



Consolidated Financial Review for the Third Quarter Ended December 31, 2008

Company name: **Tokyo Electron Limited**
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 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 shown in million yen except per share data.
 3. Amounts are rounded down to the nearest million yen.

1. Financial highlights for the nine months ended December 31, 2008

(1) Operating results (Cumulative)

	Nine months ended	
	December 31, 2008	December 31, 2007
Net sales	402,314	676,215
Operating income	24,281	133,504
Ordinary income	28,833	135,557
Net income	9,675	88,064
Net income per share (Yen)	54.07	492.27
Fully diluted net income per share (Yen)	53.96	491.07

(2) Financial position

	As of December 31, 2008	As of March 31, 2008
Total assets	679,639	792,817
Net assets	531,259	545,244
Equity ratio (%)	76.6	67.5
Net assets per share (Yen)	2,909.18	2,989.70
Equity:	520,616 million yen (as of December 31, 2008)	
	534,953 million yen (as of March 31, 2008)	

2. Dividends

	Year ending March 31, 2009	Year ended March 31, 2008
2Q-end dividend per share (Yen)	20.00	70.00
Year-end dividend per share (Yen)	(forecast) 4.00	55.00
Annual dividend per share (Yen)	(forecast) 24.00	125.00

Note: Revision of dividends forecast for during this period: No

3. Earnings forecasts for the year ending March 31, 2009

	Year ending March 31, 2009
Net sales	510,000
Operating income	7,000
Ordinary income	13,000
Net income	800
Net income per share (Yen)	4.47

Note: Revision of earnings forecast for during this period: Yes

4. Others

- (1) Important changes in subsidiaries: None
- (2) Use of simplified accounting method and special accounting policy for quarterly financial reporting: Yes
- (3) Changes in principles, procedures and display of accounting method concerning quarterly consolidated statement policies.
 1. Changes in accounting policies: Yes
 2. Other changes: None
- (4) Number of shares outstanding (common stock)
 1. Number of shares issued

As of December 31, 2008:	180,610,911 shares
As of March 31, 2008:	180,610,911 shares
 2. Number of shares of treasury stock

As of December 31, 2008:	1,654,179 shares
As of March 31, 2008:	1,678,927 shares
 3. Average number of shares outstanding

As of December 31, 2008:	178,943,356 shares
As of September 30, 2007:	178,895,570 shares

Explanations on the appropriate use of earnings forecast:

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. Consequently, actual operating results may differ substantially from the projections in the Financial Review.

Qualitative Information, Financial Statements, etc.

1. Qualitative Information on Consolidated Operating Results

During the first three quarters of the current fiscal year, the global financial crisis that originated in the United States began to impact the real economy, resulting in a serious recession in various industries.

Rapid changes occurred in the business environment related to semiconductor production equipment, which is the Company's key segment, and the price of memory chips remained low, prompting semiconductor manufacturers to reduce production and postpone or freeze capital investment.

Given this situation, net sales in the first three quarters of the current fiscal year (April to December 2008), were 402,314 million yen (down 40.5% compared to the same period of the previous year), operating income was 24,281 million yen (down 81.8%), ordinary income was 28,833 million yen (down 78.7%), and net income was 9,675 million yen (down 89.0%).

In addition, during the third quarter (October to December 2008), net sales were 101,088 million yen (down 49.4% compared to the same period of the previous year), operating losses were 2,001 million yen (down 40,501 million yen), ordinary losses were 74 million yen (down 39,835 million yen), and the net losses for the third quarter were 7,686 million yen (down 33,286 million yen).

The overview of each business segment is as described below.

(1) Industrial Electronic Equipment Business

Net sales from external customers for this segment during the first three quarters of the current fiscal year were 327,353 million yen (down 44.9% compared to the same period of the previous year). Net sales from external customers in this segment in the third quarter were 78,253 million yen (down 54.2%).

(a) Semiconductor Production Equipment

Due to the global recession that impacted the semiconductor market, semiconductor manufacturers have reduced production and put off or curbed capital investment. Because of this, net sales from external customers in this segment during the first three quarters of the current fiscal year were 266,530 million yen (down 50.6% compared to the same period of the previous year). Also, net sales from external customers in this segment during the third quarter were 57,827 million yen (down 64.0%).

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

Net sales for external customers in this segment during the first three quarters of the current fiscal year, chiefly equipment for lines to produce large liquid crystal displays (LCDs) at panel manufacturers, continued to be strong, at 60,550 million yen (up 12.9% compared to the same period of the previous year). Meanwhile, some panel manufacturers have announced plans for reducing production or capital investment due to the decline in demand for end products, and it is feared that the segment will face a harsh business environment in the future.

Also, net sales from external customers in this segment during the third quarter were 20,370 million yen (up 102.7% compared to the same period of the previous year).

