

TOKYO ELECTRON

FY2005 Financial Announcement



May 12, 2005

Disclaimer regarding Forward-looking Statement

The projections outlined in this presentation were created based on the best information available at the time they were created. The semiconductor production equipment industry is characterized by large and rapid technological change and fierce competition. There are also various factors such as world economic conditions and semiconductor market conditions which directly and indirectly impact the Company's results. As a result, future projections may differ from those in this presentation. The Company makes announcements when the changes are large.



TOKYO ELECTRON

CORP IR/May 12, 2005



FY2005 Financial Summary and FY2006 Financial Estimates

FY2005: April 1, 2004 - March 31, 2005
FY2006: April 1, 2005 - March 31, 2006

May 12, 2005



Changes in Accounting Policies

TEL introduced new accounting policies on following two points from FY2005.

	Previous Accounting Policy	New Accounting Policy (from FY2005)
1. Revenue recognition	<u>Shipment basis</u>	<u>Confirmation of set-up and testing of products</u> Applicable to: SPE (Wafer Probers and imported products excluded), and FPD production equipment
2. After-sale service expenses incurred during the warranty period (for SPE and FPD)	After-sale service expenses were reported when such expenses occurred	<u>Warranty reserves estimated to incur during the warranty period are reported</u>

- All figures are rounded down to the nearest hundred million yen.
- YoY change (growth) is calculated based on figures in millions of yen.

(Billions of Yen)

Consolidated Financial Results

	FY2004 Previous accounting policy	FY2005 (by previous accounting policy)		FY2005 New accounting policy	
	Full year	Full year (a)	YoY change	Full year (b)	Factors of differences (b)- (a)
Net sales	529.6	716.6	+35.3%	635.7	-80.9 Change in revenue recognition standards (-80.9)
SPE	425.7	516.3	+44.0%	457.1	
FPD (non-consolidated FPD 64.7 included)		96.8		75.0	
CN	18.4	15.9	-13.5%	15.9	
EC	84.2	86.2	+2.4%	86.2	
Others	1.2	1.2	+3.0%	1.2	
Gross profit	140.1 (26.5%)	197.1 (27.5%)	+40.7%	175.9 (27.7%)	-21.2 One-off effects on gross profit by the change in revenue recognition standards (-21.2) (i)
SG&A expenses	117.8	112.0	-5.8 bil yen	111.9	
Operating income	22.2 (4.2%)	85.1 (11.9%)	+62.8 bil yen	63.9 (10.1%)	-21.1
Ordinary income	21.1 (4.0%)	86.8 (12.1%)	+65.6 bil yen	65.6 (10.3%)	-21.2
Unusual & infrequent gains/losses	-6.2	2.6	+8.8 bil yen	-9.8	-12.4 Warranty expenses for the products sold in the past FY (-12.4) (ii)
EBIT	14.9 (2.8%)	89.4 (12.5%)	+74.5 bil yen	55.7 (8.8%)	-33.6 (i) + (ii)
Net income	8.2 (1.6%)			61.6 (9.7%)	

- Increase by increase in net sales
- Improvement in SPE gross margin

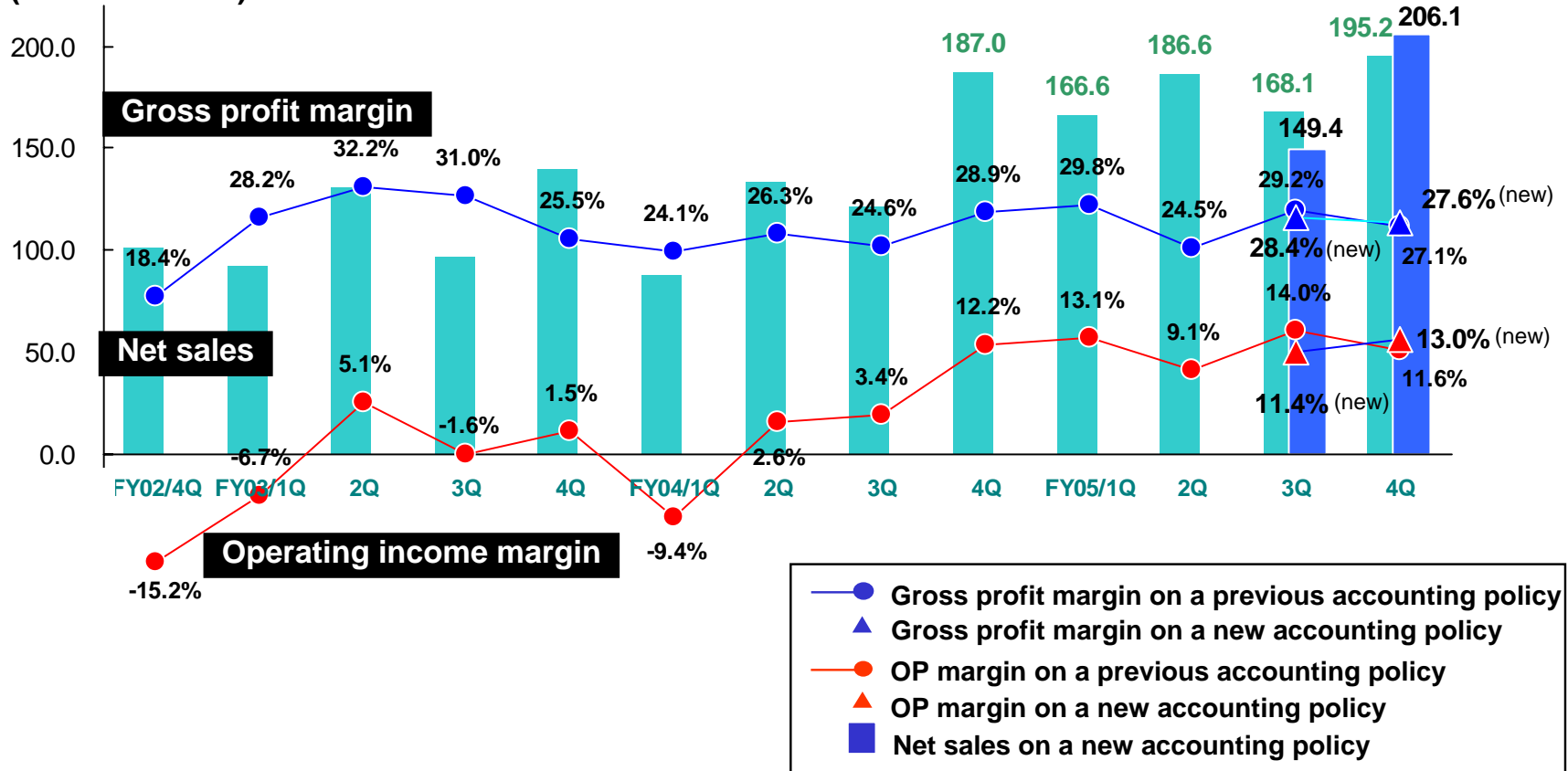
Decrease by 5.8 bil yen YoY
- Personnel expenses -2.1
- Depreciation -2.3

Gains 7.7
- Gains by transferring the portion of pension funds to the government 7.0
Losses 5.1
- Disposal of fixed assets 1.4
- Loss from discontinued operation 2.7

Income taxes
- current 15.5
- deferred - 21.9
(recovery of deferred tax assets of 27.9 included)

Quarterly Net Sales & Profit Ratio

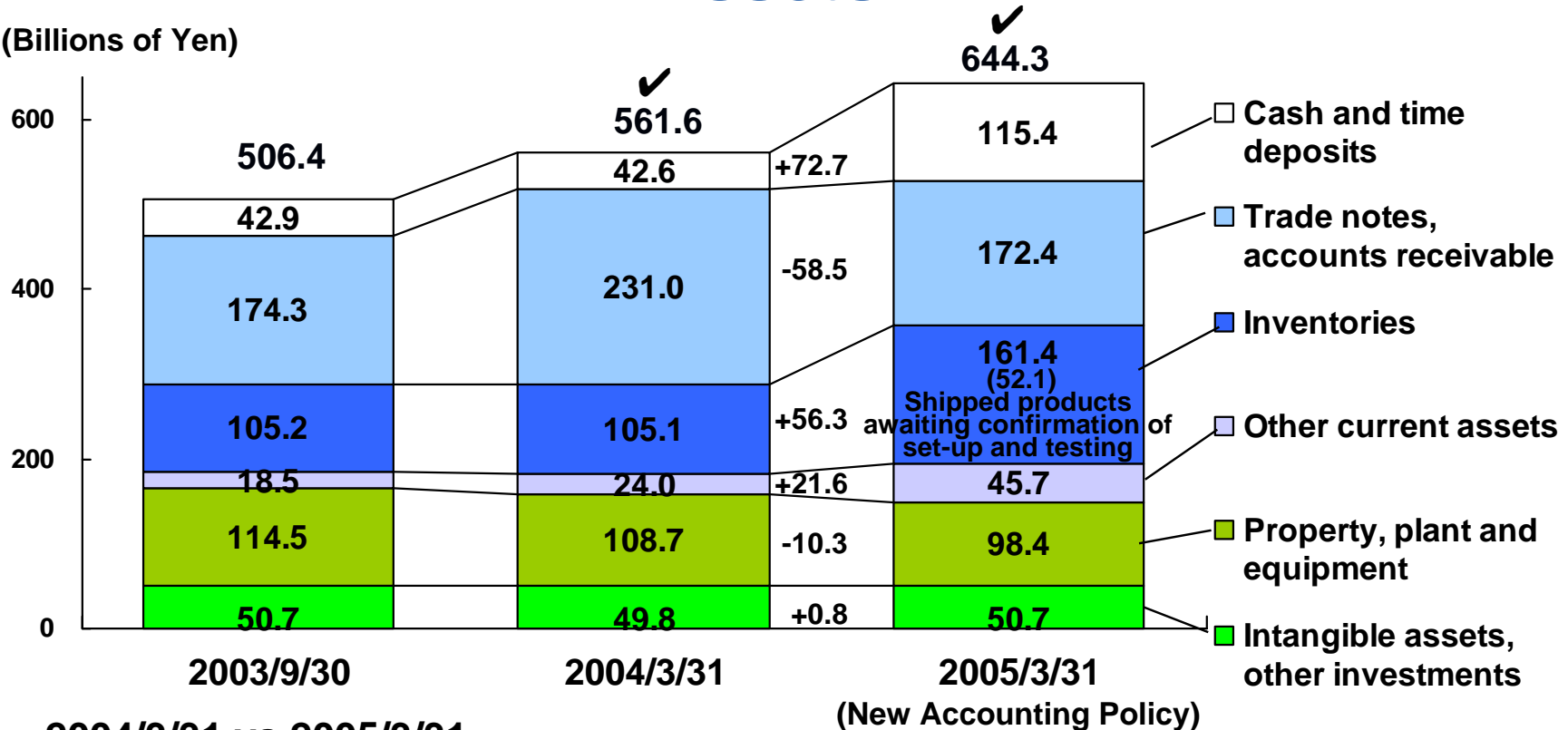
(Billions of Yen)



● From FY2004/1Q, some of the field engineering related expenses, which were previously included in SG&A, are classified as COGS.

