

January 31, 2011

Consolidated Financial Review for the Third Quarter Ended December 31, 2010

Company name: **Tokyo Electron Limited**
 URL: <http://www.tel.com>
 Telephone number: (03) 5561-7000
 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 8035)

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Financial highlights for the nine months ended December 31, 2010

(1) Operating results (Cumulative)

	Nine months ended	
	December 31, 2009	December 31, 2010
Net sales (Millions of yen)	268,180	478,063
Operating income (Millions of yen)	(16,098)	68,157
Ordinary income (Millions of yen)	(12,639)	71,774
Net income (Millions of yen)	(16,219)	52,121
Net income per share (Yen)	(90.62)	291.13
Fully diluted net income per share (Yen)	-	290.64

(2) Financial position

	As of March 31, 2010	As of December 31, 2010
Total assets (Millions of yen)	696,351	767,913
Net assets (Millions of yen)	523,369	562,942
Equity ratio (%)	73.5	71.8
Net assets per share (Yen)	2,859.37	3,078.22
Equity:	551,159 million yen (as of December 31, 2010)	511,818 million yen (as of March 31, 2010)

2. Dividends

	Year ended March 31, 2010	Year ending March 31, 2011
2Q-end dividend per share (Yen)	4.00	38.00
Year-end dividend per share (Yen)	8.00	64.00 (Forecast)
Annual dividend per share (Yen)	12.00	102.00 (Forecast)

Note: Revision of dividends forecast for during this period: None

3. Earnings forecasts for the year ending March 31, 2011

	Year ending March 31, 2011
Net sales (Millions of yen)	675,000
Operating income (Millions of yen)	92,000
Ordinary income (Millions of yen)	95,000
Net income (Millions of yen)	66,000
Net income per share (Yen)	368.61

Note: Revision of earnings forecast for during this period: None

4. Others

(1) Important changes in subsidiaries during the current period: None

New: - Excluded: -

(Note: Changes in specified subsidiaries resulting in a change in scope of consolidation for the current quarterly accounting period.)

(2) Adoption of simplified accounting method or any special accounting method: Yes

(Note: Adoption of simplified accounting methods, or use of any special accounting methods for preparing the quarterly consolidated financial statements.)

(3) Changes in accounting principles, procedures and display of accounting method concerning consolidated statement policies:

1. Changes in accounting policies: Yes

2. Other changes: None

(Note: Changes in accounting principles, procedures, or methods of presentation related to the preparation of the quarterly consolidated financial statements, as described in the "Amendment to fundamental items that form the basis for preparing quarterly consolidated financial statements.")

(4) Number of shares outstanding (common stock)

1. Number of shares issued (including treasury stock)

As of December 31, 2010: 180,610,911 shares

As of March 31, 2010: 180,610,911 shares

2. Number of shares of treasury stock

As of December 31, 2010: 1,559,100 shares

As of March 31, 2010: 1,614,225 shares

3. Average number of shares outstanding

Nine months ended December 31, 2010: 179,029,939 shares

Nine months ended December 31, 2009: 178,985,315 shares

Notification of the status of quarterly financial review procedures:

At the time of disclosing these quarterly financial results, the quarterly financial statement review procedures are being conducted in accordance with the provisions of the Financial Instruments and Exchange Act.

Explanations on the appropriate use of earnings forecast:

The performance forecast and estimate stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available. Consequently, actual operating results may differ substantially.

1. Qualitative Information on Consolidated Operating Results

During the first three quarters of the current fiscal year (the nine-month period from April to December 2010), the global economy was on track toward recovery in various regions. Europe and the United States showed signs of moderate economic recovery, while the economies of China, India, and other emerging markets experienced rapid economic growth, primarily as a result of internal demand, but the trend of growth slowed somewhat in the second half. The Japanese economy also showed signs of moderate recovery, but there are still causes for concern including the effects of the high value of the yen and an adverse employment environment.

In the electronics industry, the primary area of the Tokyo Electron group's business activities, there was some adjustment in the second half. However, supported by rapidly expanding demand for consumer electronics such as smartphones and tablet PCs, the market for the semiconductors that are key components in these products was generally favorable.