* Starting from the current quarter, the name of this segment was changed from "FPD (Flat Panel Display) Production Equipment" to "FPD/PV (Flat Panel Display/Photovoltaic Cell) Production Equipment."

(c) Others

Net sales from external customers in this segment during the first three quarters of the current fiscal year were 273 million yen (down 15.8% compared to the same period of the previous year). Also, net sales from external customers in this segment during the third quarter were 55 million yen (down 20.9%).

(2) Electronic Components and Computer Networks Business

In the semiconductor and electronic devices field, the businesses of custom ICs for mobile phone base stations and memory ICs for personal computers, which had both enjoyed relatively strong sales, remained sluggish in the wake of rapid deterioration of the market. These categories were also affected by the impact from production adjustments in various sectors, including consumer electronics and industrial equipment. In the computer system-related field, there was an even stronger tendency to curb capital investment as business confidence worsened. Given this situation, net sales from external customers in this segment during the first three quarters of the current fiscal year were 74,960 million yen (down 8.9% compared to the same period of the previous year). Also, net sales from external customers in this segment during the third quarter were 22,835 million yen (down 21.2%).

(For reference)

Consolidated

(Millions of yen)

	FY2009 1Q-2Q	FY2009 3Q	FY2009 1Q-3Q
Net Sales	301,225	101,088	402,314
Industrial Electronic Equipment	249,100	78,253	327,353
Semiconductor Production Equipment	208,702	57,827	266,530
Japan	66,265	21,007	87,273
U.S.	34,920	13,538	48,459
Europe	14,842	5,751	20,594
Korea	26,633	5,700	32,334
Taiwan	38,884	4,896	43,781
China	7,025	3,301	10,326
S.E.Asia	20,129	3,631	23,761
FPD/PV Production Equipment	40,179	20,370	60,550
Others	218	55	273
Electronic Components & Computer Networks	52,125	22,835	74,960
Operating Income (loss)	26,282	(2,001)	24,281
Ordinary Income (loss)	28,907	(74)	28,833
Net Income (loss)	17,361	(7,686)	9,675

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 530,539 million yen, down 109,694 million yen compared to the end of the previous fiscal year. The decline was primarily the result of a combined decrease in cash and deposits and certificates of deposit in securities of 13,846 million yen, and a decrease in trade notes and accounts receivable of 90,370 million yen.

Tangible fixed assets decreased by 3,440 million yen compared to the end of the previous fiscal year, to 100,665 million yen.

Intangible fixed assets fell by 2,449 million yen compared to the end of the previous fiscal year, to 10,804 million yen.

Investments and other assets increased by 2,405 million yen compared to the end of the previous fiscal year, to 37,629 million yen.

As a result, total assets were down 113,178 million yen compared to the end of the previous fiscal year, to 679,639 million yen.

Current liabilities declined by 101,396 million yen compared to the end of the previous fiscal year, to 97,424 million yen. The decline was the result primarily of redemption of the 11th issue of unsecured corporate bonds worth 30,000 million yen, a decrease of 27,282 million yen in income

Long-term liabilities were up 2,203 million yen compared to the end of the previous fiscal year, to 50,955 million yen.

As a result of the above, total liabilities decreased by 99,193 million yen compared to the end of the previous fiscal year, to 148,379 million yen.

Net assets decreased to 531,259 million yen as a result of an increase from the reporting of net income of 9,675 million yen, a decrease from the payment of 9,841 million yen in year-end dividends for the previous fiscal year and 3,578 million yen in interim dividends for the current fiscal year, and a decrease in valuation and translation adjustments of 10,021 million yen. The equity ratio was 76.6%.

(2) Cash Flow

Cash and cash equivalents at the end of the third quarter of the current fiscal year were down 125,302 million yen compared to the end of the previous fiscal year, to 68,189 million yen. In addition, cash and cash deposits at the end of the third quarter of the current fiscal year decreased by 13,846 million yen compared to the end of the previous fiscal year, to 189,716 million yen, including 121,526 million yen for time deposits and certificates of deposit with a deposit term over three months. The overall situation regarding cash flow during the first three quarters of the current fiscal year is as follows.

Cash flow from operating activities was a positive 50,942 million yen, up 9,692 million yen from the same period of the previous fiscal year. Major positive factors included income before income taxes of 20,198 million yen, depreciation and amortization of 16,677 million yen, and a decrease in trade notes and accounts receivable of 87,739 million yen. The main use of cash was payment of income taxes of 41,177 million yen.

Cash flow from investing activities was a negative 132,869 million yen, compared to a negative 47,494 million yen in the same period of the previous fiscal year, primarily due to 13,243 million yen in expenditures to acquire tangible fixed assets for production and R&D and 111,864 million yen in expenditures for net increases in time deposits.