Assets

(Billions of Yen)

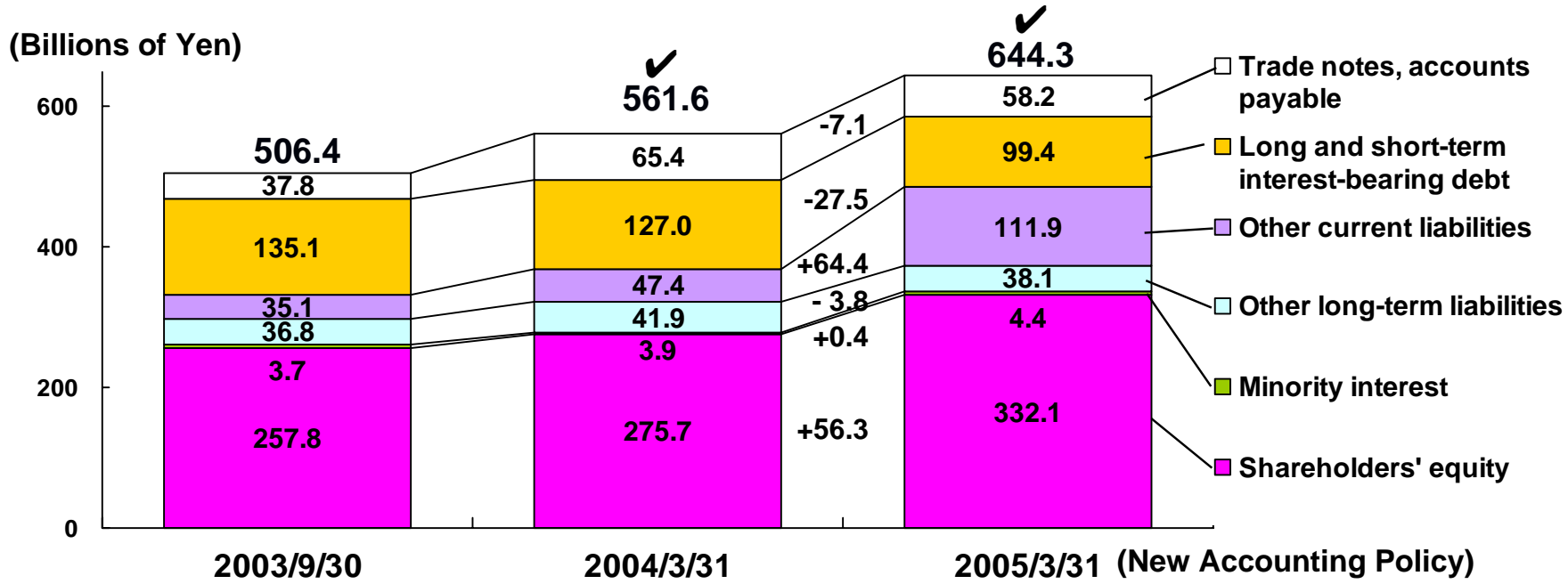


2004/3/31 vs 2005/3/31

(New Accounting Policy)

Trade notes, accounts receivable	- 58.5	Decrease by a change in revenue recognition standard (-51.2)
Inventories	+56.3	Increase by a change in revenue recognition standard (+52.1)
Other current assets	+21.6	Increase in deferred tax assets (27.9 of recovered tax assets included) (+15.2)

Liabilities & Shareholders' Equity



Debt to Equity	52.4%	46.1%	29.9%
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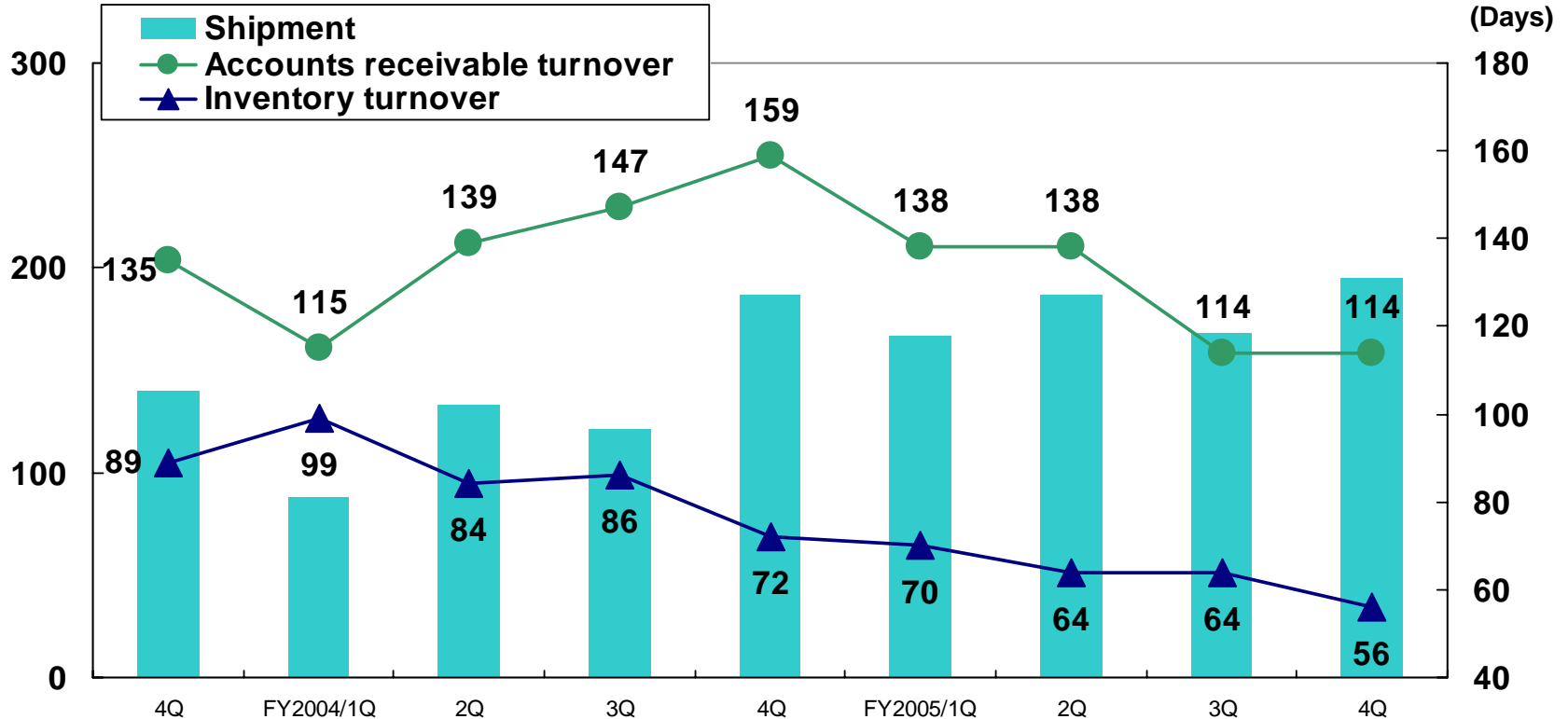
2004/3/31 vs 2005/3/31

Long and short-term interest-bearing debt	-27.5	Redemption of SB (-20.0), decrease in bank borrowings (-7.5)
Other current liabilities	+64.4	Allocation of warranty reserves (+13.1), increase in accrued income taxes (+10.0), increase in advance receipt mainly due to change in revenue recognition standard (+30.8)
Shareholders' equity	+56.3	Increase in retained earnings (+57.7)

Inventory Turnover and AR Turnover

<on a Shipment Basis>

(Billions of Yen)



Turnover days = Inventory or AR at the end of each quarter / 12-month moving-average shipment amount x 365

Cash Flow

(Billions of Yen)

	2005/3	2004/3	2003/3
Cash flow from operating activities	114.3	7.8	21.3
Income before income taxes	55.7	14.9	▲23.0
Depreciation and amortization	21.4	24.9	27.3
Others	37.1	▲32.0	17.0
Cash flow from investing activities	▲7.4	▲8.5	▲7.2
Payment for purchase of property, plant, equipment, etc	▲7.4	▲8.5	▲7.2
Cash flow from financial activities	▲34.3	▲10.2	▲9.8
Increase in interest bearing debt (▲decrease)	▲27.6	▲8.6	▲4.0
Dividends paid	▲3.7	▲1.4	▲1.3
Others	▲2.9	▲0.2	▲4.4
Effect of exchange rate changes on cash and cash equivalents	0.2	0.5	0.3
Net increase in cash and cash equivalents(▲decrease)	72.7	▲10.3	4.5
Cash and cash equivalents at beginning of year	42.6	52.9	48.4
Cash and cash equivalents at end of year	115.4	42.6	52.9

