May 12, 2006

Consolidated Financial Review for the Year Ended March 31, 2006

Company name:	TOKYO ELECTRON LIMITED
Headquarters address:	3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481 Japan
Telephone number:	(03) 5561-7000
URL:	http://www.tel.com
Stock exchange listing:	Tokyo Stock Exchange 1st Section
Code number:	8035
Representative:	Kiyoshi Sato, President & COO
Person-in-charge	Yukio Saeki, Director, Accounting Department
Board of Directors Meeting:	May 12, 2006
Application of U.S. GAAP:	None

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, 2006 (4/1/05 - 3/31/06)

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

(1) Operating results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/31/06	673,686	6.0	75,703	18.3	75,951	15.7
Year ended 3/31/05	635,710	20.0	63,982	187.2	65,632	210.1

	Net income		Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 3/31/06	48,005	(22.1)	267.61	267.32	13.5	11.6	11.3
Year ended 3/31/05	61,601	642.4	343.63	343.54	20.3	10.9	10.3

Notes:

1. Profit/loss on equity method:
   - Year ended 3/31/06: (402) million yen
   - Year ended 3/31/05: (351) million yen
2. Average number of shares of common stock (consolidated) issued:
   - Year ended 3/31/06: 178,145,523 shares
   - Year ended 3/31/05: 178,252,161 shares
3. Changes in accounting methods: None
4. Percentages for net sales, operating income, ordinary income and net income indicated changes from the previous term.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of 3/31/06	663,242	376,900	56.8	2,112.30
As of 3/31/05	644,319	332,165	51.6	1,863.28

Note:

Number of shares of common stock (consolidated) issued as of:

March 31, 2006	178,274,436 shares
March 31, 2005	178,081,239 shares

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 3/31/06	78,853	(10,536)	(43,420)	140,023
Year ended 3/31/05	114,349	(7,450)	(34,343)	115,420

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries:	24 companies
Unconsolidated subsidiaries:	0 company
Affiliates using the equity method:	1 company

(5) Changes in scope of consolidation and application of equity method

Consolidated companies:	Additions: 2 companies	Deletions: 3 companies
Companies using the equity method:	Additions: 0 company	Deletions: 0 company

2. Financial forecast for the year ending March 31, 2007 (4/1/06 - 3/31/07)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending 9/30/06	363,000	46,000	28,000
Year ending 3/31/07	750,000	103,000	63,000

For reference: Estimate of net income per share for the year ending March 31, 2007: 353.39 yen

Management Policy

1. Basic Management Policy

The basic management policy of Tokyo Electron Limited (the Company) is to increase its corporate value continuously even in any business environment by working to implement four fundamental management initiatives: (1) a policy of placing customers first; (2) strengthening its product development and technology development capabilities; (3) invigorating its employees; and (4) profit-oriented operations.

Under this policy, the Company intends to promote efforts for creating a powerful, vibrant company with high global competitiveness, high growth, and high profitability, and make its stock attractive to investors.

2. Basic Policies for Allocation of Earnings

The dividend policy of the Company has been to link dividend payments to business performance and revenue on an ongoing basis. Also, the Company's basic policy for returning profits to shareholders is to maintain a payout ratio of around 20% based on consolidated net income for the current term. In addition, as a link in tying its executive compensation system to business performance and revenue, its basic approach in paying bonuses to executives is to pay cash compensation based on business performance.

To expand the Company's business scope, internal capital reserves are used effectively for research and development, capital investment, and global business expansion. Priority is also placed on sound cash flow management and earnings growth in order to respond to the warm support the Company's shareholders provide.

The Company plans to submit a proposal at the regular general meeting of shareholders scheduled for June 2006 to revise the Articles of Incorporation to enable the Board of Directors to dispose of retained earnings, including dividend payments, by resolution in accordance with Article 459 Paragraph 1 of the Companies Law. If the proposed amendment to the Articles of Incorporation is approved, there will be no limitations on the number of times that dividends can be declared, but there are no plans to declare quarterly dividends at this time.

3. Management Task

The Company has gained a high level of trust from customers and has established a strong reputation as a player in the market by providing the most advanced technology with full

technical support for its equipment. It has also contributed to worldwide growth of the semiconductor-related industries as a market leader.

In conjunction with the development of an information-driven society, semiconductors and FPD products, which had been traditionally used mainly in PCs and mobile phones, have become applied to virtually all electronic products, and they can now be found in every aspect of day-to-day life. At the same time, the needs of the device manufacturers who are the Company's customers are more diverse than ever, and they are calling for production equipment that incorporates unique technologies capable of advanced process performance and mass production performance.

