

# Non-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  
 General Shareholders Meeting: June 26, 1998  
 Declaration of interim dividends: Yes

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	423,752	0.0	46,360	(4.6)	51,660	(7.1)
Year ended 3/31/97	423,570	(5.3)	44,342	(-2.2)	48,250	(0.7)

	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	27,782	0.3	161.69	155.95	12.6	13.1	12.2
Year ended 3/31/97	27,686	(12.9)	184.88	175.56	15.2	13.4	11.4

### Notes:

#### 1. Average number of shares of common stock issued during the period ended:

March 31, 1998: 171,826 (in thousands)

March 31, 1997: 149,757 (in thousands)

#### 2. Change in accounting methods: None

### (2) Cash dividends

	Annual cash dividends per share			Total dividends paid	Payout ratio	Annual dividends to shareholders' equity
	Interim	F.Y. end				
	Yen	Yen	Yen	Millions of yen	%	%
Year ended 3/31/98	30.00	15.00	15.00	5,205	18.7	2.1
Year ended 3/31/97	28.00	14.00	14.00	4,198	15.2	2.2

(3) 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	439,864	246,787	56.1	1413.70
Year ended 3/31/97	347,251	194,434	56.0	1294.60

Notes:

1. Number of shares of common stock issued at the end of the period as of:

March 31, 1998: 174,569 (in thousands)

March 31, 1997: 150,189 (in thousands)

On May 20, 1997, a 1:1.1 share split was conducted for shareholders as of March 31, 1997. As a result, the number of shares increased 15,018 (in thousands).

2. The difference between the market value and the book value, as reported on the balance sheet, of marketable securities: -1,166 million yen

3. The difference between the market value and the contract value of derivative transactions: -282 million yen

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

	Net sales	Ordinary income	Net income	Annual cash dividends per share		
				Interim	F.Y. end	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
6 months ending 9/30/98	155,000	10,000	6,000	9.00	-	-
Year ending 3/31/99	345,000	23,500	13,500	-	9.00	18.00

For reference: Estimate of earnings per share for the year ending March 31, 1999: 77.33 yen

# Non-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)	439,864	100.0	347,251	100.0	92,613	26.7
Current assets	367,311	83.5	287,055	82.7	80,256	28.0
Cash and time deposits	67,827		27,974		39,853	
Trade notes receivable	9,414		6,891		2,523	
Trade accounts receivable	165,714		165,867		(153)	
Other receivables	8,421		3,516		4,904	
Marketable securities	859		993		(134)	
Merchandise inventory	35,067		28,855		6,212	
Supplies inventory	909		274		634	
Prepaid expenses	449		328		121	
Advance payments	2,162		1,563		599	
Short-term loans	77,059		51,361		25,697	
Others	1,852		1,577		275	
Allowance for doubtful accounts	(2,427)		(2,148)		(279)	
Fixed assets	72,553	16.5	60,195	17.3	12,357	20.5
Property, plant and equipment	38,576	8.8	28,702	8.3	9,873	34.4
Buildings	19,642		11,745		7,896	
Structures	754		777		(23)	
Machinery & equipment	4,122		3,072		1,050	
Vehicles & carriers	0		1		(0)	
Tools, furniture & fixtures	2,496		2,950		(454)	
Land	11,372		9,054		2,317	
Construction in progress	187		1,100		(912)	
Intangible fixed assets	625	0.1	274	0.0	351	128.0
Patent rights	456		122		334	
Telephone rights and others	169		152		17	
Investments and other assets	33,351	7.6	31,218	9.0	2,132	6.8
Investments in securities	5,884		6,754		(870)	
Investments in subsidiaries	15,911		12,364		3,546	
Long-term loans	1,312		3,095		(1,782)	
Long-term prepaid expenses	3,733		2,403		1,329	
Long-term deposits	3,802		3,803		(1)	
Others	2,719		2,826		(106)	
Allowance for doubtful accounts	(12)		(29)		16	
<b>Total Assets</b>	<b>439,864</b>	<b>100.0</b>	<b>347,251</b>	<b>100.0</b>	<b>92,613</b>	<b>26.7</b>

# Non-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)	193,077	43.9	152,816	44.0	40,260	26.3
Current liabilities	115,618	26.3	89,806	25.9	25,811	28.7
Trade notes payable	12		1		10	
Trade accounts payable	47,821		43,728		4,092	
Short-term loans payable	457		1,468		(1,011)	
Commercial paper	35,000		-		35,000	
Current portion of bonds with warrants	-		17,919		(17,919)	
Other payables	13,769		10,696		3,073	
Accrued income tax	12,195		9,797		2,398	
Accrued enterprise tax	3,754		3,118		636	
Accrued expenses	79		42		36	
Deferred income	264		701		(436)	
Advances received	428		523		(95)	
Suspense received	254		383		(129)	
Allowance for employees' bonuses	1,580		1,425		154	
Long-term liabilities	77,459	17.6	63,009	18.1	14,449	22.9
Bonds	50,000		30,000		20,000	
Convertible bonds	19,038		29,990		(10,952)	
Long-term loans payable	5,000		-		5,000	
Allowance for retirement and severance benefits	3,375		2,974		401	
Guaranteed deposits received	45		45		-	
(Shareholders' equity)	246,787	56.1	194,434	56.0	52,352	26.9
Common stock	45,444	10.3	30,754	8.9	14,690	47.8
Required reserve	72,734	16.6	57,562	16.6	15,172	26.4
Additional paid in capital	68,506		53,823		14,683	
Legal reserve	4,227		3,739		488	
Retained earnings	128,607	29.2	106,117	30.5	22,490	21.2
Reserve for special depreciation	665		485		180	
Reserve for developing a domestic market for an imported product	2,400		3,000		(600)	
Reserve for unspecified purpose	94,500		72,500		22,000	
Unappropriated retained earnings (including net income of the fiscal year)	31,042 (27,782)		30,132 (27,686)		909 96	
<b>Total liabilities and shareholders' equity</b>	<b>439,864</b>	<b>100.0</b>	<b>347,251</b>	<b>100.0</b>	<b>92,613</b>	<b>26.7</b>