- Operating CF: Increase through raising operating income, faster recovery of accounts receivable, and controlling inventories
- Investing CF: Use cash mainly for R&D evaluation equipment
- Financing CF: Use cash for reducing interest-bearing debt



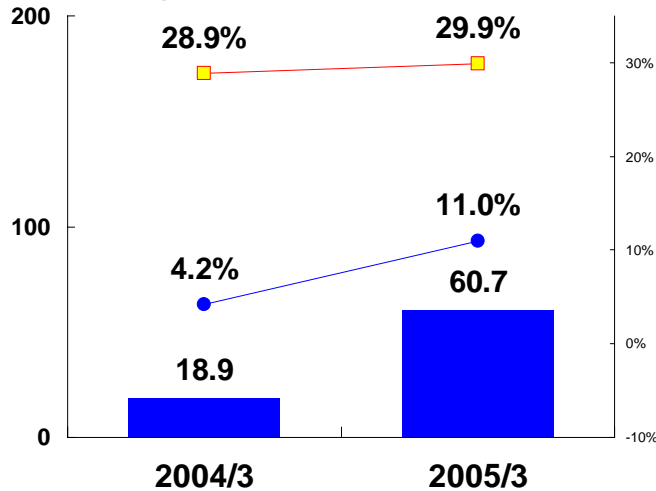
Segment Information by Business Type

Operating income/Operating income margin

Industrial electronic equipment
(SPE, FPD, Computer systems and Networks, other)

Electronic components
(Semiconductor products, Boards, Software, Other electronic components)

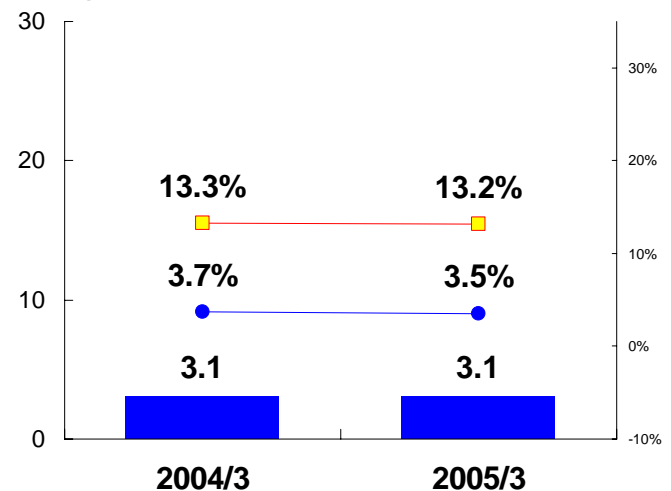
(Billions of Yen)



2004/3 Previous accounting policy 2005/3 New accounting policy

■ Operating income ● Operating margin
■ Gross margin

(Billions of Yen)



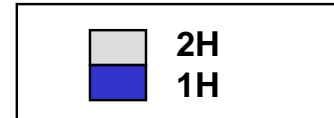
■ Operating income ● Operating margin
■ Gross margin

- Segment gross margin is provided just for reference.
- Data of industrial electronic equipment is provided based on a previous accounting policy for FY2004, and on a new accounting policy for FY2005. Data of electronic components is not affected by this accounting policy change.



FY2005 Financial Summary

Net Sales by Division



SPE Division

(Semiconductor Production Equipment)

FPD Division

(FPD Production Equipment)

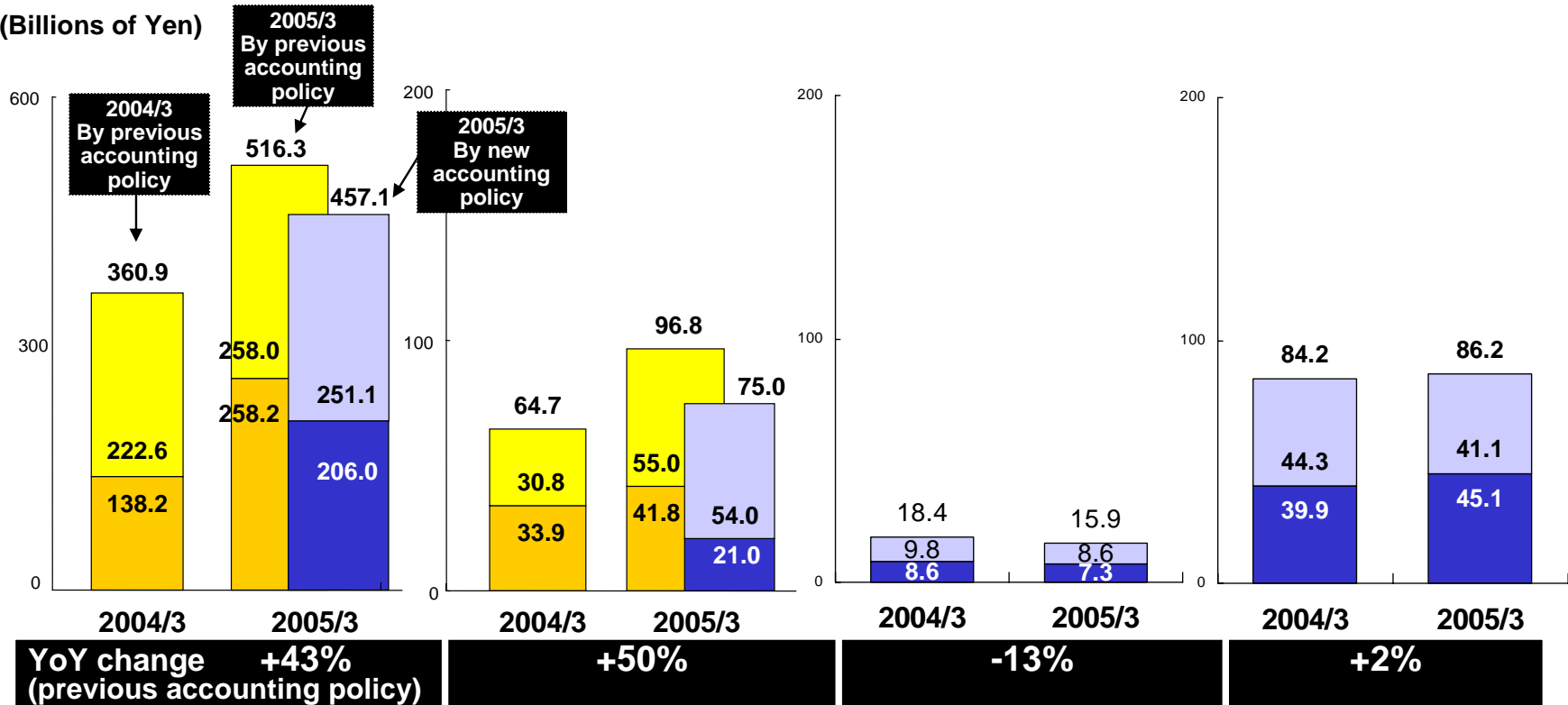
CN Division

(Computer Network)

EC Division

(Electronic Components)

(Billions of Yen)



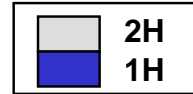
From FY2005, sales of FPD Production Equipment Division, which were included in sales of SPE Division, are disclosed separately on a consolidated basis. The figures for FY2004 were calculated as below:

- FY2004 SPE sales: consolidated SPE sales – non-consolidated FPD sales
- FY2004 FPD sales: non-consolidated FPD sales



FY2005 Financial Summary

SPE Sales by Region



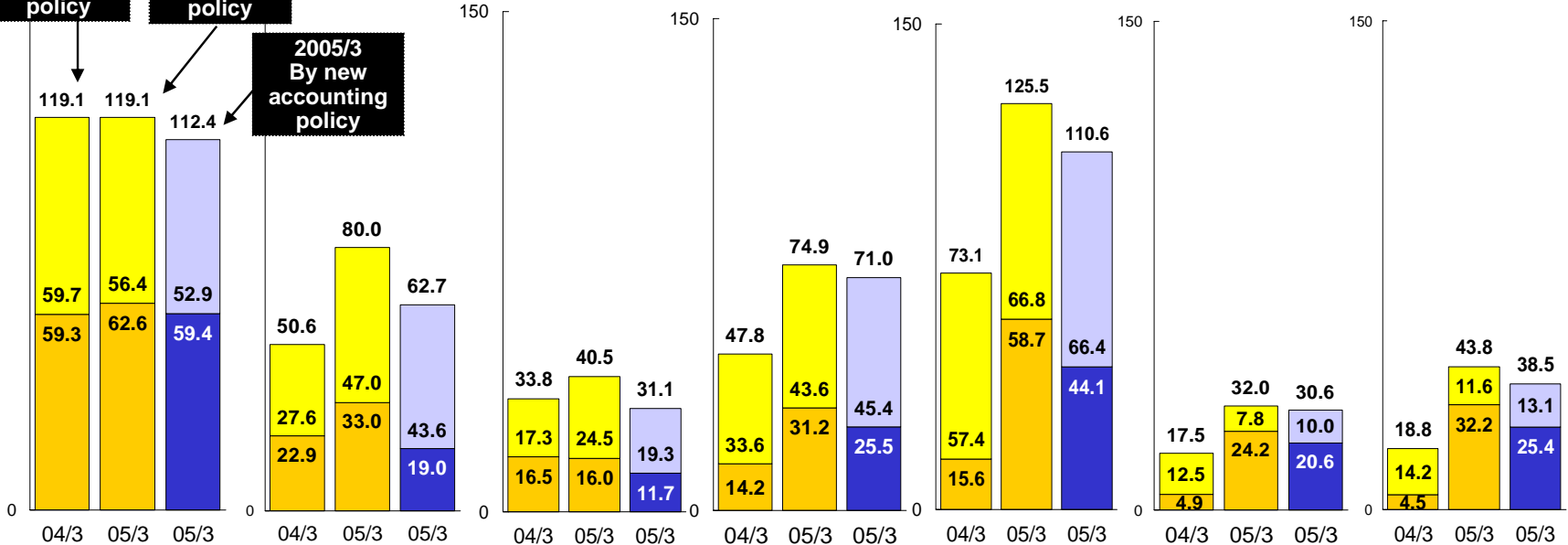
	Japan	U.S.	Europe	Korea	Taiwan	China	S.E. Asia
2004/3	33	14	9	13	20	5	6
2005/3(P)	23	16	8	15	24	6	8
2005/3(N)	25	14	7	15	24	7	8

