

Consolidated Financial Review for the Third Quarter Ended December 31, 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 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: 2)

2. Financial highlights for the third quarter ended December 31, 2005 (4/1/05- 12/31/05)

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 12/31/05	478,197	11.3	53,204	42.7	53,720	39.9
Nine months ended 12/31/04	429,608	25.4	37,289	-	38,395	-
Year ended 3/31/05	635,710		63,982		65,632	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended 12/31/05	34,126	132.6	191.59	191.46
Nine months ended 12/31/04	14,673	-	82.29	82.28
Year ended 3/31/05	61,601		343.63	343.54

Notes:

1. Profit/loss on equity method:

Nine months ended 12/31/05:	-269 million yen
Nine months ended 12/31/04:	-207 million yen
Year ended 3/31/05:	-351 million yen
2. Average number of shares of common stock (consolidated) issued:

Nine months ended 12/31/05:	178,118,178 shares
Nine months ended 12/31/04:	178,308,882 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 12/31/05	627,969	361,564	57.6	2,029.29
As of 12/31/04	589,298	284,007	48.2	1,594.80
Year ended 3/31/05	644,319	332,165	51.6	1,863.28

Note:

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

December 31, 2005	178,172,913 shares
December 31, 2004	178,083,627 shares
March 31, 2005	178,081,239 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 12/31/05	37,504	(7,940)	(39,886)	104,662
Nine months ended 12/31/04	67,449	(5,873)	(32,567)	72,096
Year ended 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.

(For 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
Year ending 3/31/06	650,000	69,000	44,000

For reference: Estimate of net income per share for the year ending March 31, 2006: 246.95 yen

Operating Results and Financial Conditions

1. Overview of the Results

(1) Nine months ended December 31, 2005 (April 1, 2005 - December 31, 2005)

During the April-December period, in the market related to semiconductors and flat panel displays (FPD), there was an expansion of the segments of digital home appliances, particularly flat-panel TVs and DVD recorders, and of portable music players, and demand for PCs and mobile phones grew in emerging markets overseas. As typified by these developments, the semiconductor- and FPD-related market continued to be strong while broadening its foundation.

Under these circumstances, sales of semiconductor production equipment, the Company's mainstay product, were strong in Japan, the U.S. and Taiwan, and the FPD production equipment division saw sales for Taiwan remain high. As a result, consolidated net sales and ordinary income for the nine months to December 2005 were 478,197 million yen (up 11.3% compared to the same period of the previous fiscal year) and 53,720 million yen (up 39.9%), respectively, with net income for the period at 34,126 million yen (up 132.6%). Non-consolidated net sales and ordinary income for the same period were 410,393 million yen (up 15.2%) and 34,354 million yen (up 64.5%), respectively, with net income for the period at 22,659 million yen (up 285.6%).

Consolidated net sales according to division were 343,828 million yen for semiconductor production equipment (up 11.6%), 59,700 million yen for FPD production equipment (up 29.0%), 11,567 million yen for computer networks (up 10.4%), and 62,183 million yen for electronic components (down 2.6%).

(2) Third quarter (October 1, 2005 - December 31, 2005)

Consolidated net sales and ordinary income for the third quarter of the fiscal year ending March 31, 2006 were 145,058 million yen (down 2.9%) and 16,965 million yen (down 2.6%), respectively, with net income for the period at 10,147 million yen (down 24.3%). According to divisions, the figures were 104,568 million yen for semiconductor production equipment (up 2.5%), 16,663 million yen for FPD production equipment (down 34.0%), 3,289 million yen for computer networks (up 5.3%), and 20,273 million yen for electronic components (up 8.5%).

(For reference)
Consolidated

(Millions of yen)

	Six months ended September 30, 2005	Third Quarter	Nine months ended December 31, 2005
Net Sales	333,138	145,058	478,197
Industrial Electronic Equipment	291,229	124,784	416,014
Semiconductor/ FPD Production Equipment	282,297	121,232	403,529
SPE	239,259	104,568	343,828
Japan	66,380	41,842	108,222
U.S.	45,384	18,887	64,271
Europe	18,727	9,869	28,596
Korea	30,149	12,964	43,114
Taiwan	61,617	14,921	76,539
China	4,996	2,700	7,696
S.E. Asia	12,004	3,384	15,388
FPD	43,037	16,663	59,700
Computer Network	8,278	3,289	11,567
Other	653	263	916
Electronic Components	41,909	20,273	62,183
Ordinary income	36,754	16,965	53,720
Net income	23,978	10,147	34,126

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

2. Cash Flows for the Nine Months (April 1, 2005 - December 31, 2005)

The status of and factors concerning, cash flows for the nine months to December 2005 were as follows:

Cash flow from operating activities increased by 37,504 million yen. Major positive factors included income before income taxes for the period of 53,558 million yen and depreciation and amortization expenses of 14,099 million yen. Major negative factors included the payment of corporate and other taxes of 19,381 million yen and increases in raw materials, work in progress and other inventory assets of 6,174 million yen due to increases in the number of orders accepted.

