

Consolidated Financial Review for the First Quarter Ended June 30, 2008

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 & 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 first quarter ended June 30, 2008 (4/1/08- 6/30/08)

(1) Operating results (Cumulative)

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	%
Three months ended 6/30/08	154,827	-	21,430	-	22,263	-
Three months ended 6/30/07	212,494	18.6	43,034	66.4	41,175	54.0

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Three months ended 6/30/08	12,853	-	71.83	71.69
Three months ended 6/30/07	26,192	60.9	146.45	146.04

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 6/30/08	753,206	548,275	71.4	3,006.09
As of 3/31/08	792,817	545,244	67.5	2,989.70

Reference:

Equity:

As of 6/30, 2008

537,891 million yen

As of 3/31, 2008

534,953 million yen

2. Dividend

	Dividend per share		
	1Q	2Q	3Q
	Yen	Yen	Yen
Year ended 3/31/08	-	70.00	-
Year ending 3/31/09	-	-	-
Year ending 3/31/09 (Forecast)	-	19.00	-

	Dividend per share	
	4Q	Total
	Yen	Yen
Year ended 3/31/08	55.00	125.00
Year ending 3/31/09	-	-
Year ending 3/31/09 (Forecast)	21.00	40.00

Note: Revision of dividend forecast for this period: Yes

3. Financial forecast for the year ending March 31, 2009 (4/1/08 - 3/31/09)

Percentage figures indicate changes from the previous year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending 9/30/08	301,500	-	22,500	-	25,000	-
Year ending 3/31/09	630,000	(30.5)	51,000	(69.7)	55,000	(68.2)

	Net income		Net income per share
	Millions of yen	%	Yen
Six months ending 9/30/08	15,000	-	83.83
Year ending 3/31/09	33,000	(68.9)	184.43

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

4. Others

- 1) Important changes in subsidiaries (Changes on specific subsidiaries with changes in scope of consolidation): 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.
(Listed as changes in basis of presentation of consolidated financial statement)

Changes in accounting policies: Yes

Other changes: None

- 4) Number of shares outstanding (common stock)

Number of shares issued as of:

June 30, 2008 180,610,911 shares

March 31, 2008 180,610,911 shares

Number of shares of treasury stock as of:

June 30, 2008 1,676,808 shares

March 31, 2008 1,678,927 shares

Average number of shares outstanding as of:

June 30, 2008 178,932,452 shares

June 30, 2007 178,852,766 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 stated in the Financial Review.

Qualitative Information, Financial Statements, etc.

1. Qualitative Information on Consolidated Operating Results

During the first quarter of the current fiscal year, consolidated net sales were 154,827 million yen (down 27.1% compared to the same period of the previous year), consolidated operating income was 21,430 million yen (down 50.2%), and consolidated ordinary income was 22,263 million yen (down 45.9%). Net income for the quarter was 12,853 million yen (down 50.9%). The overview of each business segment is as described below.

(1) Industrial Electronic Equipment Business

Net sales from external customers in this segment were 129,904 million yen (down 30.7% compared to the same period of the previous year).

(a) Semiconductor production equipment

As the semiconductor market remained sluggish, sales for major regions such as including Taiwan, declined due to the effects of semiconductor manufacturers' reduced capital investment, which became noticeable in the second half of the previous fiscal year. As a result, net sales from external customers in this segment were 112,546 million yen (down 32.1%).

(b) FPD production equipment

Net sales from external customers in this segment were 17,264 million yen (down 19.3% compared to the same period of the previous year). Since demand for display panels continued to be high, however, capital investment by panel manufacturers (particularly for large substrates) has recovered. Sales for this segment also continued to grow compared to the second half of the previous fiscal year, which coincided with a market correction.

(c) Others

Net sales from external customers in this segment were 93 million yen (down 29.5% compared to the same period of the previous year).

(2) Electronic Components and Computer Networks Business

Sales for the fields of semiconductors and electronic devices continued to be firm, but due to decreased investment in the field of computer systems, sales from external customers in this segment were 24,923 million yen (down 1.0%).

(For reference)
Consolidated

(Millions of yen)

	FY 2009 1Q	FY 2008				
		Full Year	1Q	2Q	3Q	4Q
Net Sales	154,827	906,091	212,494	263,883	199,837	229,876
Industrial Electronic Equipment	129,904	794,910	187,318	235,787	170,857	200,947
Semiconductor Production Equipment	112,546	726,439	165,785	213,465	160,739	186,449
Japan	32,896	191,934	31,614	63,015	52,248	45,055
U.S.	18,909	108,708	21,111	31,367	22,302	33,925
Europe	7,900	36,929	7,922	6,524	4,157	18,324
Korea	14,842	73,212	21,432	19,689	15,581	16,508
Taiwan	25,724	254,972	62,517	79,417	53,639	59,398
China	3,788	29,864	13,848	6,677	4,188	5,150
S.E.Asia	8,484	30,819	7,338	6,773	8,620	8,086
F P D Production Equipment	17,264	68,016	21,400	22,200	10,048	14,367
Others	93	454	132	121	69	130
Electronic Components & Computer Netwo	24,923	111,181	25,175	28,095	28,980	28,929
Operating Income	21,430	168,498	43,034	51,970	38,499	34,993
Ordinary Income	22,263	172,713	41,175	54,620	39,761	37,155
Net Income	12,853	106,271	26,192	36,270	25,600	18,207