2004/3	360.9 bil yen
2005/3(P)	516.3 bil yen
2005/3(N)	457.1 bil yen

P: Previous accounting policy
N: New accounting policy

(Billions of Yen)

2004/3 By previous accounting policy
2005/3 By previous accounting policy
2005/3 By new accounting policy



Japan	U.S.	Europe	Korea	Taiwan	china	S.E.Asia
YoY change 0% (previous accounting policy)	+58%	+20%	+57%	+72%	+83%	+133%

FY2004 SPE sales: consolidated SPE sales – non-consolidated FPD sales

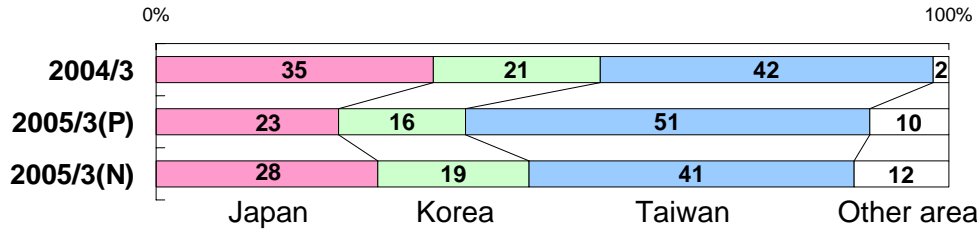
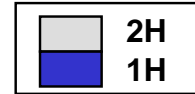


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FY2005 Financial Summary

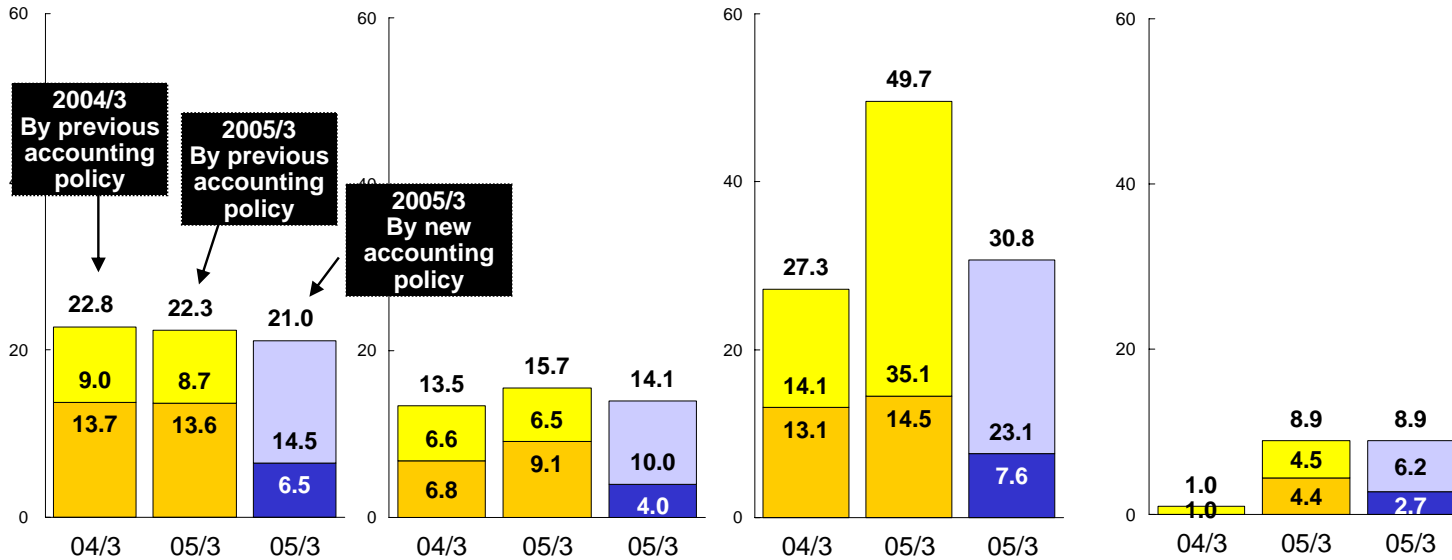
FPD Sales by Region



2004/3 64.7 bil yen
2005/3(P) 96.8 bil yen
2005/3(N) 75.0 bil yen

P: Previous accounting policy
 N: New accounting policy

(Billions of Yen)



Japan	Korea	Taiwan	Other area
YoY change -2% (previous accounting policy)	+16%	+82%	+739%

FY2004: non-consolidated, FY2005: consolidated

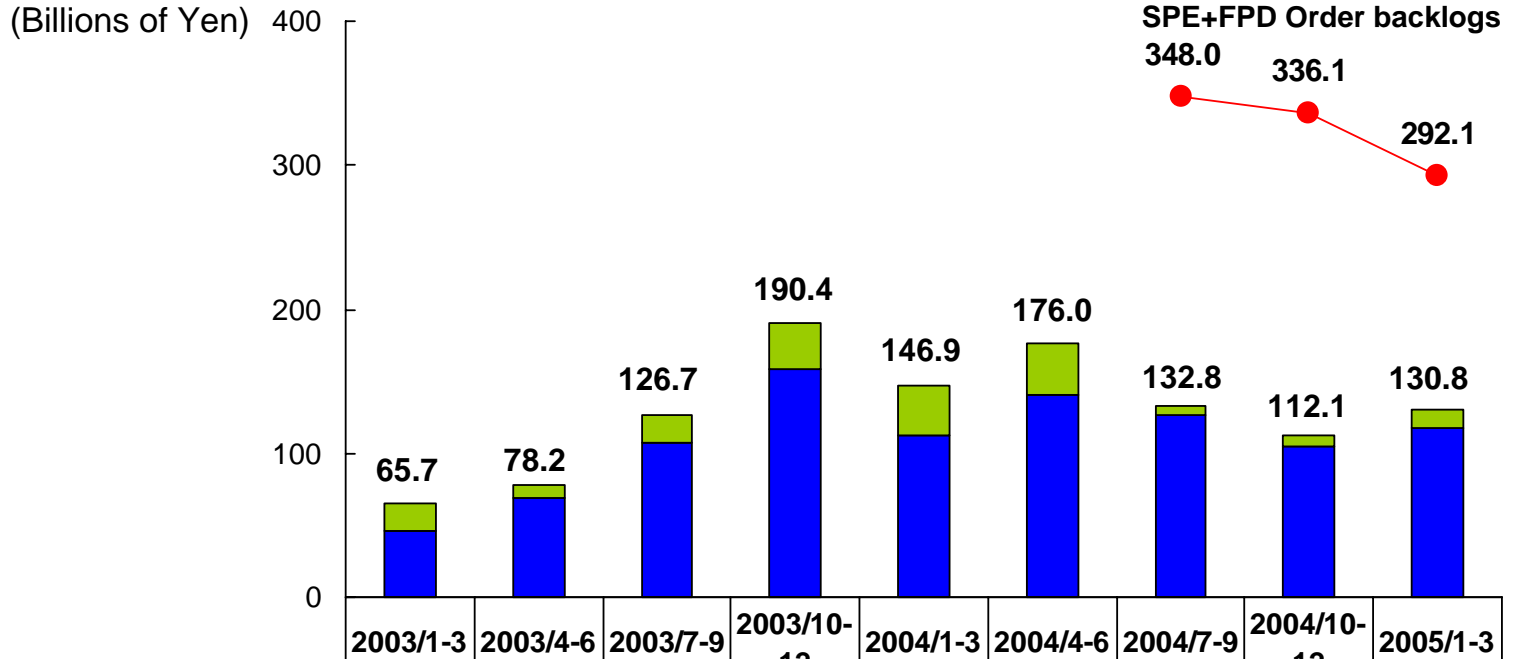


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Quarterly SPE+FPD Order, Order Backlog

Net, Non-consolidated Basis



FPD Production Equipment	19.2	9.3	19.2	31.6	34.7	34.9	6.0	6.6	13.6
SPE	46.5	68.8	107.5	158.7	112.1	141.0	126.8	105.4	117.2
Order backlog (confirmation of set-up and testing basis)							348.0	336.1	292.1

Order backlog breakdown

FPD	99.6	81.0	66.0
SPE	248.3	255.1	226.0



FY2006 Financial Estimates

(April 1, 2005 – March 31, 2006)



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CORP IR/May 12, 2005



FY2006 Financial Estimates

Consolidated Financial forecast

On a basis of new accounting policy

(Billions of Yen)

