

Consolidated Financial Review for the Third Quarter Ended December 31, 2004



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 Stock exchange listing: Tokyo Stock Exchange 1st Section
 Code number: 8035
 Company representative: Kiyoshi Sato, President & COO
 Person-in-charge: Yukio Saeki, Director, Accounting Department

For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

1. Matters relating to prepare quarterly financial statements
 - 1) Adoption of simplified accounting method: None
 - 2) Changes in the accounting method from the most recent fiscal year: Yes
 - 3) Changes in scope of consolidation and application of the equity method: Yes (Addition: 2, Deletion: 4)

2. Financial highlights for the third quarter ended December 31, 2004 (4/1/04- 12/31/04)

Note: All figures are rounded down to the nearest million yen.

(1) Operating results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended 12/31/04	429,608	25.4	37,289	-	38,395	-
Nine months ended 12/31/03	342,651	7.0	(614)	-	(1,584)	-
Year ended 3/31/04	529,653		22,279		21,167	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended 12/31/04	14,673	-	82.29	82.28
Nine months ended 12/31/03	(7,054)	-	(40.09)	-
Year ended 3/31/04	8,297		46.37	45.78

Notes:

1. Profit/loss on equity method:

Nine months ended 12/31/04:	-207 million yen
Nine months ended 12/31/03:	-90 million yen
Year ended 3/31/04:	-132 million yen
2. Average number of shares of common stock (consolidated) issued:

Nine months ended 12/31/04:	178,308,882 shares
Nine months ended 12/31/03:	175,976,089 shares
Year ended 3/31/04:	176,629,342 shares
3. Percentages for net sales, operating income, ordinary income and net income indicate changes from the same period of the previous year.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of 12/31/04	589,298	284,007	48.2	1,594.80
As of 12/31/03	540,774	259,382	48.0	1,452.39
Year ended 3/31/04	561,631	275,799	49.1	1,543.73

Note:

Number of shares of common stock (consolidated) issued as of:

December 31, 2004	178,083,627 shares
December 31, 2003	178,590,399 shares
March 31, 2004	178,588,568 shares

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nine months ended 12/31/04	67,449	(5,873)	(32,567)	72,096
Nine months ended 12/31/03	(21,737)	(5,991)	22,718	48,349
Year ended 3/31/04	7,883	(8,544)	(10,270)	42,649

Note:

Cash and cash equivalents are consisted of cash on hand, time deposits possible to withdraw anytime, and short-term investments which mature within 3 months after acquisition with low risk in value fluctuation.

2. Corporate estimates for the year ending March 31, 2005 (4/1/04 - 3/31/05)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending 3/31/05	620,000	64,000	60,000

For reference: Estimate of net income per share for the year ending March 31, 2005: 336.92 yen

Operating Results and Financial Conditions

1. Overview of the Results

(1) Nine months ended December 31, 2004 (April 1, 2004 - December 31, 2004)

During the April-December period, the semiconductor-related market continued to be strong, and was driven by digital consumer products, PCs, mobile phones and automotive devices, though there has been a sense of a lull in growth since the end of the year 2004.

Under these circumstances, sales of semiconductor production equipment and FPD production equipment, TEL's flagship products, in Asian countries, including Japan, Taiwan and Korea, were particularly strong.

As a result, consolidated net sales for the nine months were 429,608 million yen with ordinary income and net income totaling 38,395 million yen and 14,673 million yen, respectively. By segment, consolidated net sales from external customers were 365,791 million yen for the industrial electronic equipment business and 63,816 million yen for the electronic component business.

(2) Third quarter (October 1, 2004 - December 31, 2004)

Consolidated net sales for the third quarter of the current fiscal year (FY2005) were 149,409 million yen. Ordinary income and net income for the same period were 17,410 million yen and 13,401 million yen, respectively. By segment, consolidated net sales from external customers were 130,729 million yen for the industrial electronic equipment business and 18,679 million yen for the electronic component business.

(For reference)

Consolidated

(Millions of yen)

	Six months ended September 30, 2004	Third Quarter	Nine months ended December 31, 2004
Net Sales	280,199	149,409	429,608
Industrial Electronic Equipment	235,062	130,729	365,791
Semiconductor/ FPD Production Equipment	227,078	127,316	354,394
SPE	206,063	102,050	308,114
Japan	59,471	20,496	79,967
U.S.	19,054	13,973	33,027
Europe	11,744	9,207	20,951
Korea	25,561	12,513	38,075
Taiwan	44,183	33,046	77,229
China	20,643	6,914	27,558
S.E. Asia	25,405	5,897	31,303
FPD	21,014	25,266	46,280
Computer Network	7,357	3,123	10,480
Other	627	289	916
Electronic Components	45,136	18,679	63,816
Ordinary income	20,984	17,410	38,395
Net income	1,272	13,401	14,673

2. Cash Flows for the Nine Months (April 1, 2004 - December 31, 2004)

The cash flows for the nine months (April 1, 2004 – December 31, 2004) were as described below.