Note:

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

2. Qualitative Information on Consolidated Financial Conditions

(1) Financial Conditions

Total assets at the end of the first quarter of the current fiscal year were down 39,610 million yen compared to the end of the same period of the previous fiscal year, to 753,206 million yen, mainly due to decreases in accounts receivable. Total liabilities dropped by 42,641 million yen, to 204,931 million yen, due to the payment for income taxes, decreases in accounts payable, and other factors. Net assets rose by 3,030 million yen, to 548,275 million yen, because of increases due to reporting quarterly net income of 12,853 million yen, decreases due to dividends from surplus earnings of 9,841 million yen, and other factors. The equity ratio was 71.4%.

(2) Cash Flow

Cash and cash equivalents at the end of the first quarter was up 24,149 million yen compared to the end of the same period of the previous fiscal year, to 217,642 million yen. The overall situation affecting cash flow in the first quarter was as follows.

Cash flow from operating activities was a positive 34,660 million yen. Major positive factors included quarterly income before income taxes of 22,253 million yen, depreciation expenses and amortization of 5,110 million yen, and decreases in trade notes and accounts receivable of 45,665 million yen. Major negative factors included the payment for income taxes of 26,563 million yen.

Cash flow from investing activities was a negative 635 million yen. Major negative factors were expenditures of 6,300 million yen due to the acquisition of tangible fixed assets for production and R&D and other factors. Major positive factors included incomes of 8,969 million yen due to decreases in time deposits.

Cash flow from financing activities was a negative 10,047 million yen, mainly due to payment of dividends of 9,841 million yen.

3. Qualitative Information on Forecasts for Consolidated Financial Results

In terms of the future business climate, there is a growing risk of an economic downturn due to the effects of the sharp rises in the prices of energy and raw materials, as well as the subprime mortgage problems in the United States. In the semiconductor-related market, due to sluggish sales of DRAMs and flash memory chips, the prospect is that capital investments by semiconductor manufacturers will recover later than initially forecast. Under these circumstances, sales of semiconductor production equipment—the Company’s key segment—are expected to be lower than initially projected. For this reason, we have revised our forecast of consolidated financial results for the first six months of the current fiscal year and for the full year.

Consolidated forecast

(Billions of yen, Y/Y change)

	Interim		Full Year	
Net Sales	301.5	-36.7%	630.0	-30.5%
Industrial Electronic Equipment	248.0	-41.4%	517.0	-35.0%
Semiconductor Production Equipment	206.8	-45.5%	420.5	-42.1%
FPD Production Equipment	41.0	-6.0%	96.0	41.1%
Others	0.2	-21.5%	0.5	10.0%
Electronic Components & Computer Network	53.5	0.4%	113.0	1.6%
Operating Income	22.5	-76.3%	51.0	-69.7%
Ordinary Income	25.0	-73.9%	55.0	-68.2%
Net Income	15.0	-76.0%	33.0	-68.9%

Note: The content of the financial forecast as described in this financial statement is based on certain reasonable assumptions, drawing on the information currently available such as the economic situation in Japan and throughout the world and other variable factors that have impact on the financial results of the Company.

These assumptions may be influenced by market conditions, competitive conditions, the introduction of new products and their success or failure, the global condition of the semiconductor industry and other uncertainties. Therefore, actual sales and profit may differ significantly from the forecasts provided in this financial statement.

5. Quarterly Consolidated Financial Statement
(1) Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008
	Amount	Amount
(Assets)		
Current assets		
Cash and cash equivalents	50,050	67,540
Trade notes and accounts receivable	179,427	224,170
Securities	168,681	136,022
Merchandise and finished goods	102,872	101,053
Work in process	41,536	42,123
Raw materials and supplies	17,630	17,974
Others	36,428	51,411
Allowance for doubtful accounts	(58)	(62)
Total current assets	596,567	640,233
Long-term assets		
Tangible fixed assets	105,672	104,105
Intangible fixed assets		
Goodwill	667	727
Others	12,240	12,525
Total intangible fixed assets	12,907	13,253
Investments and other assets		
Others	38,360	35,526
Allowance for doubtful accounts	(301)	(301)
Total investments and other assets	38,059	35,224
Total long-term assets	156,638	152,584
Total assets	753,206	792,817

