

# Consolidated Financial Review for the Third Quarter Ended December 31, 2007

Company name:



TOKYO ELECTRON LIMITED

URL:

<http://www.tel.com>

Telephone number:

(03) 5561-7000

Stock exchange listing:

Tokyo Stock Exchange 1st Section

Code number:

8035

Company representative:

Kiyoshi Sato, President &amp; 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.

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

## 1. Financial highlights for the third quarter ended December 31, 2007 (4/1/07- 12/31/07)

### (1) Operating results

Note: Percentages indicate changes from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended 12/31/07	676,215	12.6	133,504	32.0	135,557	35.1
Nine months ended 12/31/06	600,656	25.6	101,145	90.1	100,320	86.7
Year ended 3/31/07	851,975	-	143,978	-	143,940	-

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended 12/31/07	88,064	37.1	492.27	491.07
Nine months ended 12/31/06	64,212	88.2	359.91	358.87
Year ended 3/31/07	91,262	-	511.27	509.84

### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 12/31/07	785,155	531,331	66.4	2,914.44
As of 12/31/06	704,273	438,730	61.5	2,422.68
As of 3/31/07	770,513	469,810	59.7	2,573.72

### (3) 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 12/31/07	41,250	(47,494)	(26,826)	101,176
Nine months ended 12/31/06	17,836	(24,768)	(32,752)	100,576
Year ended 3/31/07	54,296	(25,293)	(34,719)	134,389

2. Estimates for the year ending March 31, 2008 (4/1/07 - 3/31/08)

Estimates remain the same as those announced on May 11, 2007.

3. Others

- 1) Important changes in subsidiaries. (Changes on specific subsidiaries with changes in scope of consolidation): None
- 2) Adoption of simplified accounting method: None
- 3) Changes in the accounting method from the most recent fiscal year: None

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, 2007 (April 1, 2007 – December 31, 2007)**

During the April to December period, net sales were 676,215 million yen (up 12.6% from the same period of the previous fiscal year), operating income was 133,504 million yen (up 32.0%), ordinary income was 135,557 million yen (up 35.1%), and net income was 88,064 million yen (up 37.1%).

Consolidated net sales by division were 539,990 million yen for semiconductor production equipment (up 22.0% from the same period of the previous fiscal year), 53,648 million yen for FPD production equipment (down 31.7%), and 82,251 million yen for electronic components and computer networks (up 4.8%). In the company's mainstay semiconductor production equipment division, sales to memory manufacturers in Asia were strong, but the FPD production equipment segment experienced a temporary market correction phase, following the high levels of the previous fiscal year.

Starting in the second half of the previous fiscal year, "Computer Systems and Networks" (previously classified in the "Industrial Electronic Equipment" segment) have been included in the "Electronic Components and Computer Networks" segment (former "Electronic Components" segment). With this change, the year-on-year comparison of net sales for each segment are now based on the reorganized segments.

#### **(2) Third Quarter (Three Months from October 1, 2007 to December 31, 2007)**

On a consolidated basis during the third quarter, net sales were 199,837 million yen (down 4.9% from the same period of the previous fiscal year), operating income was 38,499 million yen (down 10.3%), ordinary income was 39,761 million yen (down 5.6%), and net income was 25,600 million yen (down 5.1%). Consolidated net sales by division were 160,739 million yen for semiconductor production equipment (up 1.2%), 10,048 million yen for FPD production equipment (down 61.4%), and 28,980 million yen for electronic components and computer networks (up 15.9%).

(For reference)

Consolidated

(Millions of yen)

	FY2008 1H	FY2008 3Q	FY2008 1Q-3Q
Net Sales	476,377	199,837	676,215
Industrial Electronic Equipment	423,106	170,857	593,963
Semiconductor Production Equipment	379,251	160,739	539,990
Japan	94,629	52,248	146,878
U.S.	52,479	22,302	74,782
Europe	14,447	4,157	18,604
Korea	41,122	15,581	56,703
Taiwan	141,934	53,639	195,573
China	20,525	4,188	24,714
S.E.Asia	14,112	8,620	22,732
F P D Production Equipment	43,600	10,048	53,648
Other	254	69	324
Electronic Components & Computer Networks	53,271	28,980	82,251
Operating Income	95,005	38,499	133,504
Ordinary Income	95,795	39,761	135,557
Net Income	62,463	25,600	88,064

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

## 2. Financial Conditions at the end of the Third Quarter

Total assets at the end of the third quarter increased by 14,641 million yen from the end of the previous fiscal year to 785,155 million yen as a result of higher trade notes and accounts receivable and other factors. Total liabilities were down 46,879 million yen from the end of the previous fiscal year to 253,823 million yen as a result of lower trade notes and accounts payable and Income taxes payable. Net assets were up 61,520 million yen from the end of the previous fiscal year to 531,331 million yen, this was the result of an increase due to reporting net income of 88,064 million yen, and a decrease due to distribution from surplus earnings of 23,431 million yen. The equity ratio was 66.4%.

## 3. Cash Flow for the Nine Months Ended December 31, 2007 (April 1, 2007 – December 31, 2007)

The status of and factors affecting cash flow in the nine months ended December 31, 2007 were as follows.

Cash flow from operating activities was a positive 41,250 million yen. Major positive factors included income before income taxes of 138,217 million yen and depreciation and amortization of 15,375 million yen. Major negative factors included increases in trade notes and accounts receivables of 10,831 million yen, decreases in accounts payable of 26,023 million yen, and income taxes paid of 72,459 million yen.

