

Consolidated Financial Review for the First Quarter Ended June 30, 2005

Company name:  TOKYO ELECTRON LIMITED
 URL: <http://www.tel.com>
 Headquarters address: 3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481 Japan
 Telephone number: (03) 5561-7000
 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 consolidated financial statements

- 1) Adoption of simplified accounting method: None
- 2) Changes in the accounting method from the most recent fiscal year: None
- 3) Changes in scope of consolidation and application of the equity method: Yes (Addition: 1, Deletion: 1)

2. Financial highlights for the first quarter ended June 30, 2005 (4/1/05 - 6/30/05)

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

(1) Operating results

	Net sales		Operating income		Ordinary income		Net Income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
Three months ended 6/30/05	160,016	(4.0)	21,733	(0.5)	21,717	(1.5)	13,237	(33.2)
Three months ended 6/30/04	166,607	89.8	21,831	-	22,051	-	19,804	-
Year ended 3/31/05	635,710		63,982		65,632		61,601	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended 6/30/05	74.34	74.32
Three months ended 6/30/04	110.90	110.87
Year ended 3/31/05	343.63	343.54

Notes:

1. Profit/loss on equity method:

Three months ended 6/30/05: (73) Millions of Yen
 Three months ended 6/30/04: (38) Millions of Yen
 Year ended 3/31/05: (351) Millions of Yen

2. Average number of shares of common stock (consolidated) issued:

Three months ended 6/30/05: 178,080,500 shares
 Three months ended 6/30/04: 178,587,975 shares
 Year ended 3/31/05: 178,252,161 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 6/30/05	625,071	339,542	54.3%	1,906.68
As of 6/30/04	583,595	294,327	50.4%	1,648.08
As of 3/31/05	644,319	332,165	51.6%	1,863.28

Note:

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

June 30, 2005	178,080,134 shares
June 30, 2004	178,587,706 shares
March 31, 2005	178,081,239 shares

[Consolidated cash flow position]

	Cash flows from operating activities	Cash flows from investing activities	Cash flows 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
As of 6/30/05	24,566	(4,023)	(6,103)	129,433
As of 6/30/04	13,745	(3,083)	6,615	59,792
As of 3/31/05	114,349	(7,450)	(34,343)	115,420

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.

[Reference]

Corporate estimates for the year ending March 31, 2006 (4/1/05 - 3/31/06)*

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending 9/30/05	315,000	30,500	18,000
Year ending 3/31/06	610,000	61,000	36,000

For reference: Estimate of net income per share for the year ending March 31, 2006: 202.16 yen

*Remain unchanged from the forecast announced on May 12, 2005.

Note:

The performance forecasts and estimates stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in exchange rates and other factors that may have an impact on performance.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products and their success or failure, and global conditions in the semiconductor production equipment business. Consequently, actual sales and profits may differ substantially from the projections stated in this Financial Review.

Operating Results and Financial Conditions

1. Summary of Results for the First Quarter Ended June 30, 2005

With regard to the semiconductor and flat panel display (FPD) related market in the first quarter, starting from the latter half of the previous year the inventory adjustment of semiconductors and electronic components entered its final phase, and accelerated investment aimed at enhancing competitive strength was begun in certain areas.

Given this situation, in Semiconductor Production Equipment division, which is TEL's main business, sales to Taiwan and U.S. continued to be at a high level, and in FPD division as well, sales to Taiwan remained strong. As a result, the consolidated financial results for the first quarter were: net sales of 160,016 million yen, ordinary income of 21,717 million yen, and net income of 13,237 million yen. As for the non-consolidated results, net sales were 139,675 million yen, ordinary income was 13,775 million yen, and net income was 9,449 million yen.

Looking at consolidated net sales by division, net sales were 113,984 million yen in Semiconductor Production Equipment division, 23,914 million yen in FPD division, 3,189 million yen in Computer Network division, and 18,603 million yen in Electronic Components division.