Under these circumstances, consolidated net sales for the first three quarters of the current fiscal year were 478,063 million yen (up 78.3% compared to the same period of the previous fiscal year). Consolidated operating income and ordinary income were 68,157 million yen (compared to an operating loss of 16,098 million yen for the same period of the previous year) and 71,774 million yen (compared to an ordinary loss of 12,639 million yen for the same period of the previous year), respectively. Net income for the first three quarters was 52,121 million yen (compared to a net loss of 16,219 million yen in the previous fiscal year).

In the third quarter (October to December 2010), net sales were 159,662 million yen (up 39.7% compared to the same period of the previous fiscal year), operating income was 25,815 million yen (up 367.5%), ordinary income was 26,667 million yen (up 305.7%), and net income for the third quarter was 18,667 million yen (compared to net losses of 58 million yen in the same period of the previous year).

The overview of each business segment is as described below.

1) Semiconductor Production Equipment

The semiconductor market recovered rapidly as a result of the expansion of semiconductor use to new applications including smartphones and tablet PCs. Demand for PCs declined in the second half, causing weakness in the DRAM market, but the semiconductor market as a whole was strong and investment in wafer fab equipment was up sharply from the previous year. Under these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 355,603 million yen (up 124.1% compared to the same period of the previous year). Net sales from external customers in this segment during the third quarter were 115,373 million yen (up 50.8%).

2) Flat Panel Display/Photovoltaic Cell (FPD/PV) Production Equipment

In the FPD production equipment business, the large LCD panel market is experiencing some inventory adjustments, but investment in new facilities for small- and medium-size panels is rising thanks to the growth of the smartphone and tablet PC markets, and both orders and sales for FPD production equipment are steady. In the photovoltaic cell production equipment sector, the thin-film silicon PV cell market we are entering is still in its early stages but substantial growth is expected over the medium to long term. Under these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 54,853 million yen (up 15.7% compared to the same period of the previous fiscal year). Net sales from external customers in this segment during the third quarter were 21,992 million yen (up 31.8%).

3) Electronic Components and Computer Networks

In the semiconductors and electronic devices business, among semiconductor products, demand for industrial equipment including medical devices and factory automation equipment remained strong. As a result, sales of analog ICs and custom ICs were up. In the computer systems-related business, product sales were sluggish but sales of maintenance services were strong. Under these circumstances, net sales from external customers in this segment during the first three quarters of the current fiscal year were 67,298 million yen (up 8.8% compared to the same period of the previous fiscal year). Net sales from external customers in this segment during the third quarter were 22,222 million yen (up 5.7%).

4) Other

Net sales from external customers in this segment during the first three quarters of the current fiscal year were 308 million yen (up 12.4% compared to the same period of the previous fiscal year). Net sales from external customers in this segment during the third quarter were 73 million yen (up 17.2%).

Note: From the first quarter of the current consolidated fiscal year, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Statement No.17, dated 27 March, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Guidance No.20, dated 21 March, 2008). Due to this reason, the comparison of net sales from external customers to the same period of the previous fiscal year for each business segment has been made after rearrangement of the first quarter financial results into the reported segments after applying the above standards.

(For reference)
Consolidated

(Millions of yen)

	FY2011			
	1Q	2Q	3Q	Total
Net Sales	144,889	173,510	159,662	478,063
Semiconductor Production Equipment	103,166	137,063	115,373	355,603
Japan	18,404	28,547	16,927	63,879
U.S.	17,552	22,474	20,974	61,001
Europe	2,942	7,028	5,609	15,580
Korea	21,445	30,126	17,092	68,664
Taiwan	34,014	37,082	35,383	106,480
China	4,649	5,195	7,960	17,805
S.E.Asia and others	4,158	6,608	11,424	22,191
FPD/PV Production Equipment	20,306	12,553	21,992	54,853
Electronic Components & Computer Networks	21,321	23,754	22,222	67,298
Others	95	138	73	308
Operating Income	18,321	24,020	25,815	68,157
Ordinary Income	19,063	26,043	26,667	71,774
Net Income	14,727	18,726	18,667	52,121

Offset elimination has been carried out on the dealing between segments.

