

Consolidated Financial Review for the Third Quarter Ended December 31, 2006

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 account principles and practices generally accepted in Japan.

- Matters relating to prepare quarterly consolidated financial statements
 - Adoption of simplified accounting method: None
 - Changes in the accounting method from the most recent fiscal year: None
 - Changes in scope of consolidation and application of the equity method: Yes (Addition: 5)

2. Financial highlights for the third quarter ended December 31, 2006 (4/1/06- 12/31/06)

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 12/31/06	600,656	25.6	101,145	90.1	100,320	86.7
Nine months ended 12/31/05	478,197	11.3	53,204	42.7	53,720	39.9
Year ended 3/31/06	673,686		75,703		75,951	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended 12/31/06	64,212	88.2	359.91	358.87
Nine months ended 12/31/05	34,126	132.6	191.59	191.46
Year ended 3/31/06	48,005		267.61	267.32

Notes:

- Profit/loss on equity method:

Nine months ended 12/31/06:	-452 million yen
Nine months ended 12/31/05:	-269 million yen
Year ended 3/31/06:	-402 million yen
- Average number of shares of common stock (consolidated) issued:

Nine months ended 12/31/06:	178,414,023 shares
Nine months ended 12/31/05:	178,118,178 shares
Year ended 3/31/06:	178,145,523 shares
- 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	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 12/31/06	704,273	438,730	61.5	2,422.68
As of 12/31/05	627,969	361,564	57.6	2,029.29
As of 3/31/06	663,242	376,900	56.8	2,112.30

Note:

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

December 31, 2006	178,712,631 shares
December 31, 2005	178,172,913 shares
March 31, 2006	178,274,436 shares

[Consolidated cash flow]

	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 12/31/06	17,836	(24,768)	(32,752)	100,576
Nine months ended 12/31/05	37,504	(7,940)	(39,886)	104,662
Year ended 3/31/06	78,853	(10,536)	(43,420)	140,023

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]

Estimates for the year ending March 31, 2007 (4/1/06 - 3/31/07)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending 3/31/07	830,000	132,000	82,000

For reference: Estimate of net income per share for the year ending March 31, 2007: 458.84 yen

Estimates remain the same as those announced on November 14, 2006.

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. Overview of the Results

(1) Nine Months Ended December 31, 2006 (April 1, 2006 – December 31, 2006)

During the April to December period, there was substantial expansion and growth within the semiconductor and flat panel display (FPD) related markets in the use of PCs, mobile phones, digital home appliances, and large flat-panel TVs. In addition, investment in semiconductor related facilities was brisk, particularly by DRAM and Flash memory manufacturers, as a result of the expectation for increased demand for semiconductor use in PCs in conjunction with the launch of Windows Vista, a new operating system that requires memory capacity of 1 gigabytes or more, and growing demand for semiconductor use in third-generation mobile phones.

Under these circumstances, the company's mainstay semiconductor production equipment division continued to enjoy brisk sales in Japan and in other areas of Asia. In addition, the FPD production equipment division posted strong sales of LCD systems for large substrates.

As a result, on a consolidated basis during the nine months, net sales were 600,656 million yen (up 25.6% from the same period of the previous fiscal year), operating income was 101,145 million yen (up 90.1%), ordinary income was 100,320 million yen (up 86.7%), and net income was 64,212 million yen (up 88.2%). On a non-consolidated basis, net sales were 506,436 million yen (up 23.4%), ordinary income was 56,701 million yen (up 65.1%), and net income was 37,192 million yen (up 64.1%).

Consolidated net sales by division were 442,734 million yen for semiconductor production equipment (up 28.8% from the same period of the previous fiscal year), 78,592 million yen for FPD production equipment (up 31.6%), 66,195 million yen for electronic components (up 6.5%), and 12,306 million yen for computer networks (up 6.4%).

(2) Third Quarter (Three Months from October 1, 2006 to December 31, 2006)

On a consolidated basis during the third quarter, net sales were 210,093 million yen (up 44.8% from the same period of the previous fiscal year), operating income was 42,904 million yen (up 153.0%), ordinary income was 42,116 million yen (up 148.2%), and net income was 26,987 million yen (up 166.0%). Consolidated net sales by division were 158,828 million yen for semiconductor production equipment (up 51.9%), 26,023 million yen for FPD production equipment (up 56.2%), 21,141 million yen for electronic components (up 4.3%), and 3,857 million yen for computer networks (up 17.3%).