(For reference)

Consolidated

(Millions of yen)

	FY2006 1Q	FY2005 Full year	FY2005 1st Half	FY2005 2nd Half	FY2005	
					3Q	4Q
Net Sales	160,016	635,710	280,199	355,510	149,409	206,101
Industrial Electronic Equipment	141,413	549,460	235,062	314,398	130,729	183,669
Semiconductor/ FPD Production Equipment	137,899	532,228	227,078	305,150	127,316	177,833
SPE	113,984	457,190	206,063	251,126	102,050	149,076
Japan	22,934	112,454	59,471	52,983	20,496	32,486
U.S.	25,161	62,725	19,054	43,670	13,973	29,697
Europe	8,988	31,127	11,744	19,382	9,207	10,175
Korea	15,910	71,051	25,561	45,490	12,513	32,976
Taiwan	32,483	110,646	44,183	66,463	33,046	33,416
China	2,150	30,668	20,643	10,025	6,914	3,110
S.E. Asia, Others	6,356	38,516	25,405	13,110	5,897	7,212
FPD	23,914	75,038	21,014	54,023	25,266	28,757
Computer Network	3,189	15,966	7,357	8,609	3,123	5,486
Other	323	1,266	627	638	289	349
Electronic Components	18,603	86,249	45,136	41,112	18,679	22,432
Ordinary income	21,717	65,632	20,984	44,648	17,410	27,237
Net income	13,237	61,601	1,272	60,328	13,401	46,927

Note: 1. Offset elimination has been carried out on the dealings between segments.

2. Since standards for reporting revenue and accruals for product warranties were changed starting with the previous 1st half (six months) period, financial results for the 1st quarter and the 2nd quarter of the previous year are not indicated separately.

2. Cash Flows for the First Quarter Ended June 30, 2005

The balance of cash and cash equivalents at the end of the first quarter ended June 30, 2005 was 129,433 million yen, an increase of 14,013 million yen as compared to the end of the previous fiscal year. The cash flows for the three months (April 1, 2005 – June 30, 2005) were as described below.

Cash flow from operating activities amounted to 24,566 million yen. Major positive factors included income before income taxes amounting to 22,083 million yen, depreciation and amortization totaling 4,508 million yen and decreases in accounts receivable of 17,932 million yen. Major negative factors included payment of income taxes amounted to 12,102 million yen and decreases in accounts payable in the amount of 7,396 million yen.

Cash flow from investing activities was negative at 4,023 million yen. Major factors included the acquisition of tangible fixed assets.

Cash flow from financing activities was negative at 6,103 million yen. Major factors included the payment of dividends of 5,342 million yen.

Consolidated Balance Sheet

(Millions of Yen)

	As of June 30, 2005		As of March 31, 2005		Increase (Decrease)	As of June 30, 2004	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Assets)	625,071	100.0	644,319	100.0	(19,248)	583,595	100.0
Current Assets	477,867	76.5	495,185	76.9	(17,317)	427,957	73.3
Cash and cash equivalents	129,433		115,420			59,792	
Trade notes and accounts receivable	154,683		172,487			230,647	
Inventories	162,443		161,489			117,261	
Deferred income taxes	16,663		18,172			3,939	
Others	14,750		27,730			16,458	
Allowance for doubtful accounts	(106)		(114)			(141)	
Long-term Assets	147,203	23.5	149,133	23.1	(1,930)	155,637	26.7
Tangible fixed assets	98,003		98,416		(412)	107,036	
Intangible fixed assets	17,775		18,611		(836)	21,159	
Investments and other assets	31,793		32,473		(680)	27,752	
Allowance for doubtful accounts	(368)		(367)		(0)	(311)	
Total Assets	625,071	100.0	644,319	100.0	(19,248)	583,595	100.0

Consolidated Balance Sheet

(Millions of Yen)