Cash flow from investing activities was a negative 47,494 million yen, primarily as a result of the purchase of tangible fixed assets for production and R&D of 14,710 million yen, and payment into time deposits of 34,000 million yen.

Cash flow from financing activities was a negative 26,826 million yen, chiefly due to the redemption of the fifth issue of unsecured straight bonds with subscription rights worth 5,500 million yen and the payment of dividends worth 23,431 million yen.

As a result, the balance of cash and cash equivalents at the end of the third quarter was 101,176 million yen, a decrease of 33,212 million yen compared to the end of the previous fiscal year.

# Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2007	As of December 31, 2007	Increase (decrease)		As of December 31, 2006
	Amount	Amount	Amount	(%)	Amount
<b>(Assets)</b>					
<b>Current assets</b>	610,363	624,444	14,081	2.3	547,415
Cash and deposits	134,389	67,204			100,576
Trade notes and accounts receivable	228,688	239,676			203,193
Securities	19	67,972			19
Inventories	194,840	198,689			200,060
Others	52,551	50,991			43,771
Allowance for doubtful accounts	(127)	(90)			(206)
<b>Long-term assets</b>	160,150	160,710	559	0.3	156,858
<b>Tangible fixed assets</b>	104,930	105,778			102,067
<b>Intangible fixed assets</b>	19,399	18,494			19,771
<b>Investments and other assets</b>	36,118	36,733			35,333
Allowance for doubtful accounts	(297)	(297)			(313)
<b>Total assets</b>	770,513	785,155	14,641	1.9	704,273

# Consolidated Balance Sheet

(Millions of yen)

	As of	As of	Increase		As of
	March 31, 2007	December 31, 2007	(decrease)		December 31, 2006
	Amount	Amount	Amount	(%)	Amount
<b>(Liabilities)</b>					
<b>Current liabilities</b>	225,854	205,959	(19,895)	(8.8)	187,943
Trade notes and accounts payable	83,837	57,922			72,727
Bonds due within 1 year	5,500	30,000			5,500
Income taxes payable	45,657	23,384			22,511
Customer advances	21,956	39,810			33,264
Accrued employees' bonuses	14,131	6,009			6,188
Accrued warranty expenses	14,114	9,630			13,255
Others	40,658	39,202			34,496
<b>Long-term liabilities</b>	74,848	47,863	(26,984)	(36.1)	77,600
Straight bonds	30,000	-			30,000
Accrued pension and severance costs	40,018	42,945			38,870
Accrued pension and severance costs for directors	666	657			661
Others	4,162	4,260			8,067
<b>Total liabilities</b>	300,702	253,823	(46,879)	(15.6)	265,543
<b>(Net assets)</b>					
<b>Shareholders' equity</b>	449,166	514,630	65,463	14.6	421,596
Common stock	54,961	54,961			54,961
Capital surplus	78,346	78,393			78,309
Retained earnings	328,026	392,659			300,976
Treasury stock	(12,167)	(11,383)			(12,650)
<b>Valuation and translation adjustments</b>	11,008	6,848	(4,159)	(37.8)	11,366
<b>Subscription rights to shares</b>	584	374	(209)	(35.9)	548
<b>Minority interests</b>	9,051	9,478	426	4.7	5,219
<b>Total net assets</b>	469,810	531,331	61,520	13.1	438,730
<b>Total liabilities and net assets</b>	770,513	785,155	14,641	1.9	704,273

# Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2006		Nine months ended December 31, 2007		Increase (decrease)		Year ended March 31, 2007	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	600,656	100.0	676,215	100.0	75,558	12.6	851,975	100.0
Cost of sales	407,321	67.8	438,429	64.8	31,107	7.6	579,325	68.0
<b>Gross profit</b>	193,334	32.2	237,786	35.2	44,451	23.0	272,649	32.0
Selling, general & administrative expense	92,189	15.4	104,281	15.5	12,091	13.1	128,670	15.1
<b>Operating income</b>	101,145	16.8	133,504	19.7	32,359	32.0	143,978	16.9
Non-operating income	3,371		3,669				4,908	
Non-operating expenses:	4,195		1,616				4,946	
<b>Ordinary income</b>	100,320	16.7	135,557	20.0	35,236	35.1	143,940	16.9
Unusual or infrequent profit	753		3,057				2,721	
Unusual or infrequent loss:	458		397				2,247	
<b>Income before income taxes</b>	100,615	16.8	138,217	20.4	37,602	37.4	144,414	17.0
Provision for income taxes and enterprise tax	36,034	6.0	49,406	7.3			60,132	7.1
Deferred income taxes	-	-	-	-			(7,534)	(0.9)
Minority interests	368	0.1	747	0.1			553	0.1
<b>Net income</b>	64,212	10.7	88,064	13.0	23,851	37.1	91,262	10.7



## 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

(Millions of yen)

Nine months ended December 31, 2007 (4/1/07 - 12/31/07)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	593,963	82,251	676,215	-	676,215
(2) Intersegment sales or transfers	824	756	1,580	(1,580)	-
Total	594,788	83,008	677,796	(1,580)	676,215
Operating expenses	464,066	80,248	544,315	(1,604)	542,710
Operating income	130,721	2,759	133,480	24	133,504

(Millions of yen)

Year ended March 31, 2007 (4/1/06 - 3/31/07)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	744,512	107,462	851,975	-	851,975
(2) Intersegment sales or transfers	2,381	1,247	3,628	(3,628)	-
Total	746,893	108,709	855,603	(3,628)	851,975
Operating expenses	606,539	104,739	711,279	(3,282)	707,996
Operating income	140,354	3,969	144,324	(345)	143,978