(1) Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008
	Amount	Amount
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	46,934	55,332
Short-term debt	6,007	6,069
Income taxes payable	10,992	28,239
Accrued warranty expenses	8,886	9,815
Other allowance	2,946	13,701
Others	79,765	85,662
Total current liabilities	155,534	198,820
Long-term liabilities		
Accrued pension and severance costs	44,439	43,704
Other allowance	639	665
Others	4,317	4,382
Total long-term liabilities	49,397	48,752
Total liabilities	204,931	247,572
(Net assets)		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,392	78,392
Retained earnings	413,324	410,866
Treasury stock	(11,357)	(11,369)
Total shareholders' equity	535,320	532,850
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,531	2,172
Deferred gains or losses on hedges	(93)	460
Translation adjustments	1,133	(529)
Total valuation and translation adjustments	2,571	2,102
Subscription rights to shares	590	483
Minority interests	9,792	9,807
Total net assets	548,275	545,244
Total liabilities and net assets	753,206	792,817

(2) Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2008
	Amount
Net sales	154,827
Cost of sales	102,729
Gross profit	52,098
Selling, general & administrative expense	
Research and development expenses	14,562
Others	16,106
Total selling, general & administrative expense	30,668
Operating income	21,430
Non-operating income	
Interest expenses	403
Revenue from development grants	529
Others	310
Total non-operating income	1,242
Non-operating expenses	
Foreign currency transaction loss	211
Others	197
Total non-operating expenses	409
Ordinary income	22,263
Unusual or infrequent profit	
Gain on sale of fixed assets	25
Others	1
Total unusual or infrequent profit	26
Unusual or infrequent loss	
Loss on proceeds or disposal of fixed assets	35
Total unusual or infrequent loss	35
Income before income taxes	22,253
Provision for income taxes and enterprise tax:	9,237
Minority interests	163
Net income	12,853

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2008
	Amount
Cash flow from operating activities	
Income before income taxes	22,253
Depreciation and amortization	5,110
Increase in accrued pension and severance costs (decrease)	732
Increase in accrued employees' bonuses (decrease)	(9,913)
Increase in accrued warranty expenses (decrease)	(1,069)
Interest and dividend revenue	(451)
Decrease in trade notes and accounts receivable (increase)	45,665
Decrease in inventories (increase)	(550)
Increase in accounts payable (decrease)	(8,996)
Decrease in prepaid consumption tax (increase)	13,612
Increase in accrued consumption tax (decrease)	(4,012)
Increase in customer advances (decrease)	764
Others	(2,428)
Subtotal	60,716
Receipts from interest and dividends	536
Interest paid	(28)
Income taxes paid	(26,563)
Net cash generated by operating activities	34,660
Cash flow from investing activities	
Decrease in time deposits (increase)	8,969
Payment for purchase of tangible fixed assets	(6,300)
Payment for acquisition of intangible fixed assets	(376)
Payment for purchase of investment securities	(2,783)
Others	(144)
Net cash used in investing activities	(635)
Cash flow from financing activities	
Net increase in short-term borrowings (decrease)	(62)
Dividends paid	(9,841)
Others	(144)
Net cash generated by financing activities	(10,047)
Effect of exchange rate changes on cash and cash equivalents	105
Net increase in cash and cash equivalents (decrease)	24,082
Cash and cash equivalents at the beginning of the period	193,492
Cash and cash equivalents from newly consolidated subsidiaries	67
Cash and cash equivalents at the end of the period	217,642

(4) Note regarding premise of a going concerns: None**(5) Segment Information**

1. Information by business segment

(Millions of yen)

Three months ended June 30, 2008 (4/1/08 - 6/30/08)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales	130,175	25,062	155,237	(410)	154,827
Operating income	20,765	656	21,422	7	21,430

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, computer systems and networks, middleware and software, other electronic components

2. Information by geographic segment

(Millions of yen)

Three months ended June 30, 2008 (4/1/08 - 6/30/08)					
	Japan	Other regions	Total	Eliminations and corporate	Consolidated
Net sales	147,308	32,690	179,998	(25,171)	154,827
Operating income	19,034	2,014	21,048	381	21,430

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

3. Foreign sales

(Millions of yen)

Three months ended June 30, 2008 (4/1/08 - 6/30/08)					
	Taiwan	Korea	U.S.	Others	Total
Foreign sales	31,249	21,187	18,918	24,136	95,491
Consolidated net sales					154,827
Proportion of foreign sales in consolidated net sales (%)	20.2	13.7	12.2	15.6	61.7

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

2. Main countries in other regions: Singapore, China, Taiwan

3. Foreign sales indicates net sales in countries and territories except Japan.

(6) Note of significant variation of shareholders' equity: None

Reference

Consolidated Statement of Income of the same period of the previous fiscal year

(Millions of yen)

	Three months ended June 30, 200
	Amount
Net sales	212,494
Cost of sales	135,907
Gross profit	76,586
Selling, general & administrative expenses	33,551
Operating income	43,034
Non-operating income	1,061
Non-operating expenses	2,920
Ordinary income	41,175
Unusual or infrequent profit	1,380
Unusual or infrequent loss	72
Income before income taxes	42,483
Provision for income taxes and enterprise taxes	16,088
Deferred income taxes	—
Minority interests	202
Net income	26,192