With markets and the business environment changing at an accelerating pace, the company has continued efforts this fiscal year to enhance technology and development activities and introduced new products in its major product fields. In April 2006, the Company reorganized the semiconductor production equipment division by consolidating the business units, which had been organized on product categories, and its manufacturing plants, and creating four business divisions that will focus on specific business areas to enhance the product marketing, equipment development and manufacturing technology capabilities. Other reorganization efforts were implemented, including the creation of a new division organized on a customer basis to integrate sales and service activities to reinforce capabilities and speed for customer response.

In terms of financial aspects, the Company has continued efforts to enhance profitability, collect account receivables as promptly as possible, and reduce inventories, building solid foundations for future growth through the maximization of cash flows.

4. Policy Concerning the Reduction in Size of the Stock Trading Unit

As part of its efforts to consider and implement measures to offer individual shareholders greater convenience, the Company reduced the size of its share trading unit from 1,000 shares to 100 shares on August 1, 2000. The Company also made efforts to improve its website, financial reports and the running of the general meeting of shareholders.

The Company believes that it has achieved greater liquidity for its shares as a result.

The Company intends to adopt a careful approach toward making further reductions in the size of the share trading unit, taking into consideration trends in the stock market, financial performance and other factors.

5. Matters Related to the Parent Company

There is no applicable information since the Company has no parent company.

Operating Results

1. Business Environment during the Fiscal Year ended March 31, 2006

Regarding the global economic condition during the fiscal year, the U. S. economy was brisk, despite concerns about damage from major hurricanes and high oil prices, because both personal consumption and capital investment remained strong. Turning to Asia, the Chinese economy continued to grow at a rapid pace supported by strong exports, and both South Korea and Taiwan have been enjoying solid economic performance. In Japan, there were continued signs of a steady recovery, including robust capital investment and an improvement in the employment situation bolstered by solid corporate performance.

With regard to the electronics industry, which the Company is participating in, the market for digital home appliances such as digital cameras, DVD recorders, flat-panel televisions, and portable music players, has broadened. PCs and mobile phones are making rapid inroads into newly developed emerging markets, including the BRIC counties (Brazil, Russia, India and China).

2. Overview of Profit and Loss during the Fiscal Year ended March 31, 2006

Net sales in the fiscal year increased 6.0% from the previous fiscal year, to 673,686 million yen. Looking at net sales by regions, sales of semiconductor production equipment in Japan and the United States were strong and were also solid in South Korea and Taiwan. In addition, net sales of FPD production equipment in Taiwan remained strong. As a result, domestic net sales were up 12.8% over the previous fiscal year, to 262,531 million yen, and overseas net sales were up 2.0% from the previous fiscal year, to 411,154 million yen. Overseas net sales accounted for 61.0% of consolidated net sales. Orders received during the fiscal year increased 7.0% over the previous fiscal year, to 721,568 million yen, and the consolidated order backlog at the end of the fiscal year increased 15.3%, to 361,001 million yen.

Cost of sales was 483,954 million yen, an increase of 5.3% compared to the previous fiscal year, and gross profit was 189,731 million yen, an increase of 7.9% over the previous fiscal year. As a result, the gross profit margin was 28.2%.

Selling, general and administrative (SG&A) expenses were 114,028 million yen, an increase of 1.9% from the previous fiscal year, and the ratio of SG&A expenses to net sales decreased to 17.0% from 17.6% in the previous fiscal year.

The Company posted an unusual or infrequent loss of 623 million yen, a decrease of 9,233 million yen from the previous fiscal year.

During the previous fiscal year, the standard for revenue recognition of semiconductor and FPD production equipment was changed from shipment of products to the confirmation of set-up and testing of products, and the accounting treatment of expenses for after-sales service during the warranty period was changed to a method of recording an estimated amount as accrued warranty expenses.

3. Overview of Operations during the Fiscal Year ended March 31, 2006 by Business Segment

1) Industrial Electronic Equipment Business

Due to continued strong net sales of semiconductor production equipment, which is a key division in this business segment, net sales for external customers during the fiscal year were 586,805 million yen, an increase of 6.8% over the previous fiscal year.