Cash flow from investment activities decreased by 7,940 million yen, chiefly due to the acquisition of tangible fixed assets. Cash flow from financial activities decreased by 39,886 million yen, mainly due to the redemption of the ninth issue of unsecured corporate bonds worth 30 billion yen and dividend payments of 9,795 million yen.

As a result, the balance of cash and cash equivalents at the end of the third quarter fell by 10,757 million yen, compared to the end of the previous fiscal year, to 104,662 million yen.

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2005		As of March 31, 2005		Increase (decrease)	As of December 31, 2004	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Assets)	627,969	100.0	644,319	100.0	(16,350)	589,298	100.0
Current Assets	480,446	76.5	495,185	76.9	(14,739)	443,662	75.3
Cash and cash equivalents	104,662		115,420			72,096	
Trade notes and accounts receivable	169,565		172,487			156,540	
Inventories	165,364		161,489			184,046	
Others	41,010		45,902			31,112	
Allowance for doubtful accounts	(157)		(114)			(133)	
Long-term Assets	147,522	23.5	149,133	23.1	(1,610)	145,636	24.7
Tangible fixed assets	96,498		98,416		(1,917)	101,009	
Intangible fixed assets	17,208		18,611		(1,403)	19,362	
Investments and other assets	34,194		32,473		1,721	25,650	
Allowance for doubtful accounts	(379)		(367)		(11)	(385)	
Total Assets	627,969	100.0	644,319	100.0	(16,350)	589,298	100.0

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2005		As of March 31, 2005		Increase (decrease)	As of December 31, 2004	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Liabilities)	261,905	41.7	307,743	47.7	(45,837)	301,138	51.1
Current liabilities	183,321	29.2	206,611	32.0	(23,289)	187,567	31.8
Trade notes and accounts payable	56,110		58,229			57,212	
Short-term borrowings	6,173		6,451			3,233	
Bonds due within 1 year	24,500		30,000			30,000	
Income taxes payable	14,647		13,357			9,464	
Customer advances	37,006		42,970			38,921	
Accrued employees' bonuses	4,501		8,644			4,943	
Accrued warranty expenses	11,723		13,105			12,618	
Others	28,658		33,852			31,173	
Long-term liabilities	78,584	12.5	101,132	15.7	(22,547)	113,570	19.3
Straight bonds	35,500		60,000			60,000	
Long-term loans	3,000		3,000			8,005	
Accrued pension and severance costs	37,522		35,632			41,789	
Accrued pension and severance costs for directors	710		748			723	
Others	1,851		1,750			3,051	
(Minority interest)	4,498	0.7	4,410	0.7	88	4,153	0.7
(Shareholders' equity)	361,564	57.6	332,165	51.6	29,399	284,007	48.2
Common stock	54,961	8.8	54,961	8.5	-	54,961	9.3
Capital surplus	78,027	12.4	78,023	12.1	4	78,023	13.2
Retained earnings	236,058	37.6	212,093	32.9	23,965	165,166	28.0
Revaluation of investment in securities	4,892	0.8	2,132	0.4	2,760	1,545	0.3
Foreign currency translation adjustment	3,253	0.5	997	0.2	2,256	339	0.1
Treasury stock at cost	(15,629)	(2.5)	(16,042)	(2.5)	413	(16,027)	(2.7)
Total liabilities, minority interest and shareholders' equity	627,969	100.0	644,319	100.0	(16,350)	589,298	100.0

Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2005		Nine months ended December 31, 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	478,197	100.0	429,608	100.0	48,589	11.3	635,710	100.0
Cost of sales	344,054	71.9	310,488	72.3	33,566	10.8	459,797	72.3
Gross profit	134,142	28.1	119,119	27.7	15,022	12.6	175,912	27.7
Selling, general & administrative expense	80,938	17.0	81,830	19.0	(892)	(1.1)	111,929	17.6
Operating income	53,204	11.1	37,289	8.7	15,915	42.7	63,982	10.1
Non-operating income	2,541		3,094				4,533	
Non-operating expenses:	2,025		1,988				2,883	
Ordinary income	53,720	11.2	38,395	8.9	15,324	39.9	65,632	10.3
Unusual or infrequent profit	953		354				7,777	
Unusual or infrequent loss:	1,115		13,451				17,634	
Income before income taxes	53,558	11.2	25,298	5.9	28,259	111.7	55,775	8.8
Provision for income taxes and enterprise tax	19,166	4.0	10,274	2.4			15,540	2.5
Deferred income taxes	-	-	-	-			(21,970)	(3.5)
Minority interest	265	0.1	351	0.1			603	0.1
Net income	34,126	7.1	14,673	3.4	19,452	132.6	61,601	9.7

Segment Information

Information by business segment

(Millions of yen)

Nine months ended December 31, 2005					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net Sales					
(1) Sales to external customers	416,014	62,183	478,197	-	478,197
(2) Intersegment sales or transfers	761	1,002	1,764	(1,764)	-
Total	416,776	63,185	479,962	(1,764)	478,197
Operating expenses	365,477	61,305	426,783	(1,789)	424,993
Operating income	51,298	1,880	53,178	25	53,204

(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

(Millions of yen)

Year ended March 31, 2005					
	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