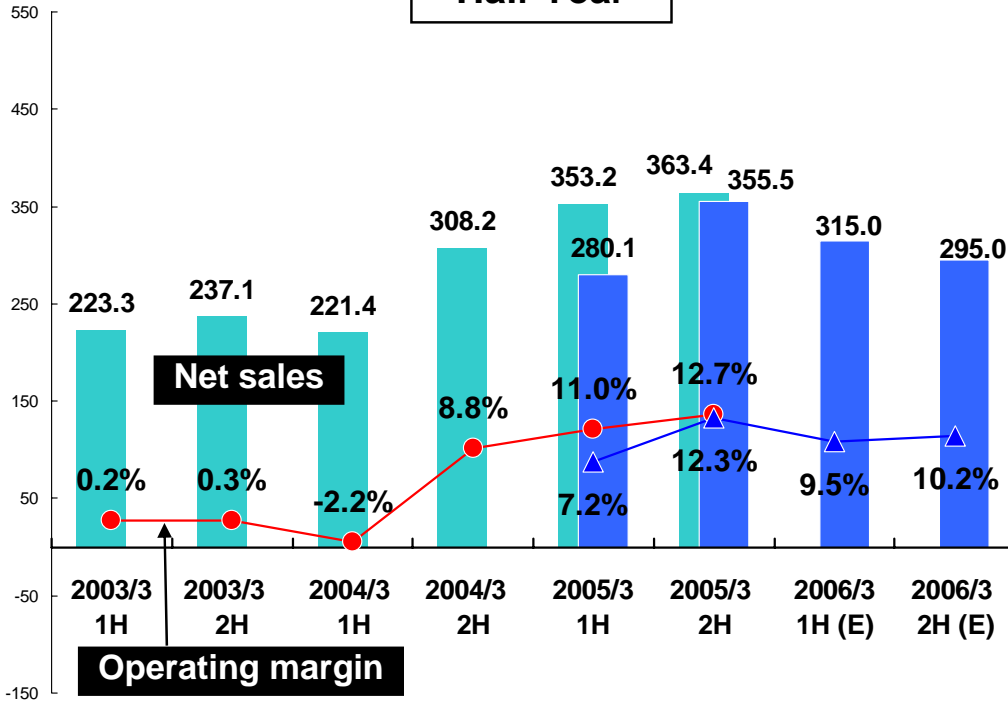
	FY2005	FY2006 (E)			
	Full year	1H (E)	2H (E)	Full year (E)	YoY change
Net sales	635.7	315.0	295.0	610.0	-4%
SPE	457.1	225.0	210.0	435.0	-5%
FPD	75.0	41.5	31.0	72.5	-3%
CN	15.9	8.5	9.5	18.0	+13%
EC	86.2	39.5	44.0	83.5	-3%
Others	1.2	0.5	0.5	1.0	-21%
Operating income	63.9 (10.1%)	30.0 (9.5%)	30.0 (10.2%)	60.0 (9.8%)	-6%
Ordinary income	65.6 (10.3%)	30.5 (9.7%)	30.5 (10.3%)	61.0 (10.0%)	-7%
EBIT	55.7 (8.8%)	30.5 (9.7%)	30.5 (10.3%)	61.0 (10.0%)	+9%
Net income	61.6 (9.7%)	18.0 (5.7%)	18.0 (6.1%)	36.0 (5.9%)	-42%



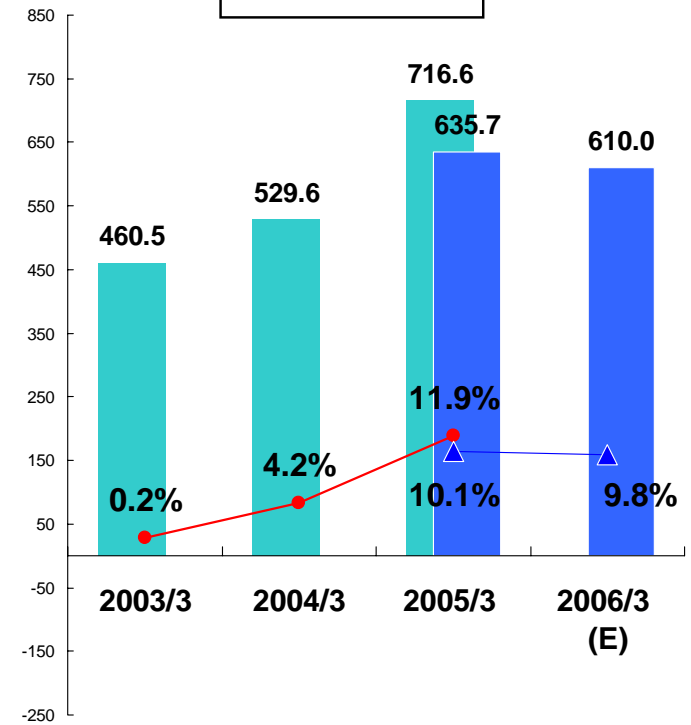
Net Sales & Profit Ratio

(Billions of Yen)

Half Year



Full Year



- OP margin on a basis of previous accounting policy
- Net sales on a basis of new accounting policy
- ▲ OP margin on a basis of new accounting policy



FY2006 Financial Estimates

Projected Net Sales by Division

<On a basis of new accounting policy>

SPE Division

(Semiconductor Production Equipment)

FPD Division

(FPD Production Equipment)

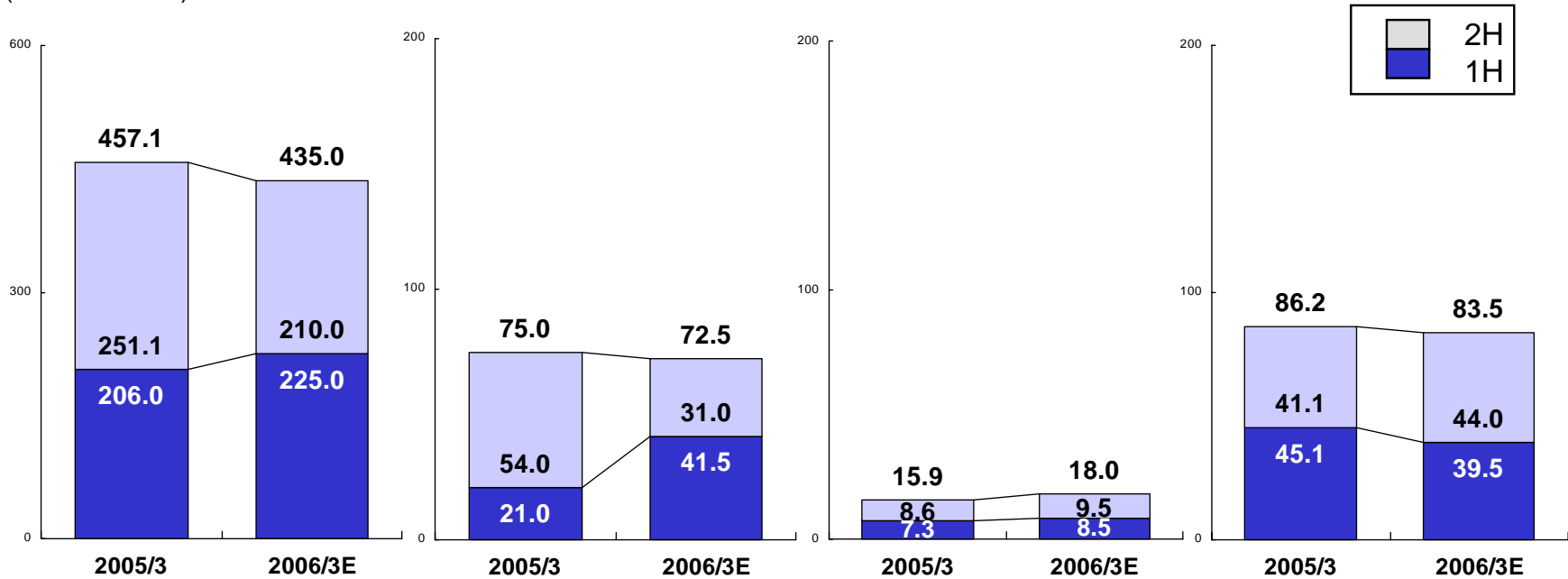
CN Division

(Computer Network)

EC Division

(Electronic Components)

(Billions of Yen)



YoY change - 5%
(new accounting policy)

- 3%

+13%

- 3%

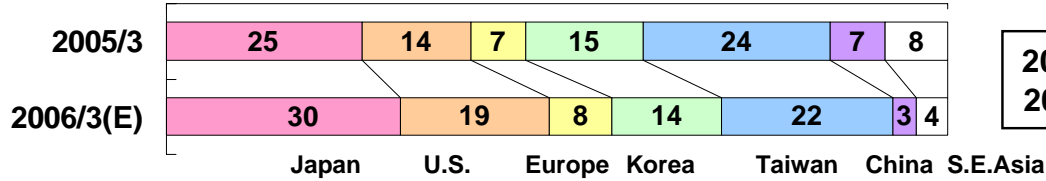
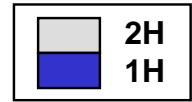


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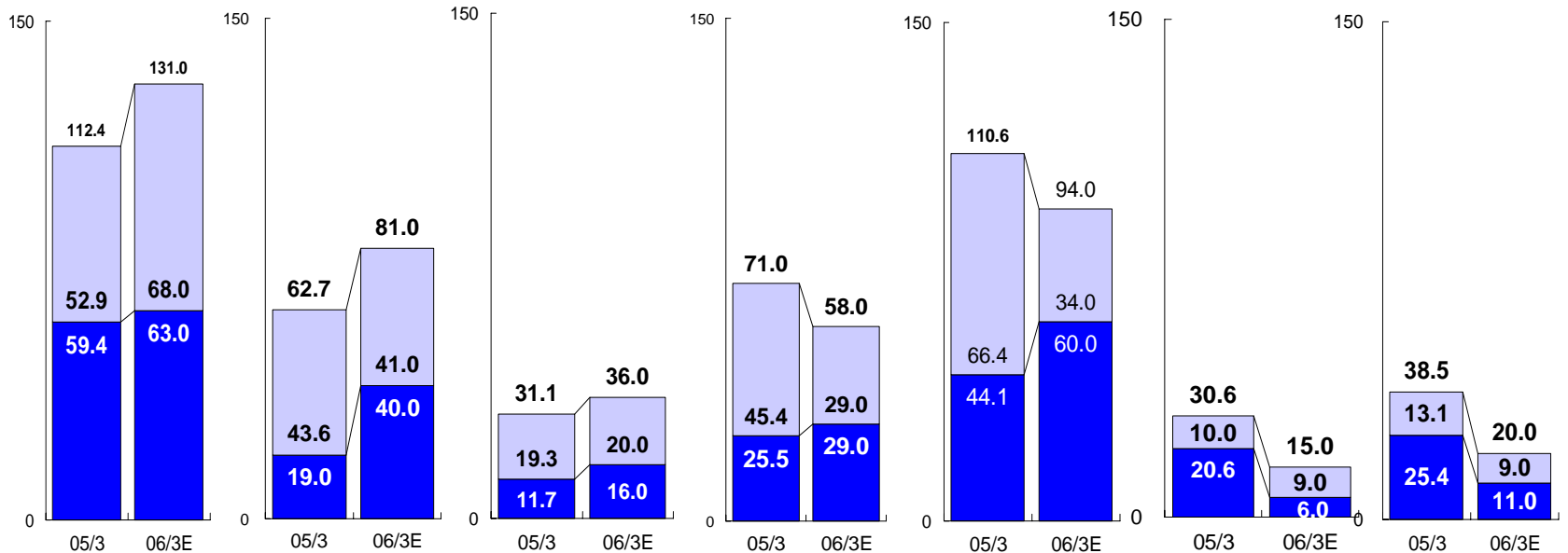
FY2006 Financial Estimates Projected SPE Sales by Region

