

# Consolidated Financial Review for the Year Ended March 31, 1998

Company name: TOKYO ELECTRON LIMITED  
 Headquarters address: 3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481 Japan  
 Stock exchange listing: Tokyo Stock Exchange 1st Section  
 Code number: 8035

Board of Directors Meeting: May 20, 1998

For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

## 1. Financial highlights for the year ended March 31, 1998

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

### (1) Operating results (summary of profit and loss)

	Net sales	(Change from previous term)	Operating income	(Change from previous term)	Ordinary income	(Change from previous term)
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/31/98	455,584	(5.3)	56,522	(4.4)	57,376	(5.4)
Year ended 3/31/97	432,784	(7.7)	54,124	(-10.1)	54,433	(-9.9)

	Net income	(Change from previous term)	Earnings per share	Fully diluted earnings per share	Return on equity	Ordinary income	
						to total assets	to sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 3/31/98	30,009	(0.1)	174.68	168.43	12.8	13.0	12.6
Year ended 3/31/97	29,974	(-3.2)	200.17	190.01	15.4	13.8	12.6

### (2) Financial position (summary of balance sheet)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Year ended 3/31/98	493,599	261,008	52.9	1495.20
Year ended 3/31/97	387,076	207,476	53.6	1381.47

### (3) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 14 companies, including the following principal companies:  
 Tokyo Electron Tohoku Ltd.  
 Tokyo Electron Yamanashi Ltd.  
 Tokyo Electron Kyushu Ltd.  
 Tokyo Electron FE Ltd.  
 Tokyo Electron America, Inc.

Unconsolidated subsidiaries: 11 companies  
 Number of companies using the equity method: None

Affiliated companies: None

### (4) Changes in accounting methods

1. Changes in scope of consolidation and application of the equity method

Consolidation: (Additions) 3 companies  
Tokyo Electron Oregon, Inc.  
Tokyo Electron Espana S.L.  
Tokyo Electron Nederland B.V.

(Deletions) None

Application of equity method: (Additions) None  
(Deletions) None

2. Changes in accounting methods: None

2. Corporate estimates for the year ending March 31, 1999

	Net sales	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ending 3/31/99	400,000	21,500	7,500

For reference:

Estimate of consolidated earnings per share: ¥42.96  
Estimate of non-consolidated earnings per share: ¥77.33

For reference: Non-consolidated operating results for the year ended March 31, 1998

Net sales	(Change from previous term)	Operating income	(Change from previous term)	Ordinary income	(Change from previous term)
(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
423,752	(0.0)	46,360	(4.6)	51,660	(7.1)

Net income	(Change from previous term)	Earnings per share	Fully diluted earnings per share	Total assets	Shareholders' equity
(Millions of yen)	%	(Yen)	(Yen)	(Millions of yen)	(Millions of yen)
27,782	(0.3)	161.69	155.95	439,864	246,787

# Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 1998		Year ended March 31, 1997		Increase (decrease)	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	%
(Assets)	493,599	100.0	387,076	100.0	106,523	27.5
Current Assets	373,083	75.6	292,186	75.5	80,896	27.7
Cash and time deposits	71,056		31,015		40,040	
Trade notes and accounts receivable	184,494		177,502		6,992	
Marketable securities	834		977		(142)	
Inventories	100,372		76,335		24,036	
Others	18,145		8,047		10,098	
Allowance for doubtful accounts	(1,821)		(1,692)		(128)	
Fixed Assets	120,516	24.4	94,890	24.5	25,626	27.0
Property, plant and equipment	86,898	17.6	66,126	17.1	20,772	31.4
Buildings & structures	47,508		34,806		12,701	
Machinery & equipment	16,123		12,624		3,499	
Vehicles & carriers	114		140		(26)	
Tools, furniture & fixtures	5,294		5,744		(450)	
Land	13,678		10,305		3,372	
Construction in progress	4,180		2,504		1,676	
Intangible fixed assets	654	0.1	304	0.1	350	114.9
Investments and other assets	32,963	6.7	28,459	7.3	4,503	15.8
Investments in securities	18,748		15,136		3,612	
Long-term loans	1,547		2,309		(762)	
Long-term prepaid expenses	4,551		2,911		1,639	
Others	8,128		8,122		6	
Allowance for doubtful accounts	(12)		(20)		7	
<b>Total Assets</b>	<b>493,599</b>	<b>100.0</b>	<b>387,076</b>	<b>100.0</b>	<b>106,523</b>	<b>27.5</b>

# Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 1998		Year ended March 31, 1997		Increase (decrease)	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	%
(Liabilities)	232,591	47.1	179,600	46.4	52,990	29.5
Current liabilities	144,714	29.3	101,032	26.1	43,682	43.2
Trade notes and accounts payable	35,626		37,338		(1,711)	
Short-term loans	31,274		12,066		19,208	
Commercial paper	35,000		-		35,000	
Current portion of bonds with warrants	-		17,919		(17,919)	
Other payables	13,107		8,710		4,396	
Accrued income tax	14,522		11,931		2,590	
Accrued enterprise tax	4,295		3,582		713	
Allowance for employees' bonuses	6,507		5,409		1,097	
Others	4,380		4,074		306	
Long-term liabilities	86,161	17.5	77,725	20.1	8,435	10.9
Bonds	50,000		30,000		20,000	
Convertible bonds	19,038		29,990		(10,952)	
Long-term loans	8,619		10,601		(1,982)	
Allowance for retirement and severance benefits	8,362		7,028		1,334	
Others	141		105		35	
Foreign currency translation adjustment	1,716	0.3	843	0.2	872	103.5
(Shareholders' equity)	261,008	52.9	207,476	53.6	53,532	25.8
Common stock	45,444	9.2	30,754	7.9	14,690	47.8
Additional paid in capital	68,506	13.9	53,823	13.9	14,683	27.3
Legal reserve	4,227	0.9	3,739	1.0	488	13.1
Retained earnings	142,853	28.9	119,175	30.8	23,678	19.9
Treasury stock	(24)	(0.0)	(16)	(0.0)	(8)	52.6
Total liabilities and shareholders' equity	493,599	100.0	387,076	100.0	106,523	27.5