(For reference)**Consolidated**

(Millions of yen)

	Six months ended September 30, 2006	Third Quarter	Nine months ended December 31, 2006
Net Sales	390,562	210,093	600,656
Industrial Electronic Equipment	337,060	185,094	522,154
Semiconductor Production Equipment	283,905	158,828	442,734
Japan	77,842	47,017	124,860
U.S.	53,184	21,513	74,698
Europe	24,638	12,217	36,855
Korea	41,173	23,165	64,339
Taiwan	62,404	36,347	98,752
China	14,293	8,982	23,276
S.E. Asia	10,369	9,582	19,952
FPD Production Equipment	52,568	26,023	78,592
Others	585	242	827
Electronic Components and Computer Networks	53,502	24,999	78,501
Electronic Components	45,054	21,141	66,195
Computer Networks	8,448	3,857	12,306
Ordinary income	58,204	42,116	100,320
Net income	37,225	26,987	64,212

(Note)

1. Offset elimination has been carried out on the dealing between segments.
2. Starting from the second half of the current fiscal year, "Computer Networks," which previously were included in the "Industrial Electronic Equipment" segment, are incorporated into the "Electronic Components and Computer Networks" segment. In line with these changes, net sales for six months ended September 30, 2006 are indicated in the table above according to the new segmentation.

2. Cash Flow for the Nine Months (April 1, 2006 – December 31, 2006)

The status of and factors affecting cash flow in the nine months ended December 31, 2006 were as follows.

Cash flow from operating activities increased by 17,836 million yen. Major positive factors included income before income taxes of 100,615 million yen and depreciation and amortization expenses of 13,664 million yen. Major negative factors included increases in accounts receivables of 32,892 million yen, increases in inventories of 35,898 million yen, and payment of corporate and other taxes of 31,838 million yen.

Cash flow from investing activities decreased 24,768 million yen, primarily as a result of the acquisition of tangible fixed assets for production and R&D.

Cash flow from financing activities decreased 32,752 million yen, mainly as a result of redemption of the tenth issue of unsecured corporate bonds worth 20,000 million yen, redemption of the fourth issue of unsecured corporate bonds with subscription rights worth 4,500 million yen, and dividend payments amounting to 12,843 million yen.

As a result, the balance of cash and cash equivalents at the end of the third quarter down to 100,576 million yen, fell by 39,447 million yen compared to the end of the previous fiscal year.

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2006		As of March 31, 2006		Increase (decrease)	As of December 31, 2005	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Assets)	704,273	100.0	663,242	100.0	41,030	627,969	100.0
Current Assets	547,415	77.7	517,487	78.0	29,927	480,446	76.5
Cash and cash equivalents	100,576		140,023			104,662	
Trade notes and accounts receivable	203,193		169,038			169,565	
Inventories	200,060		163,745			165,364	
Others	43,791		44,844			41,010	
Allowance for doubtful accounts	(206)		(164)			(157)	
Long-term Assets	156,858	22.3	145,755	22.0	11,103	147,522	23.5
Tangible fixed assets	102,067		94,738			96,498	
Intangible fixed assets	19,771		16,709			17,208	
Investments and other assets	35,333		34,681			34,194	
Allowance for doubtful accounts	(313)		(374)			(379)	
Total Assets	704,273	100.0	663,242	100.0	41,030	627,969	100.0

Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2006		As of March 31, 2006		Increase (decrease)	As of December 31, 2005	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Liabilities)	265,543	37.7	281,621	42.5	(16,077)	261,905	41.7
Current liabilities	187,943	26.7	201,627	30.4	(13,683)	183,321	29.2
Trade notes and accounts payable	72,727		65,816			56,110	
Bonds due within 1 year	5,500		24,500			24,500	
Income taxes payable	22,511		22,895			14,647	
Customer advances	33,264		33,810			37,006	
Accrued employees' bonuses	6,188		10,230			4,501	
Accrued warranty expenses	13,255		12,219			11,723	
Others	34,496		32,154			34,831	
Long-term liabilities	77,600	11.0	79,993	12.1	(2,393)	78,584	12.5
Straight bonds	30,000		35,500			35,500	
Accrued pension and severance costs	38,870		38,034			37,522	
Accrued pension and severance costs for directors	661		716			710	
Others	8,067		5,742			4,851	
(Minority interest)	-	-	4,721	0.7	-	4,498	0.7
(Shareholders' equity)	-	-	376,900	56.8	-	361,564	57.6
Common stock	-	-	54,961	8.3	-	54,961	8.8
Capital surplus	-	-	78,078	11.8	-	78,027	12.4
Retained earnings	-	-	249,938	37.7	-	236,058	37.6
Valuation difference on available-for-sale securities	-	-	5,117	0.7	-	4,892	0.8
Translation adjustments	-	-	3,921	0.6	-	3,253	0.5
Treasury stock, at cost	-	-	(15,116)	(2.3)	-	(15,629)	(2.5)
Total liabilities, minority interest and shareholders' equity	-	-	663,242	100.0	-	627,969	100.0
(Net assets)	438,730	62.3	-	-	-	-	-
Owners' equity	421,596	59.9	-	-	-	-	-
Common stock	54,961		-	-	-	-	-
Capital surplus	78,309		-	-	-	-	-
Retained earnings	300,976		-	-	-	-	-
Treasury Stock	(12,650)		-	-	-	-	-
Valuation and translation adjustments	11,366	1.6	-	-	-	-	-
Valuation difference on available-for-sale securities	6,026		-	-	-	-	-
Deferred gains or losses on hedges	(341)		-	-	-	-	-
Translation adjustments	5,680		-	-	-	-	-
Subscription rights to shares	548	0.1	-	-	-	-	-
Minority interests	5,219	0.7	-	-	-	-	-
Total Liabilities and net assets	704,273	100.0	-	-	-	-	-

Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Increase (decrease)		Year ended March 31, 2006	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	600,656	100.0	478,197	100.0	122,458	25.6	673,686	100.0
Cost of sales	407,321	67.8	344,054	71.9	63,266	18.4	483,954	71.8
Gross profit	193,334	32.2	134,142	28.1	59,192	44.1	189,731	28.2
Selling, general & administrative expense	92,189	15.4	80,938	17.0	11,250	13.9	114,028	17.0
Operating income	101,145	16.8	53,204	11.1	47,941	90.1	75,703	11.2
Non-operating income	3,371		2,541				3,589	
Non-operating expenses:	4,195		2,025				3,340	
Ordinary income	100,320	16.7	53,720	11.2	46,600	86.7	75,951	11.3
Unusual or infrequent profit	753		953				1,141	
Unusual or infrequent loss:	458		1,115				1,765	
Income before income taxes	100,615	16.8	53,558	11.2	47,056	87.9	75,328	11.2
Provision for income taxes and enterprise tax	36,034	6.0	19,166	4.0			29,190	4.3
Deferred income taxes	-	-	-	-			(2,352)	(0.3)
Minority interest	368	0.1	265	0.1			484	0.1
Net income	64,212	10.7	34,126	7.1	30,086	88.2	48,005	7.1

Segment Information

Information by business segment

(Millions of yen)

Nine months ended December 31, 2006 (4/1/06 - 12/31/06)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	522,154	78,501	600,656	-	600,656
(2) Intersegment sales or transfers	2,029	867	2,896	(2,896)	-
Total	524,183	79,369	603,553	(2,896)	600,656
Operating expenses	425,563	76,515	502,078	(2,566)	499,511
Operating income	98,620	2,854	101,475	(329)	101,145

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, other
Electronic components and computer networks	Semiconductor products, boards, software, other electronic components, computer systems and networks

3. Effective October 1, 2006, TEL's Computer Networks Division was spun off and taken over by its consolidated subsidiary, Tokyo Electron Device Limited.

With this takeover, the segmentation of operations in the TEL Group was reviewed according to their actual status, including their characteristics and management systems. As a result, starting from the second half of the current fiscal year, the company included "computer systems and networks," which were previously incorporated in the "industrial electronic equipment" segment, in the "electronic components" segment. The company also changed the name of the "electronic components" segment to "electronic components and computer networks".

For the third quarter of 2006 (April 1 to December 31, 2006), operations are indicated according to the new method of segmentation. For the third quarter of 2005 (April 1 to December 31, 2005), and the previous consolidated fiscal year (April 1, 2005 to March 31, 2006), they are indicated according to the old method of segmentation.

(Millions of yen)

Nine months ended December 31, 2005 (4/1/05 - 12/31/05)

	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)

Year ended March 31, 2006 (4/1/05 - 3/31/06)

	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	586,805	86,880	673,686	-	673,686
(2) Intersegment sales or transfers	1,003	1,409	2,412	(2,412)	-
Total	587,809	88,290	676,099	(2,412)	673,686
Operating expenses	515,240	85,189	600,430	(2,447)	597,983
Operating income	72,568	3,100	75,668	34	75,703

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

Segment Information

Information by geographic segment

(Millions of yen)

Nine months ended December 31, 2006 (4/1/06 - 12/31/06)					
	Japan	Other regions	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	523,610	77,045	600,656	-	600,656
(2) Intersegment sales or transfers	52,681	33,854	86,536	(86,536)	-
Total	576,292	110,900	687,193	(86,536)	600,656
Operating expenses	481,103	102,972	584,075	(84,564)	499,511
Operating income	95,189	7,928	103,117	(1,972)	101,145

Note: 1. National and regional categories are determined on the basis of geographic proximity.

2. Main countries and territories in other regions: U.S., Europe, South Korea

In the Company's financial results for the previous nine months ended accounting period, Japan accounted for more than 90% of total net sales in all segments, and therefore, information by geographic segment has been omitted.

(Millions of yen)

Year ended March 31, 2006 (4/1/05 - 3/31/06)					
	Japan	Other regions	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	602,564	71,121	673,686	-	673,686
(2) Intersegment sales or transfers	61,442	43,811	105,253	(105,253)	-
Total	664,007	114,933	778,940	(105,253)	673,686
Operating expenses	588,933	107,639	696,572	(98,589)	597,983
Operating income	75,073	7,293	82,367	(6,664)	75,703

Note: 1. National and regional categories are determined on the basis of geographic proximity.

2. Main countries and territories in other regions: U.S., Europe, South Korea