<On a basis of new accounting policy>



2005/3 457.1 bil yen
2006/3(E) 435.0 bil yen

(Billions of Yen)

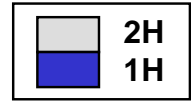
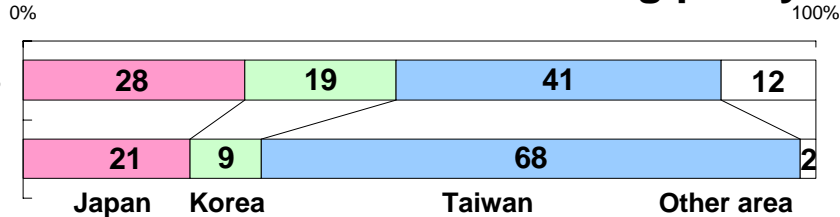


Japan	U.S.	Europe	Korea	Taiwan	China	S.E.Asia
YoY change +16% (new accounting policy)	+29%	+16%	- 18%	- 15%	- 51%	- 48%

FY2006 Financial Estimates

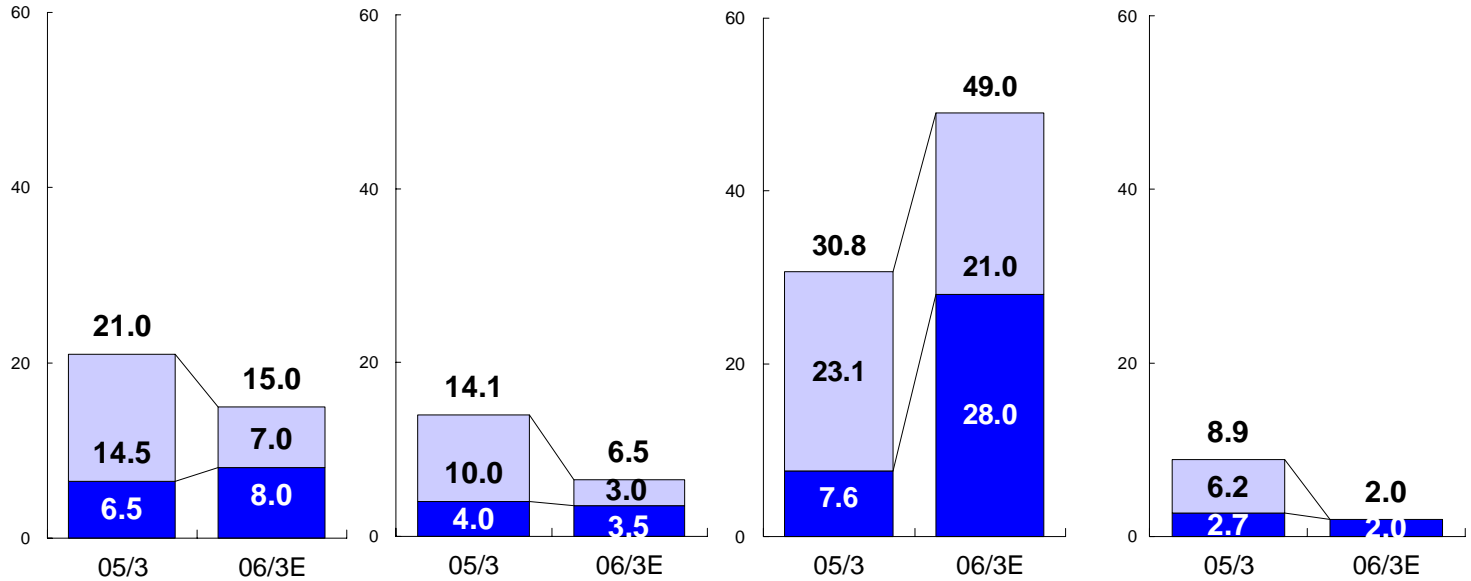
Projected FPD Sales by Region

<On a basis of new accounting policy>



2005/3 75.0 bil yen
2006/3(E) 72.5 bil yen

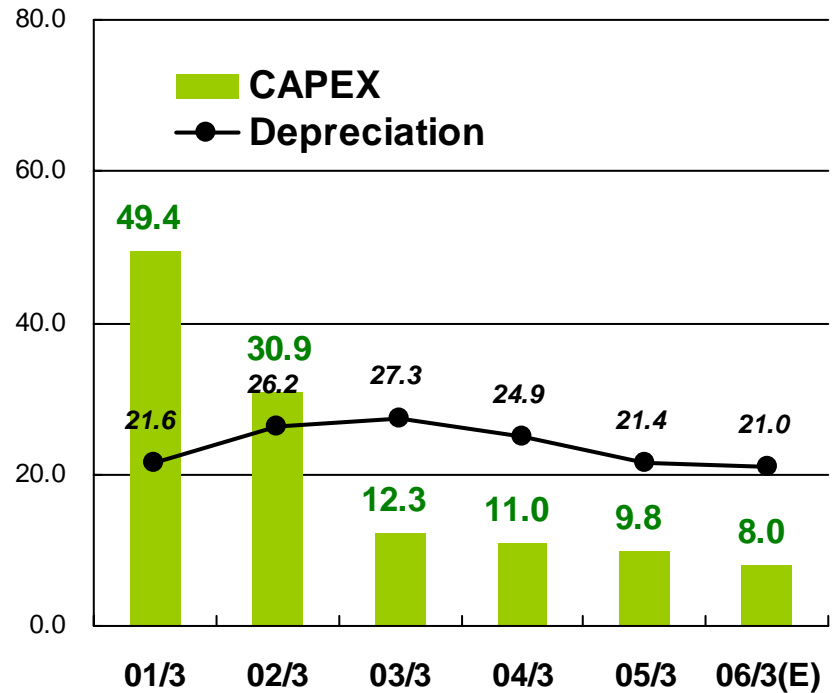
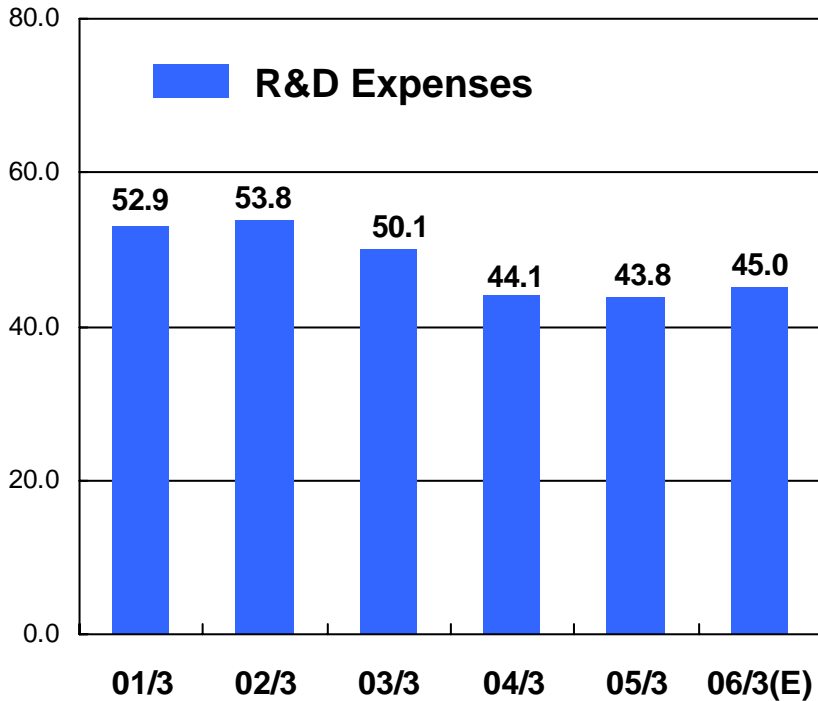
(Billions of Yen)



Japan	Korea	Taiwan	Other area
YoY change -29% (new accounting policy)	- 54%	+59%	- 78%

Projected R&D Expenses and Capital Expenditures

(Billions of Yen)



FY2005 Quarterly Data



Quarterly Financial Summary

(Billions of Yen)