	As of June 30, 2005		As of March 31, 2005		Increase (Decrease)	As of June 30, 2004	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Liabilities)	281,159	45.0	307,743	47.7	(26,584)	285,303	48.9
Current liabilities	184,120	29.5	206,611	32.0	(22,490)	144,183	24.7
Trade notes and accounts payable	50,955		58,229			56,615	
Short-term borrowings	5,798		6,451			6,787	
Bonds due within 1 year	34,500		30,000			20,000	
Income taxes payable	7,969		13,357			3,768	
Customer advances	38,683		42,970			13,835	
Accrued employees' bonuses	3,364		8,644			4,718	
Accrued warranty expenses	12,363		13,105			-	
Others	30,485		33,852			38,456	
Long-term liabilities	97,038	15.5	101,132	15.7	(4,093)	141,120	24.2
Straight bonds	55,500		60,000			90,000	
Long-term loans	3,000		3,000			8,099	
Accrued pension and severance cost:	36,042		35,632			39,066	
Accrued pension and severance cost: for directors	699		748			645	
Others	1,796		1,750			3,309	
(Minority interest)	4,369	0.7	4,410	0.7	(41)	3,964	0.7
(Shareholders' equity)	339,542	54.3	332,165	51.6	7,377	294,327	50.4
Common stock	54,961	8.8	54,961	8.5	-	54,961	9.4
Capital surplus	78,023	12.5	78,023	12.1	-	78,023	13.4
Retained earnings	219,623	35.1	212,093	32.9	7,529	172,968	29.6
Unrealized gains on securities	1,708	0.3	2,132	0.4	(424)	1,862	0.3
Foreign currency translation adjustmen	1,275	0.2	997	0.2	277	(279)	(0.0)
Treasury stock, at cost	(16,049)	(2.6)	(16,042)	(2.5)	(6)	(13,208)	(2.3)
Total liabilities, minority interest and shareholders' equity	625,071	100.0	644,319	100.0	(19,248)	583,595	100.0

Note: Since standards for reporting revenue and accruals for product warranties were changed starting with the previous 1st half (six months) period, financial results for the first quarter of the previous are based on figures prior to this change.

Consolidated Statement of Income

(Millions of Yen)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Increase (decrease)		Year ended March 31, 2005	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	160,016	100.0	166,607	100.0	(6,590)	(4.0)	635,710	100.0
Cost of sales	113,512	70.9	117,037	70.2	(3,524)	(3.0)	459,797	72.3
Gross profit	46,503	29.1	49,570	29.8	(3,066)	(6.2)	175,912	27.7
Selling, general & administrative expenses	24,770	15.5	27,738	16.7	(2,968)	(10.7)	111,929	17.6
Operating income	21,733	13.6	21,831	13.1	(98)	(0.5)	63,982	10.1
Non-operating income	634		903				4,533	
Non-operating expenses	650		683				2,883	
Ordinary income	21,717	13.6	22,051	13.2	(334)	(1.5)	65,632	10.3
Unusual or infrequent profit	863		108				7,777	
Unusual or infrequent loss	496		177				17,634	
Income before income taxes	22,083	13.8	21,982	13.2	100	0.5	55,775	8.8
Provision for income taxes and enterprise	8,793	5.5	2,086	1.2			15,540	2.5
Deferred income taxes	-	-	-	-			(21,970)	(3.5)
Minority interest	53	0.0	91	0.1			603	0.1
Net income	13,237	8.3	19,804	11.9	(6,567)	(33.2)	61,601	9.7

Note: Since standards for reporting revenue and accruals for product warranties were changed starting with the previous 1st half (six months) period, financial results for the first quarter of the previous year are based on figures prior to this change.

Segment Information

Information by business segment

(Millions of yen)

Three months ended June 30, 2005 (4/1/05 - 6/30/05)					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	141,413	18,603	160,016	-	160,016
(2) Intersegment sales or transfers	257	306	564	(564)	-
Total	141,670	18,909	160,580	(564)	160,016
Operating expenses	120,297	18,557	138,855	(572)	138,282
Operating income	21,372	352	21,725	8	21,733

(Millions of yen)

Three months ended June 30, 2004 (4/1/04 - 6/30/04)					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	145,697	20,910	166,607	-	166,607
(2) Intersegment sales or transfers	268	428	697	(697)	-
Total	145,965	21,339	167,304	(697)	166,607
Operating expenses	124,809	20,704	145,513	(738)	144,775
Operating income	21,155	634	21,790	41	21,831

Note: Since standards for reporting revenue and accruals for product warranties were changed starting with the previous 1st half (six months) period, financial results for the first quarter of the previous year are based on figures prior to this change.

(Millions of yen)

Year ended March 31, 2005 (4/1/04 - 3/31/05)					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	549,460	86,249	635,710	-	635,710
(2) Intersegment sales or transfers	1,053	1,830	2,884	(2,884)	-
Total	550,514	88,079	638,594	(2,884)	635,710
Operating expenses	489,723	84,973	574,696	(2,969)	571,727
Operating income	60,790	3,106	63,897	85	63,982

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