# Non-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
(Ordinary income or loss)						
(Operating income or loss)						
Net sales	423,752	100.0	423,570	100.0	182	0.0
Cost of sales	341,931	80.7	345,905	81.7	(3,973)	(1.2)
Gross profit	81,821	19.3	77,664	18.3	4,156	5.4
Selling, general & administrative expenses	35,460	8.4	33,321	7.8	2,138	6.4
Operating income	46,360	10.9	44,342	10.5	2,017	4.6
(Non-operating income or loss)						
Non-operating income						
Interest income	1,479	0.3	1,150	0.3	329	
Dividend income	2,396	0.6	2,126	0.5	269	
Rent revenue	2,944	0.7	2,750	0.6	193	
Miscellaneous income	1,148	0.3	511	0.1	636	
Non-operating expenses						
Interest expenses	17	0.0	128	0.0	(111)	
Bond interest	976	0.2	1,321	0.3	(345)	
Share issue expenses	268	0.1	16	0.0	251	
Bond issue expenses	101	0.0	-	-	101	
Rent expenses	1,119	0.3	1,037	0.3	82	
Miscellaneous expenses	185	0.0	127	0.0	57	
Ordinary income	51,660	12.2	48,250	11.4	3,410	7.1
(Unusual or infrequent gains or losses)						
Unusual or infrequent gains						
Reversal of allowance for doubtful accounts	-	-	138	0.0	(138)	
Proceeds from sales of fixed assets	38	0.0	40	0.0	(2)	
Others	-	-	9	0.0	(9)	
Unusual or infrequent losses						
Prior term adjustment	62	0.0	-	-	62	
Loss on sales or disposal of fixed assets	544	0.2	448	0.1	96	
Write down of securities	406	0.1	-	-	406	
Others	171	0.0	7	0.0	163	
Earnings before income taxes	50,513	11.9	47,982	11.3	2,531	5.3
Provision for income taxes	22,731	5.3	20,296	4.8	2,435	12.0
Net income	27,782	6.6	27,686	6.5	96	0.3
Unappropriated retained earnings brought forward	6,104		4,751			
Interim dividend	2,586		2,095			
Transfer to legal reserve	258		209			
Unappropriated retained earnings	31,042		30,132			

Notes:

Sales to subsidiaries:	21,707 million yen
Purchases from subsidiaries:	287,584 million yen
Non-operating transactions with subsidiaries:	15,730 million yen

# Proposal for Appropriation of Unappropriated Retained Earnings

(Millions of yen)

	Year ended March 31, 1998	Year ended March 31, 1997	Increase (decrease)
Unappropriated retained earnings at the end of fiscal year	31,042	30,132	909
Reversal of voluntary reserve			
Reserve for special depreciation	134	97	36
Reserve for developing a domestic market for an imported product	600	600	-
Total	31,776	30,830	946
Appropriations			
Legal reserve	280	230	50
Cash dividends	2,618	2,102	515
	(Dividends per share: ¥15)	(Dividends per share: ¥14)	
Bonuses to directors	105	115	(10)
Voluntary reserve			
Reserve for special depreciation	811	278	533
Reserve for an unspecified purpose	22,000	22,000	-
Retained earnings to be carried forward	5,961	6,104	(143)

Notes:

1. Interim cash dividends of 2,586 (¥15 per share) were implemented on December 12, 1997.
2. Additions to or reversals of the reserve for special depreciation and the reserve for developing the domestic market for imported products are conducted in accordance with the Special Taxation Measure Law.

## Condition of Sales, Orders and Order Backlogs by Product Group

(Millions of yen)

			Semiconductor production equipment	Computer systems	Electronic components	Total	(exports)
Order backlogs		Amount	235,335	5,685	12,466	253,486	(129,634)
Year ended March 31, 1996		% of total	92.8	2.3	4.9	100.0	(51.2)
Year ended March 31, 1997		Amount	287,863	13,686	47,338	348,888	(140,778)
	Orders	% of total	82.5	3.9	13.6	100.0	(40.4)
	Net sales	Amount	353,215	14,459	55,895	423,570	(173,647)
		% of total	83.4	3.4	13.2	100.0	(41.0)
Year ended March 31, 1998	Order backlogs	Amount	169,984	4,911	3,909	178,805	(96,765)
		% of total	95.1	2.7	2.2	100.0	(54.1)
	Orders	Amount	325,910	15,039	35,569	376,519	(207,721)
		% of total	86.6	4.0	9.4	100.0	(55.2)
Change Year-on-year comparison	Net sales	Amount	371,457	15,532	36,761	423,752	(217,263)
		% of total	87.7	3.7	8.6	100.0	(51.3)
	Order backlogs	Amount	124,436	4,417	2,717	131,571	(87,224)
		% of total	94.6	3.4	2.1	100.0	(66.3)
Change Year-on-year comparison	Orders	Amount	38,046	1,353	(11,769)	27,630	(66,942)
		% of total	13.2	9.9	(24.9)	7.9	(47.6)
	Net sales	Amount	18,242	1,072	(19,133)	182	(43,615)
		% of total	5.2	7.4	(34.2)	0.0	(25.1)
Change Year-on-year comparison	Order backlogs	Amount	(45,547)	(493)	(1,192)	(47,233)	(-9,541)
		% of total	(26.8)	(10.0)	(30.5)	(26.4)	(-9.9)