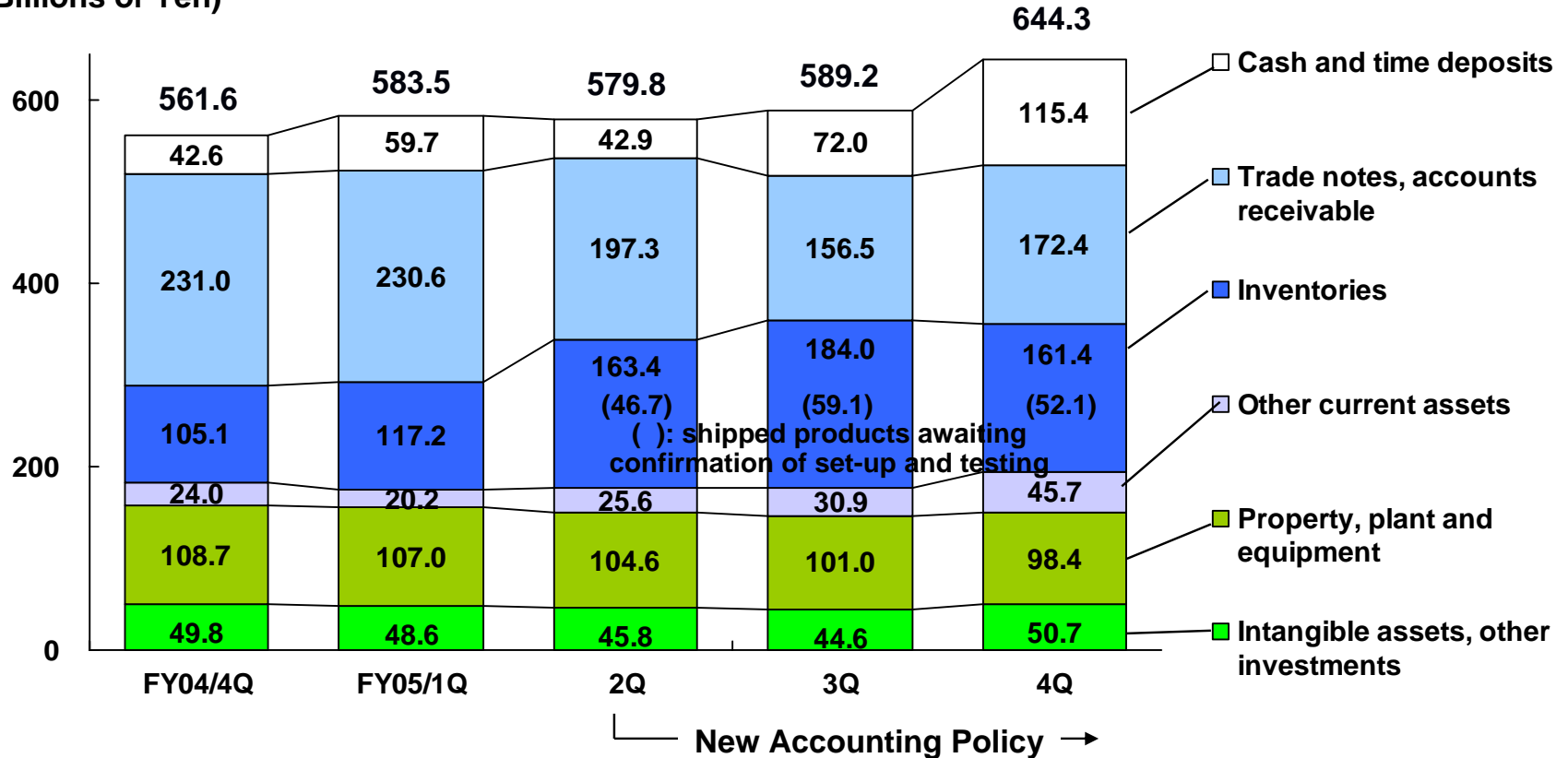
	FY2005 (Previous accounting policy)					FY2005 (New accounting policy)			
	1Q	2Q	3Q	4Q	total	1H	3Q	4Q	total
Net sales	166.6	186.6	168.1	195.2	716.6	280.1	149.4	206.1	635.7
Gross profit	49.5	45.6	49.0	52.8	197.1	76.7	42.4	56.7	175.9
SG&A expenses	27.7	28.7	25.4	30.1	112.0	56.4	25.4	30.0	111.9
Operating income	21.8	16.9	23.6	22.7	85.1	20.2	17.0	26.6	63.9
Ordinary income	22.0	17.4	23.9	23.3	86.8	20.9	17.4	27.2	65.6
EBIT	21.9	16.9	23.9	26.5	89.4	7.9	17.3	30.4	55.7
Net income						1.2	13.4	46.9	61.6
R&D expenses	9.7	11.5	10.2	12.2	43.8	21.3	10.2	12.2	43.8
CAPEX	2.2	2.2	2.1	3.2	9.8	4.5	2.1	3.2	9.8
Depreciation	5.2	5.1	5.3	5.6	21.4	10.4	5.3	5.6	21.4



FY2005 Quarterly Data

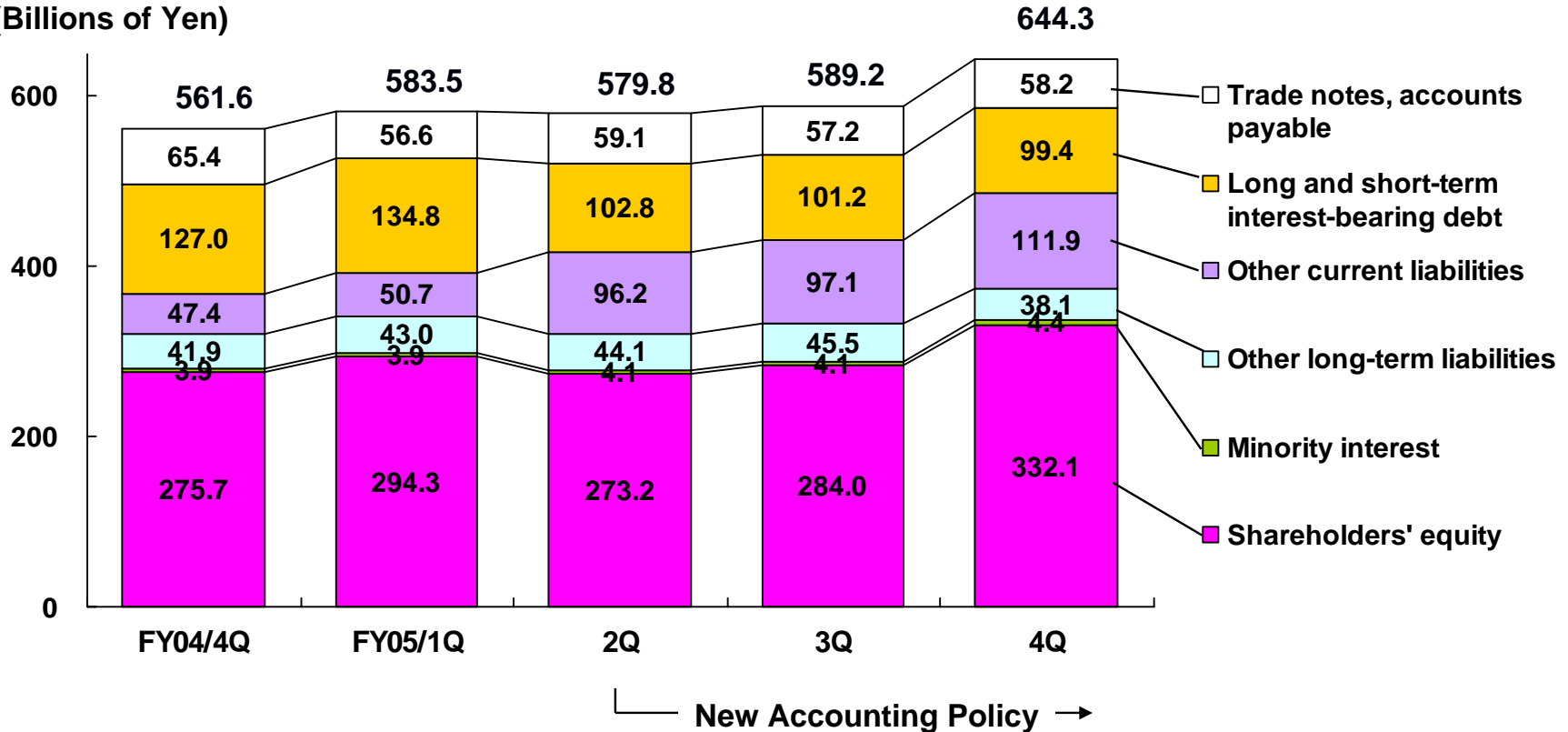
Quarterly Assets

(Billions of Yen)



Quarterly Liabilities & Shareholders' Equity

(Billions of Yen)



Quarterly Sales by Division

SPE Division

(Semiconductor Production Equipment)

FPD Division

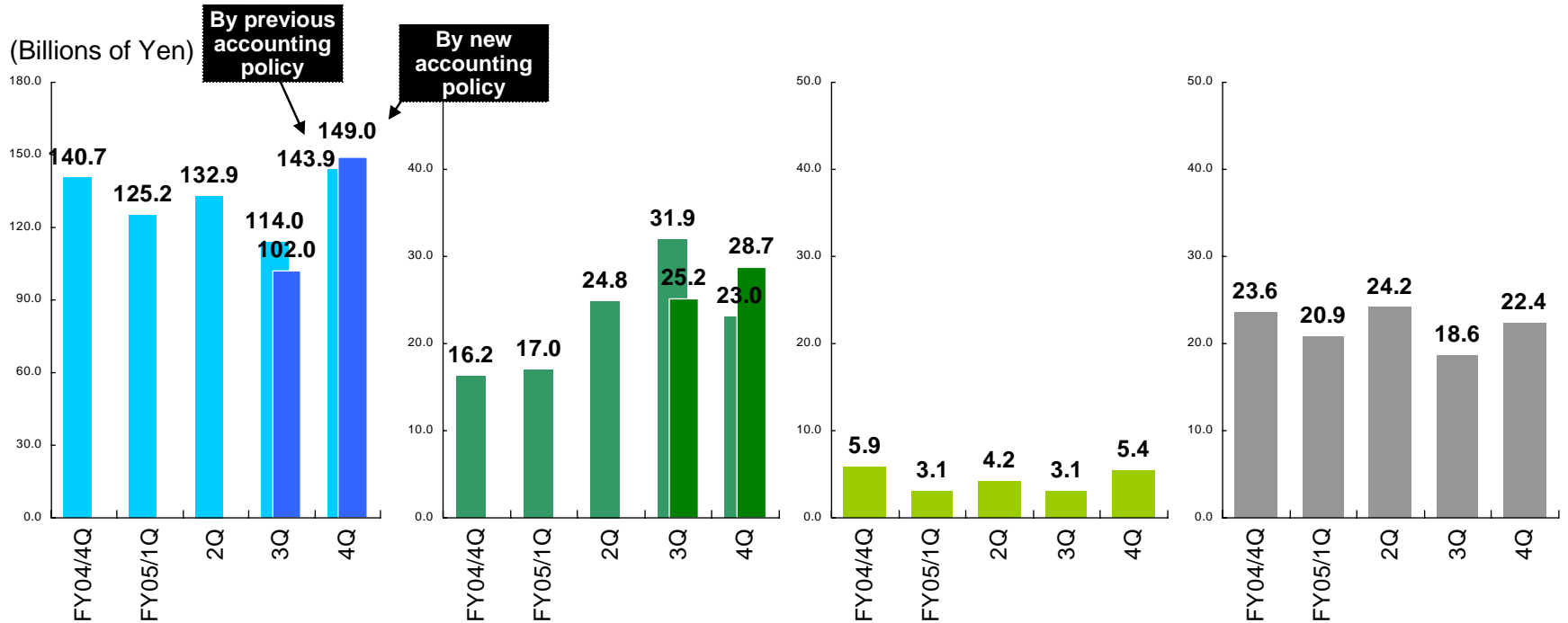
(FPD Production Equipment)