Cash flow from operating activities was significantly positive at 67,449 million yen. Major positive factors included net income before income taxes of 25,298 million yen, depreciation and amortization of 15,835 million yen, decreases in trade notes and account receivable of 74,809 million yen and increases in advanced payment of 26,777 million yen. Major negative factors included increases in inventory in the amount of 80,845 million yen.

Cash flow from investment activities was negative at 5,873 million yen. Major factors included the outlay of 6,150 million yen for the acquisition of tangible fixed assets.

Cash flow from financial activities was negative at 32,567 million yen. Major factors included the redemption of the seventh unsecured bonds at maturity of 20,000 million yen, net decreases in short-term borrowings of 4,498 million yen, payment of dividends of 3,742 million yen, and acquisition of treasury stock of 2,824 million yen.

As a result, the balance of cash and cash equivalents at the end of the nine months of the current fiscal year was 72,096 million yen, a substantial increase of 29,446 million yen as compared to the end of the previous fiscal year.

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2004		As of March 31, 2004		Increase (decrease)	As of December 31, 2003	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Assets)	589,298	100.0	561,631	100.0	27,667	540,774	100.0
Current Assets	443,662	75.3	402,974	71.8	40,688	379,007	70.1
Cash and time deposits	72,096		42,649			48,349	
Trade notes and accounts receivable	156,540		231,044			193,832	
Inventories	184,046		105,186			114,097	
Others	31,112		24,247			22,830	
Allowance for doubtful accounts	(133)		(154)			(102)	
Long-term Assets	145,636	24.7	158,657	28.2	(13,021)	161,767	29.9
Tangible fixed assets	101,009		108,788		(7,779)	110,892	
Intangible fixed assets	19,362		21,512		(2,150)	24,208	
Investments and other assets	25,650		28,667		(3,017)	26,992	
Allowance for doubtful accounts	(385)		(311)		(74)	(325)	
Total Assets	589,298	100.0	561,631	100.0	27,667	540,774	100.0

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2004		As of March 31, 2004		Increase (decrease)	As of December 31, 2003	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Liabilities)	301,138	51.1	281,885	50.2	19,253	277,642	51.3
Current liabilities	187,567	31.8	141,472	25.2	46,095	139,755	25.8
Trade notes and accounts payable	57,212		65,419			46,486	
Short-term borrowings	3,233		8,569			11,210	
Commercial paper	-		-			30,000	
Bonds due within 1 year	30,000		20,000			20,000	
Accrued income taxes	9,464		3,272			1,236	
Advance from customer	38,921		12,141			4,980	
Allowance for employees' bonuses	4,943		6,376			2,690	
Warranty reserves	12,618		-			-	
Others	31,173		25,692			23,150	
Long-term liabilities	113,570	19.3	140,412	25.0	(26,841)	137,887	25.5
Straight bonds	60,000		90,000			90,000	
Long-term loans	8,005		8,475			8,870	
Allowance for retirement and severance benefits	41,789		37,575			35,752	
Allowance for retirement and severance benefits for directors	723		700			658	
Others	3,051		3,661			2,604	
(Minority interest)	4,153	0.7	3,946	0.7	206	3,749	0.7
(Shareholders' equity)	284,007	48.2	275,799	49.1	8,207	259,382	48.0
Common stock	54,961	9.3	54,961	9.8	-	54,961	10.2
Capital surplus	78,023	13.2	78,023	13.9	-	78,023	14.4
Retained earnings	165,166	28.0	154,342	27.5	10,823	138,990	25.7
Revaluation of investment in securities	1,545	0.3	2,395	0.4	(850)	1,392	0.3
Foreign currency translation	339	0.1	(719)	(0.1)	1,059	(794)	(0.2)
Treasury stock at cost	(16,027)	(2.7)	(13,203)	(2.4)	(2,824)	(13,189)	(2.4)
Total liabilities, minority interest and shareholders' equity	589,298	100.0	561,631	100.0	27,667	540,774	100.0

Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2004		Nine months ended December 31, 2003		Increase (decrease)		Year ended March 31, 2004	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	429,608	100.0	342,651	100.0	86,957	25.4	529,653	100.0
Cost of sales	310,488	72.3	256,609	74.9	53,879	21.0	389,498	73.5
Gross profit	119,119	27.7	86,041	25.1	33,077	38.4	140,155	26.5
Selling, general & administrative expenses	81,830	19.0	86,656	25.3	(4,826)	(5.6)	117,875	22.3
Operating income (loss)	37,289	8.7	(614)	(0.2)	37,903	-	22,279	4.2
Non-operating income	3,094		1,634				2,659	
Non-operating expenses	1,988		2,604				3,771	
Ordinary income (loss)	38,395	8.9	(1,584)	(0.5)	39,979	-	21,167	4.0
Unusual or infrequent profit	354		435				632	
Unusual or infrequent loss	13,451		3,637				6,864	
Income (loss) before income taxes	25,298	5.9	(4,785)	(1.4)	30,084	-	14,935	2.8
Provision for income taxes and enterprise	10,274	2.4	1,951	0.6			5,107	0.9
Deferred income taxes	-	-	-	-			1,015	0.2
Minority interest	351	0.1	318	0.1			515	0.1
Net income (loss)	14,673	3.4	(7,054)	(2.1)	21,728	-	8,297	1.6

Segment Information

Information by business segment

(Millions of yen)

Nine months ended December 31, 2004					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net Sales					
(1) Sales to external customers	365,791	63,816	429,608	-	429,608
(2) Intersegment sales or transfers	797	1,250	2,047	(2,047)	-
Total	366,588	65,066	431,655	(2,047)	429,608
Operating expenses	331,514	62,938	394,452	(2,133)	392,319
Operating income	35,074	2,128	37,202	86	37,289

Note: 1. Method of classifying businesses: Businesses are classified after considering similarities in type of product, function, or method of sale.

2. Major products in each business segment:

Business segment	Major products
Industrial electronic equipment	Semiconductor production equipment, FPD production equipment, computer systems and networks, other
Electronic components	Semiconductor products, boards, software, other electronic components

3. Changes in method of accounting procedures

(1) Changes in method for revenue recognition

The standards for recognizing the company's revenue have changed, beginning with the year ended March 31, 2005, from shipment of products to confirmation of set-up and testing of products.

Considering this change, net sales and operating income for industrial electronic equipment business decreased by 91,762 million yen and 25,005 million yen, respectively, compared to figures based on the previous standards. The change did not affect the electronic components business.

(2) Warranty reserves

Beginning with the year ended March 31, 2005, we will report warranty reserves for products estimated on the basis of expenses incurred in the past.

Considering this change, operating income for industrial electronic equipment business decreased by 147 million yen compared to figures based on the previous method. The change did not affect the electronic components business.

4. Changes in method of classifying businesses

The Company is involved in the manufacture and sale of industrial electronic products. In the past, the Company's business was classified as a single segment based on its sales format. Beginning with the year ended March 31, 2005, however, the segment was given two classifications: "industrial electronics equipment" and "electronic components" after considering the similarities between types of products and service and sales methods. Because of the significant increase in the length of time between shipment and confirmation of set-up and testing of products, the standard for revenue recognition for the industrial electronics equipment business, beginning with the year ended March 31, 2005, were changed from shipment of products to confirmation of set-up and testing of products. These steps were taken to more reliably reflect the actual situation of the Company. If segment information of the nine months ended December 31, 2003 and the year ended March 31, 2004 were classified according to the business segment method used in this financial review for the year ended March 31, 2005, it would appear as follows:

(Millions of yen)

Nine months ended December 31, 2003					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net Sales					
(1) Sales to external customers	282,120	60,530	342,651	-	342,651
(2) Intersegment sales or transfers	727	935	1,662	(1,662)	-
Total	282,847	61,465	344,313	(1,662)	342,651
Operating expenses	285,546	59,502	345,049	(1,783)	343,265
Operating income (loss)	(2,698)	1,962	(736)	121	(614)

(Millions of yen)

Year ended March 31, 2004					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net Sales					
(1) Sales to external customers	445,424	84,229	529,653	-	529,653
(2) Intersegment sales or transfers	996	1,509	2,505	(2,505)	-
Total	446,421	85,738	532,159	(2,505)	529,653
Operating expenses	427,473	82,556	510,029	(2,655)	507,374
Operating income	18,947	3,182	22,129	150	22,279