Cash flow from financing activities was a negative 42,031 million yen, compared to a negative 26,826 million yen in the same period of the previous fiscal year, mainly due to the redemption of the 11th issue of unsecured corporate bonds worth 30,000 million yen and 13,420 million yen in dividend payments.

In addition, the overall situation regarding cash flow in the third quarter of the current fiscal year is as follows.

Cash flow from operating activities was a negative 33,662 million yen, down 54,358 million yen from the same period of the previous fiscal year. Major positive factors included depreciation and amortization of 5,936 million yen, as well as a decrease in trade notes and accounts

receivable of 11,279 million yen. Major negative factors included a net pre-income-tax loss for the current quarter of 8,494 million yen, an increase in inventories of 11,026 million yen, a decrease in trade notes and accounts payable of 15,310 million yen, and the payment of 12,888 million yen in income taxes.

Cash flow from investing activities was a negative 28,953 million yen, compared to a negative 38,961 million yen in the same period of the previous fiscal year, primarily due to 2,470 million yen in expenditures to acquire tangible fixed assets for production and R&D, and 22,411 million yen in expenditures for net increases in time deposits.

Cash flow from financing activities was a negative 706 million yen, compared to a negative 10,436 million yen in the same period of the previous fiscal year, primarily due to the payment of 3,578 million yen in interim dividends.

* The figures above indicating year-on-year changes and the explanation of those changes for heading 1 "Qualitative Information on Consolidated Operating Results" and subheading (2) "Cash Flow" (under heading 2 "Qualitative Information on Consolidated Financial Conditions") are for the sake of reference.

3. Qualitative Information on Forecasts for Consolidated Financial Results

Due to the expanding impact of the global financial crisis on the real economy, the electronics-related market has also faced a worsening recession. There is a stronger trend among manufacturers of semiconductors or LCD panels to postpone or curb capital investment, so that the business environment is becoming harsher than had been expected. Under such circumstances, net sales, focusing on the semiconductor production equipment segment, are expected to be lower than the previous forecast. In addition, although the Company is striving to improving profitability by taking measures such as reducing fixed costs extensively, profits are expected to be lower than the previous forecast due to unusual or infrequent loss such as the loss on devaluation of investment securities and provision for possible loan loss reserve in addition to the influence of net sales decrease.

Taking these circumstances into account, the Company has revised downward the forecast of consolidated financial results for the entire fiscal year announced on October 31, 2008, as follows:

Consolidated forecast

(Billions of yen)

	FY2009 (E)	
Net Sales	510.0	-43.7%
Industrial Electronic Equipment	414.8	-47.8%
Semiconductor Production Equipment	328.0	-54.8%
FPD/PV Production Equipment	86.5	27.2%
Others	0.3	-34.0%
Electronic Components & Computer Networks	95.2	-14.4%
Operating Income	7.0	-95.8%
Ordinary Income	13.0	-92.5%
Net Income	0.8	-99.2%

Note: The financial 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 foreign 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.

Consolidated Balance Sheet

(Millions of yen)

ASSETS	As of December 31, 2008	As of March 31, 2008
Current assets		
Cash and deposit	61,716	67,540
Trade notes and accounts receivable	133,799	224,170
Securities	128,001	136,022
Merchandise and finished goods	101,222	101,053
Work in process	44,718	42,123
Raw materials and supplies	17,809	17,974
Others	48,063	51,411
Allowance for doubtful accounts	(4,792)	(62)
Total current assets	530,539	640,233
Long-term assets		
Tangible fixed assets	100,665	104,105
Intangible fixed assets		
Others	10,804	13,253
Total intangible fixed assets	10,804	13,253
Investments and other assets		
Others	39,767	35,526
Allowance for doubtful accounts	(2,137)	(301)
Total investments and other assets	37,629	35,224
Total long-term assets	149,100	152,584
Total assets	679,639	792,817

(Millions of yen)

LIABILITIES	As of December 31, 2008	As of March 31, 2008
Current liabilities		
Trade notes and accounts payable	33,578	55,332
Short-term debt	7,787	6,069
Income taxes payable	956	28,239
Other allowance	9,227	23,516
Others	45,874	85,662
Total current liabilities	97,424	198,820
Long-term liabilities		
Accrued pension and severance costs	46,152	43,704
Other allowance	651	665
Others	4,151	4,382
Total long-term liabilities	50,955	48,752
Total liabilities	148,379	247,572
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,193	78,392
Retained earnings	406,567	410,866
Treasury stock	(11,187)	(11,369)
Total shareholders' equity	528,534	532,850
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(704)	2,172
Deferred gains or losses on hedges	686	460
Translation adjustments	(7,900)	(529)
Total valuation and translation adjustments	(7,918)	2,102
Subscription rights to shares	960	483
Minority interests	9,682	9,807
Total net assets	531,259	545,244
Total liabilities and net assets	679,639	792,817

Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2008
Net sales	402,314
Cost of sales	284,144
Gross profit	118,169
Selling, general & administrative expenses	
Research and development expenses	45,923
Others	47,964
Total selling, general & administrative expenses	93,888
Operating income	24,281
Non-operating income	
Interest expenses	1,332
Revenue from development grants	2,099
Others	1,659
Total non-operating income	5,091
Non-operating expenses	
Interest expenses	155
Lease expenses of fixed assets	198
Loss on trade notes and accounts receivable	113
Others	71
Total non-operating expenses	538
Ordinary income	28,833
Unusual or infrequent profit	
Gain on sale of fixed assets	117
Total unusual or infrequent profit	117
Unusual or infrequent loss	
Provision for possible loan loss reserve	6,775
Others	1,976
Total unusual or infrequent loss	8,752
Income before income taxes	20,198
Provision for income taxes and enterprise taxes	10,281
Minority interests	241
Net income	9,675

Consolidated Cash Flow

(Millions of yen)

Nine months ended
December 31, 2008

Cash flow from operating activities

Income before income taxes	20,198
Depreciation and amortization	16,677
Increase in accrued pension and severance costs (decrease)	2,536
Increase in allowance for doubtful accounts (decrease)	6,581
Increase in accrued employees' bonuses (decrease)	(10,028)
Increase in accrued warranty expenses (decrease)	(3,158)
Interest and dividend revenue	(1,431)
Decrease in trade notes and accounts receivable (increase)	87,739
Decrease in inventories (increase)	(8,836)
Increase in accounts payable (decrease)	(20,181)
Decrease in prepaid consumption tax (increase)	6,524
Increase in accrued consumption tax (decrease)	(5,057)
Increase in customer advances (decrease)	5,028
Others	(5,708)
Subtotal	90,883
Receipts from interest and dividends	1,402
Interest paid	(166)
Income taxes paid	(41,177)
Net cash generated by operating activities	50,942

Cash flow from investing activities

Decrease in time deposits (increase)	(111,864)
Payment for purchase of tangible fixed assets	(13,243)
Payment for acquisition of intangible fixed assets	(661)
Payment for purchase of investment securities	(6,800)
Others	(299)
Net cash used in investing activities	(132,869)

Cash flow from financing activities

Net increase in short-term borrowings (decrease)	1,717
Redemption of straight bonds	(30,000)
Dividends paid	(13,420)
Others	(328)
Net cash generated by financing activities	(42,031)

Effect of exchange rate changes on cash and cash equivalents	(1,411)
Net increase in cash and cash equivalents (decrease)	(125,369)
Cash and cash equivalents at beginning of period	193,492
Cash and cash equivalents from newly consolidated subsidiaries	67
Cash and cash equivalents at end of period	68,189

Segment Information

1. Information by business segment

(Millions of yen)

	Nine months ended December 31, 2008				
	Industrial Electronic Equipment	Electronic Components and Computer Networks	Total	Eliminations and Corporate	Consolidated
Net sales	328,087	75,375	403,462	(1,148)	402,314
Operating income	22,850	1,411	24,262	19	24,281

- 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:
- (1) Industrial Electronic Equipment: Semiconductor Production Equipment, FPD Production Equipment, Photovoltaic Cell Production Equipment, Others
- (2) Electronic Components and Computer Networks: Semiconductor products, Computer systems and networks, Middleware and software, Other electronic component

2. Information by geographic segment

(Millions of yen)

	Nine months ended December 31, 2008				
	Japan	Other Regions	Total	Eliminations and Corporate	Consolidated
Net sales	386,198	89,351	475,549	(73,234)	402,314
Operating income	19,671	3,485	23,156	1,124	24,281

- 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, Taiwan

3. Overseas sales

(Millions of yen)

	Nine months ended December 31, 2008				
	Taiwan	Korea	U.S.	Others	Total
Overseas sales	69,201	56,588	48,502	65,958	240,250
Consolidated net sales					402,314
Proportion of overseas sales in consolidated net sales (%)	17.2	14.1	12.1	16.3	59.7

- Note: 1. National and regional categories are determined on the basis of geographic proximity.
2. Main countries in others: Singapore, China, Israel
3. Overseas sales indicates net sales in countries and territories except Japan.

(Reference)
**Consolidated Statement of Income of the same period of the
previous fiscal year**

(Millions of yen)

	Nine months ended December 31, 2007
Net sales	676,215
Cost of sales	438,429
Gross profit	237,786
Selling, general & administrative expenses	104,281
Operating income	133,504
Non-operating income	3,669
Non-operating expenses	1,616
Ordinary income	135,557
Unusual or infrequent profit	3,057
Unusual or infrequent loss	397
Income before income taxes	138,217
Provision for income taxes and enterprise taxes	49,406
Minority interests	747
Net income	88,064