Notes:

Accumulated depreciation of property, plant and equipment: ¥51,774 million

Number of treasury stocks: 4,101 shares

# Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 1998		Year ended March 31, 1997		Increase (decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	% Change
Net sales	455,584	100.0	432,784	100.0	22,799	5.3
Cost of sales	304,824	66.9	297,545	68.8	7,279	2.5
Gross profit	150,759	33.1	135,238	31.2	15,520	11.5
Selling, general & administrative expenses	94,237	20.7	81,114	18.7	13,122	16.2
Operating income	56,522	12.4	54,124	12.5	2,398	4.4
Non-operating income						
Interest income	598	0.1	493	0.1	105	
Dividend income	1,065	0.2	415	0.1	649	
Rent revenue	443	0.1	488	0.1	(45)	
Others	1,205	0.3	1,251	0.3	(45)	
Non-operating expenses						
Interest expenses	663	0.1	548	0.1	115	
Bond interest	976	0.2	1,321	0.3	(345)	
Share issue expense	268	0.1	16	0.1	251	
Bond issue expenses	101	0.0	-	-	101	
Rent expenses	261	0.1	254	0.1	6	
Others	188	0.0	197	0.1	(9)	
Ordinary income	57,376	12.6	54,433	12.6	2,942	5.4
Unusual or infrequent gains						
Prior term adjustment	-	-	64	0.0	(64)	
Reversal of allowance for doubtful accounts	-	-	119	0.0	(119)	
Proceeds from sales of fixed assets	40	0.0	168	0.0	(127)	
Others	12	0.0	10	0.0	2	
Unusual or infrequent losses						
Prior term adjustment	65	0.0	-	-	65	
Loss on proceeds or disposal of fixed assets	662	0.2	530	0.1	132	
write down of securities	468	0.1	-	-	468	
Others	173	0.0	43	0.0	129	
Earnings before income taxes	56,060	12.3	54,222	12.5	1,838	3.4
Provision for income taxes	26,051	5.7	24,247	5.6	1,803	7.4
Net income	30,009	6.6	29,974	6.9	34	0.1

## Consolidated Statements of Retained Earnings

(Millions of yen)

	Year ending March 31, 1998	Year ending March 31, 1997	Increase (decrease)
	Amount	Amount	Amount
Retained earnings at the beginning of fiscal year	119,175	94,639	24,535
Increase in retained earnings			
Increase in retained earnings resulting from consolidation of subsidiaries	-	191	(191)
Appropriation of retained earnings			
Transfer to legal reserve	488	439	49
Cash dividends	4,689	4,191	497
Bonuses to directors	336	354	(18)
Decrease in retained earnings resulting from consolidation of subsidiaries	816	-	816
Decrease in retained earnings resulting from decrease of companies accounted for by the equity method	-	644	(644)
Net income	30,009	29,974	34
Retained earnings at the end of fiscal year	142,853	119,175	23,678

## Net Sales by Product Group

(Millions of yen)

		Semiconductor Production Equipment	Computer Systems	Electronic Components	Total
Year ended March 31, 1998	Amount	380,183	15,262	60,138	455,584
	Composition	83.4	3.4	13.2	100.0
Year ended March 31, 1997	Amount	355,877	14,407	62,500	432,784
	Composition	82.2	3.3	14.5	100.0
Increase (decrease)	Amount	24,306	854	(2,361)	22,799
	Composition	6.8	5.9	(3.8)	5.3

# Segment Information

## 1. Segment information by business type

Tokyo Electron Limited and its consolidated subsidiaries are primarily engaged in manufacturing and marketing industrial electronic equipment, and are deemed to operate in a single segment. Segment information has therefore been omitted.

## 2. Segment information by country

Segment information by country is abbreviated, as both net sales and the assets of the consolidated subsidiaries situated outside Japan are less than 10% of consolidated net sales or assets.

## 3. Net sales outside Japan

(Millions of yen)

Year ended March 31, 1998				
	Taiwan	U.S.	Others	Total
Net sales outside Japan	76,259	70,758	78,016	225,034
Consolidated net sales				455,584
Ratio to consolidated net sales	16.7%	15.5%	17.2%	49.4%

### Notes:

- Classifications of countries and regions are based on geographical proximity.
- Principal countries included in others:
  - Korea
  - U.K.
  - France
  - Germany
  - Singapore
- Net sales outside Japan represent net sales in countries and regions outside of Japan from Tokyo Electron Limited and its consolidated subsidiaries.

(Millions of yen)

Year ended March 31, 1997		
Net sales outside Japan	Consolidated net sales	Ratio to consolidated net sales
175,977	432,784	40.7%

### Note:

Net sales outside Japan represent net sales in countries and regions outside of Japan from Tokyo Electron Limited and its consolidated subsidiaries.