2. Qualitative Information on Consolidated Financial Conditions

1) Financial Conditions

Current assets at the end of the third quarter of the current fiscal year were 609,004 million yen, up 56,064 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 41,479 million yen increase in inventories and a 12,500 million yen decrease in certificates of deposit included in securities.

Tangible fixed assets increased by 15,782 million yen from the end of the previous fiscal year, to 107,910 million yen.

Intangible fixed assets decreased by 1,132 million yen from the end of the previous fiscal year, to 4,453 million yen.

Investments and other assets increased 847 million yen from the end of the previous fiscal year, to 46,545 million yen.

As a result, total assets increased by 71,562 million yen compared to the end of the previous fiscal year, to 767,913 million yen.

Current liabilities were up 30,241 million yen compared to the end of the previous fiscal year, to 149,403 million yen. The major factors influencing this result were an increase in short-term borrowings of 5,965 million yen, as well as an increase in income taxes payable of 19,049 million yen.

Long-term liabilities were up 1,747 million yen compared to the end of the previous fiscal year, to 55,567 million yen.

Net assets were 562,942 million yen, as a result of a net income of 52,121 million yen reported for the first three quarters of the current fiscal year combined with a decrease due to year-end dividends for the previous fiscal year of 1,431 million yen and interim dividends for the current fiscal year of 6,804 million yen. The equity ratio was 71.8%.

2) Cash Flow

Cash and cash equivalents at the end of the third quarter of the current fiscal year decreased by 10,693 million yen compared to the end of the previous fiscal year, to 113,246 million yen. The combined balance of cash and cash equivalents, plus 120,000 million yen in time deposits and certificates of deposit with deposit terms of over three months (which are not included in cash and cash equivalents), was 233,246 million yen. The overall situation regarding cash flow during the first three quarters of the current fiscal year is as described below.

Cash flow from operating activities decreased by 15,121 million yen compared to the same period of the previous fiscal year to 19,772 million yen. Major positive factors included 71,672 million yen in income before income taxes and 12,442 million yen in depreciation and amortization. The major negative factors included an 18,267 million yen increase in trade notes and accounts receivable and a 47,327 million yen increase in inventories.

Cash flow from investing activities was a negative 26,918 million yen compared to the positive 2,664 million yen in the same period of the previous fiscal year, primarily as a result of the 24,609 million yen in payment for purchase of tangible fixed assets.

Cash flow from financing activities was a negative 2,194 million yen compared to the positive 1,025 million yen in the same period of the previous fiscal year, mainly as a result of 5,965 million yen in income from an increase in short-term borrowings and payment of 8,236 million yen in dividends.

In addition, the overall situation for cash flow in the third quarter of the current fiscal year was as follows:

Cash flow from operating activities was a negative 21,415 million yen, compared to the negative 5,473 million yen in the same period of the previous fiscal year. The main positive factors were 26,623 million yen in income before income taxes and 4,622 million yen in amortization and depreciation. The major negative factors included a 19,702 million yen increase in trade notes and accounts receivable, a 15,949 million yen increase in inventories, a 5,252 million yen decrease in trade notes and accounts payable, and a 6,133 million yen increase in consumption tax receivable.

Cash flow from investing activities was a negative 10,931 million yen compared to the positive 59,784 million yen in the same period of the previous fiscal year, primarily as a result of the 10,795 million yen in payment for purchase of tangible fixed assets.

Cash flow from financing activities was a negative 2,512 million yen compared to the positive 89 million yen in the same period of the previous fiscal year, mainly as a result of 4,463 million yen in income from an

increase in short-term borrowings and payment of 6,804 million yen in interim dividends.

3. Qualitative Information on Forecasts for Consolidated Financial Results

There are no changes in the forecast of consolidated financial results for the entire fiscal year from the projections released at the time of the previous announcement on November 2, 2010.