CN Division

(Computer Network)

EC Division

(Electronic Components)

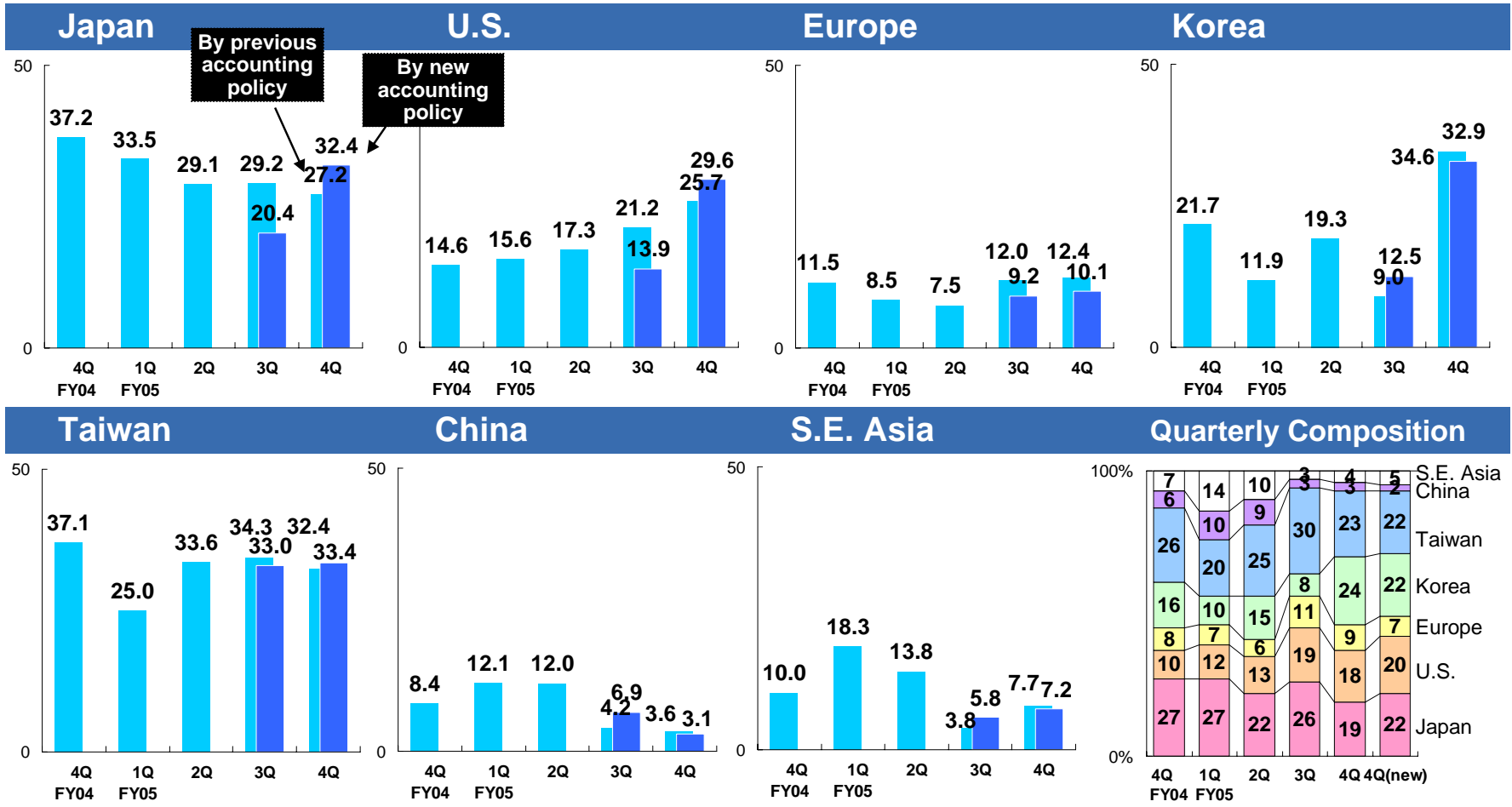


From FY2005, sales of FPD Production Equipment Division, which were included in sales of SPE Division, are disclosed separately on a consolidated basis. The figures for FY2004/4Q were calculated as below:

- FY2004/4Q SPE sales: consolidated SPE sales – non-consolidated FPD sales
- FY2004/4Q FPD sales: non-consolidated FPD sales

Quarterly SPE Sales by Region

(Billions of Yen)



FY2004/4Q SPE sales: consolidated SPE sales – non-consolidated FPD sales



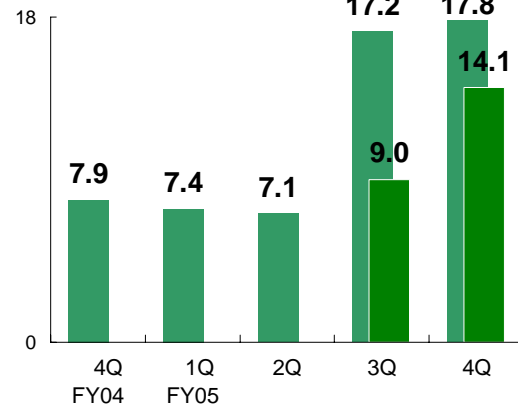
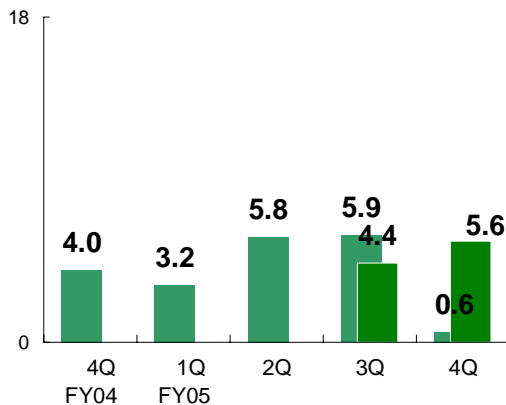
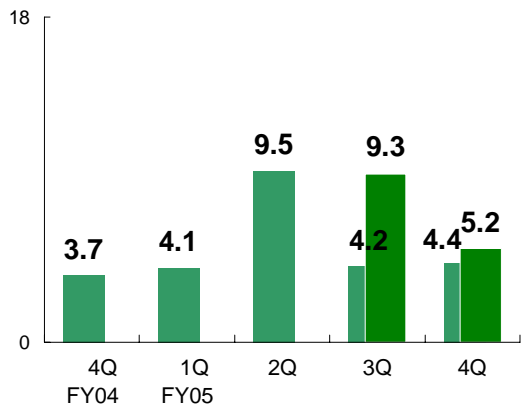
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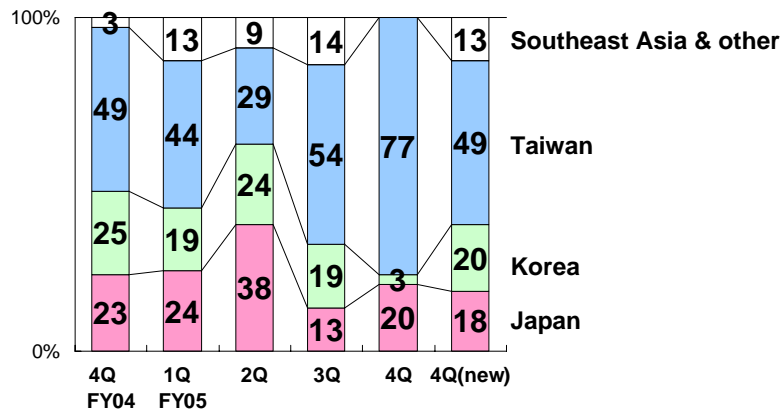
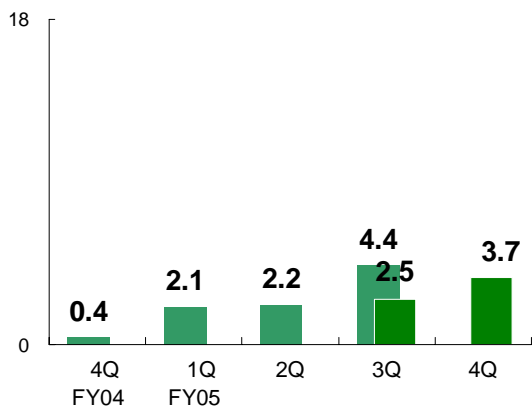
Quarterly FPD Equipment Sales by Region

(Billions of Yen)

Japan Korea Taiwan



Southeast Asia and other Quarterly Composition



FY2004/4Q: non-consolidated, FY2005: consolidated



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