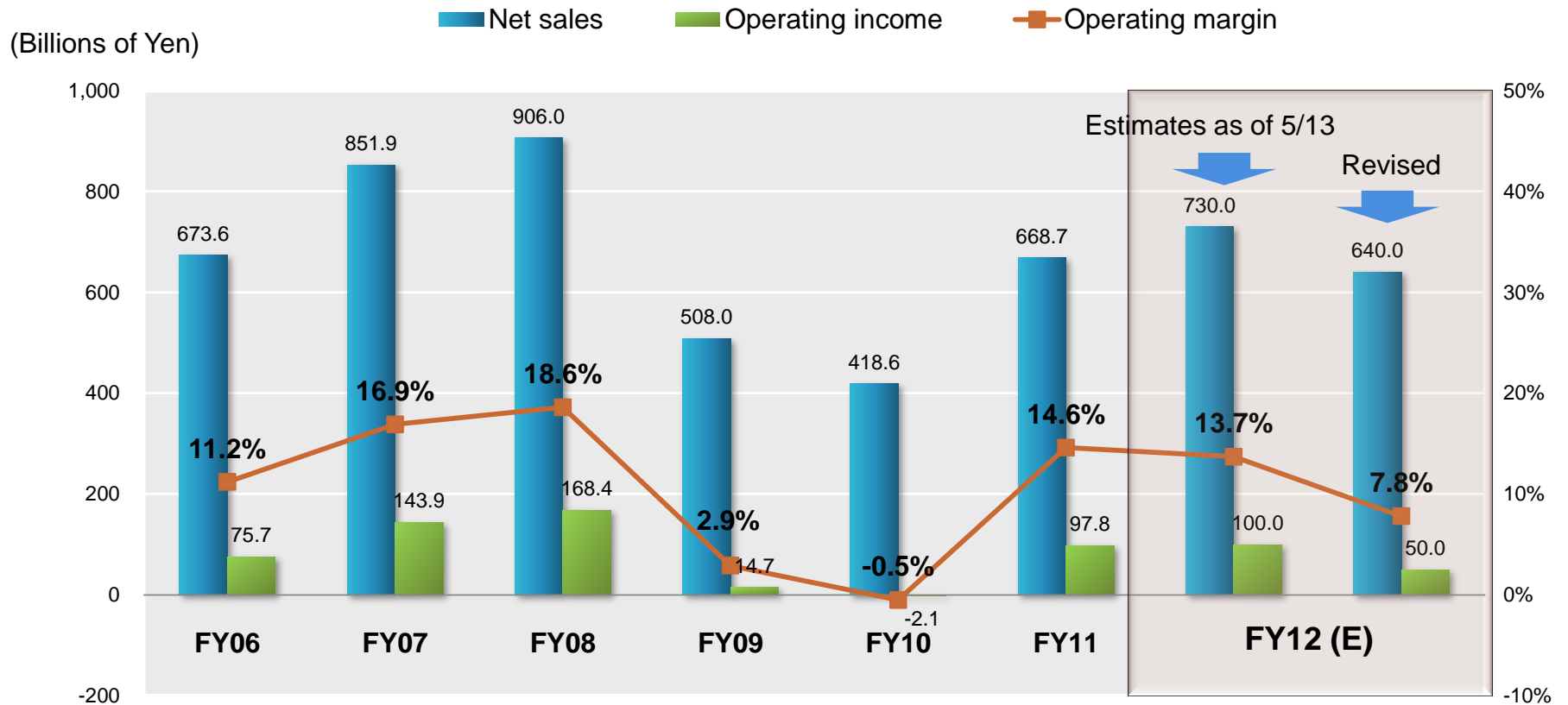
EC/CN: Electronic Components and Computer Networks

**Estimates for the 2<sup>nd</sup> half revised down due to reduced SPE sales**

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# Financial Outlook



# Summary

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1. Limited earthquake effects and first quarter results strong
2. Growth in electronic equipment is trending below our initial expectations, and due to rapid change in the business environment, SPE capex will slow in the second half of the fiscal year. In the short-term, SPE orders are expected to be adjusted.
3. Having reviewed SPE sales forecasts, we revised down earnings forecasts for the fiscal second half. However, our policy is to maintain R&D spending at a high level.
4. The market slowdown is expected to be short-term and we forecast a recovery in the first half of calendar 2012.

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- **Disclaimer regarding forward-looking statement**

Forecast of TEL's performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast described here due to changes in various external and internal factors, including the economic situation, semiconductor/FPD/PV market conditions, intensification of sales competition, safety and product quality management, and intellectual property-related risks.

- **Processing of numbers**

For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

- **Exchange Risk**

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD/PV cell production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD/PV: Flat panel display/Photovoltaic