Consolidated Balance Sheet

TOKYO ELECTRON

(Millions of yen)

	As of March 31, 2010	As of December 31, 2010
ASSETS		
Current assets		
Cash and deposit	56,939	58,746
Trade notes and accounts receivable	124,462	140,739
Securities	187,000	174,500
Merchandise and finished goods	87,201	122,624
Work in process	37,793	44,266
Raw materials and supplies	13,455	13,038
Others	46,263	56,258
Allowance for doubtful accounts	(176)	(1,170)
Total current assets	<u>552,939</u>	<u>609,004</u>
Long-term assets		
Tangible fixed assets	92,127	107,910
Intangible fixed assets		
Others	5,586	4,453
Total intangible fixed assets	<u>5,586</u>	<u>4,453</u>
Investments and other assets		
Others	53,151	50,510
Allowance for doubtful accounts	(7,452)	(3,964)
Total investments and other assets	<u>45,698</u>	<u>46,545</u>
Total long-term assets	<u>143,412</u>	<u>158,909</u>
Total assets	<u>696,351</u>	<u>767,913</u>

(Millions of yen)

	As of March 31, 2010	As of December 31, 2010
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	52,359	52,653
Short-term borrowings	5,105	11,071
Income taxes payable	4,355	23,404
Other allowance	11,338	12,017
Others	46,003	50,256
Total current liabilities	<u>119,161</u>	<u>149,403</u>
Long-term liabilities		
Accrued pension and severance costs	49,906	51,816
Other allowance	621	625
Others	3,291	3,125
Total long-term liabilities	<u>53,820</u>	<u>55,567</u>
Total liabilities	<u>172,982</u>	<u>204,971</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,034	78,042
Retained earnings	393,970	437,855
Treasury stock	(10,900)	(10,519)
Total shareholders' equity	<u>516,065</u>	<u>560,340</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,504	2,537
Deferred gains or losses on hedges	(67)	47
Translation adjustments	(6,683)	(11,765)
Total valuation and translation adjustments	<u>(4,247)</u>	<u>(9,180)</u>
Subscription rights to shares	1,578	1,463
Minority interests	9,973	10,319
Total net assets	<u>523,369</u>	<u>562,942</u>
Total liabilities and net assets	<u>696,351</u>	<u>767,913</u>

Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net sales	268,180	478,063
Cost of sales	205,077	310,611
Gross profit	63,103	167,452
Selling, general & administrative expenses		
Research and development expenses	38,387	51,014
Others	40,814	48,280
Total selling, general & administrative expenses	79,201	99,294
Operating income (loss)	(16,098)	68,157
Non-operating income		
Interest income	786	496
Revenue from development grants	1,357	2,609
Others	1,633	1,032
Total non-operating income	3,776	4,138
Non-operating expenses		
Lease expenses of fixed assets	103	-
Building demolition cost	-	226
Maintenance and operation cost of closed business bases	-	150
Others	214	143
Total non-operating expenses	317	521
Ordinary income (loss)	(12,639)	71,774
Unusual or infrequent profit		
Reversal of allowance for doubtful accounts	15	311
Reversal of expenses for integration and closure of business bases	-	120
Gain on sale of fixed assets	25	-
Others	-	92
Total unusual or infrequent profit	40	523
Unusual or infrequent loss		
Loss on retirement or sale of fixed assets	-	460
Loss on impairment	7,508	-
Others	2,436	165
Total unusual or infrequent loss	9,945	625
Income (loss) before income taxes	(22,543)	71,672
Provision for income taxes and enterprise taxes	(6,648)	18,927
Income before minority interests	-	52,744
Minority interests	324	623
Net income (loss)	(16,219)	52,121

Consolidated Cash Flow

	(Millions of yen)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Cash flow from operating activities		
Income (loss) before income taxes	(22,543)	71,672
Depreciation and amortization	14,927	12,442
Loss on impairment	7,508	-
Increase in accrued pension and severance costs (decrease)	2,174	1,942
Increase in allowance for doubtful accounts (decrease)	-	(2,296)
Increase in accrued employees' bonuses (decrease)	(2,867)	(1,037)
Increase in accrued warranty expenses (decrease)	(1,892)	1,324
Interest and dividend income	(827)	(559)
Decrease in trade notes and accounts receivable (increase)	9,861	(18,267)
Decrease in inventories (increase)	(1,762)	(47,327)
Increase in accounts payable (decrease)	18,541	1,533
Decrease in consumption tax receivable (increase)	4,926	(3,621)
Increase in customer advances (decrease)	(2,279)	1,979
Decrease in specific doubtful receivables (increase)	-	3,295
Others	2,358	4,868
Subtotal	<u>28,126</u>	<u>25,951</u>
Receipts from interest and dividends	923	606
Interest paid	(33)	(29)
Income taxes paid or refund (paid)	5,878	(6,755)
Net cash generated by operating activities	<u>34,893</u>	<u>19,772</u>
Cash flow from investing activities		
Decrease in time deposits (increase)	12,838	-
Payment for purchase of tangible fixed assets	(9,723)	(24,609)
Payment for purchase of intangible fixed assets	(347)	-
Others	(102)	(2,309)
Net cash used in investing activities	<u>2,664</u>	<u>(26,918)</u>
Cash flow from financing activities		
Net increase in short-term borrowings (decrease)	2,630	5,965
Dividends paid	(1,431)	(8,236)
Others	(173)	75
Net cash generated by financing activities	<u>1,025</u>	<u>(2,194)</u>
Effect of exchange rate changes on cash and cash equivalents	347	(1,352)
Net increase in cash and cash equivalents (decrease)	38,931	(10,693)
Cash and cash equivalents at beginning of period	65,883	123,939
Cash and cash equivalents at end of period	104,815	113,246

Segment Information

(i) Overview of reportable segments

The reportable segments by the company provide separate financial information pertaining to the various segments of the company, which is reviewed periodically by the management to evaluate corporate performance as well as make decisions about the allocation of management resources. The corporate structure consists of product and service segments based on business units (BUs), and the reportable segments are as follows: Semiconductor Production Equipment, FPD/PV (Flat Panel Display and Photovoltaic Cell) Production Equipment, and Electronic Components and Computer Networks.

The Semiconductor Production Equipment segment consists of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The FPD/PV (Flat Panel Display and Photovoltaic Cell) Production Equipment segment consists of coaters/developers, plasma etch/ash system used in the manufacturing of flat panel displays, and plasma CVD systems used in the manufacturing of thin film silicon PV cells, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The Electronic Components and Computer Networks segment consists of semiconductor products centering on integrated circuits (IC), other electronic components, computer networks and software, etc., and we are engaged in the design, development, procurement, and sales, etc. for such products.

(ii) Net sales and profit/loss in reportable segments

Nine months ended December 31, 2010

(Millions of yen)

	Reportable Segment			Others
	Semiconductor Production Equipment	FPD/PV Production Equipment	Electronic Components & Computer Networks	
Net sales	355,603	54,853	68,004	11,555
Segment income	84,721	5,765	2,031	1,548
	Total Segment	Eliminations	Consolidated Total	
Net sales	490,016	(11,952)	478,063	
Segment income	94,067	(22,394)	71,672	

Notes:

- The "Others" segment includes all other businesses which are not included in the reported business segments, such as the transportation of products, etc. of the Tokyo Electron Group companies, equipment leasing and insurance, etc.
- The eliminations of segment income amounting to 22,394 million yen includes corporate expenses pertaining to the corporate account which are not allocated to any specific reportable segments. The corporate account expenses are mainly R&D expenses of 16,543 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
- Segment income is adjusted against quarterly net income before taxes in the quarterly consolidated income statement.

(iii) Impairment losses on fixed assets and goodwill, etc. in reportable segments

Significant impairment losses related to fixed assets: None

Significant changes in goodwill amount: None

Significant income related to negative goodwill: None

(Additional Information)

From the first quarter of the current consolidated fiscal year, the business segment information is provided in conformity with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Statement No.17, dated March 27, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Corporate Accounting Standards, ASBJ Guidance No.20, dated March 21, 2008).