<<Semiconductor and FPD production equipment>>

(a) Semiconductor production equipment

Portable music players and automotive electronic products have been experiencing rapid growth, and although there were some cautious viewpoints at the beginning of the fiscal year, demand for PCs and mobile phones remained strong. As a result, there was a high-level of demand for the flash memory, DRAM, and other semiconductors used in these electronic devices, and semiconductor manufacturers invested in increasing production capacity and development of cutting-edge devices, generating brisk inquiries concerning the Company's products and leading to consolidated net sales of 486,882 million yen (a 6.5% year-on-year increase).

A look at trends according to the equipment type shows that backed by the strong desire among semiconductor memory manufacturers, particularly in Asia, for capital investments, there were increases for net sales in major product categories, including etch systems, thermal processing systems, CVD systems, and cleaning systems. Sales were particularly favorable of new products, including SCCM™ JI, which is the latest etch chamber, released last summer, CLEAN TRACK™ LITHIUS™, a new coaters/developer that supports the next-generation design shrinkage, and EXPEDIUS, a new auto wet station, which substantially increased its market share.

In terms of wafer diameter, semiconductor manufacturers were mainly moving to invest in

300mm wafer plants. As a result, the percentage of sales from this area to total net sales for semiconductor production equipment was about 85%.

(b) FPD production equipment

In conjunction with the shift to digital and high-definition broadcasting, flat-panel televisions, including LCD televisions, are rapidly finding their way into general households and even higher demand is expected to be generated in the future. Given this, LCD panel manufacturers are carrying out capital investment for the development of cutting-edge display panels and high production capacities. As a result of these developments, consolidated net sales in this division was 81,176 million yen (an 8.2% year-on-year increase).

<<Computer network>>

Net sales for the fiscal year in the computer network division were 17,497 million yen, an increase of 9.6% compared to the previous fiscal year, as a result of efforts to increase sales of storage area network (SAN; high-speed network that connects external storage systems or storage systems with computers) solutions, network solutions and related software.

Among SAN-related products, which account for 40% of net sales in this division, sales were strong in the fiber channel switch and host bus adapter businesses, which form the technological infrastructure of network construction. In addition, demand for corporate compliance and the prevention of leakages of personal information are rising, and as a result, sales of backup solutions using products such as ADIC's tape libraries and data high compression disk products as well as storage data encryption products began to increase.

With respect to network-related products, the website development business, centered on products from F5 that make possible the creation of highly-secure websites, were solid, and as a result sales of support and maintenance increased. The Company also expanded its lineup of products for construction of secure corporate networks with the start of sales in February 2006 of Infoblox products, which manage Internet IDs.

New markets are also being developed, including the start of sales in January 2006 in the new business area of long-term log storage and analysis tools in response to the Japanese version of the Sarbanes-Oxley Act. Positive results of this launch can already be seen in Japan.

<<Other>>

Net sales for other division during the fiscal year were 1,248 million yen, an annual decrease of

1.4%.

2) Electronic Components Business (Tokyo Electron Device Limited)

Concerning semiconductor products, which account for approximately 90% of sales in this segment, sales of products for factory-automation related devices and for cell phone base stations were steadily supported by higher capital investments, while sales of products used in flat panel display televisions and car navigation systems were solid as consumer spending grew.

Among board products, efforts were made to expand sales of PC motherboards and other FA-related equipment.

In terms of software, sales for operating systems for embedded system equipment centered on POS terminals progressed steadily. This was supported by an increase in IT investments against the background of improved corporate revenues.

As a result, net sales for external customers in this segment during the fiscal year were 86,880 million yen, an increase of 0.7% compared to the previous fiscal year.

(For reference)
Consolidated (Millions of yen)

	1Q	2Q	First Half	3Q	4Q	Second Half	Full Year	Year ended March 31, 2005
Net Sales	160,016	173,122	333,138	145,058	195,488	340,547	673,686	635,710
Industrial Electronic Equipment	141,413	149,816	291,229	124,784	170,791	295,576	586,805	549,460
Semiconductor/ FPD Production Equipment	137,899	144,397	282,297	121,232	164,529	285,762	568,059	532,228
SPE	113,984	125,274	239,259	104,568	143,054	247,623	486,882	457,190
Japan	22,934	43,446	66,380	41,842	33,950	75,792	142,173	112,454
U.S.	25,161	20,222	45,384	18,887	29,001	47,888	93,272	62,725
Europe	8,988	9,739	18,727	9,869	16,448	26,317	45,044	31,127
Korea	15,910	14,239	30,149	12,964	23,834	36,798	66,948	71,051
Taiwan	32,483	29,133	61,617	14,921	31,775	46,696	108,314	110,646
China	2,150	2,845	4,996	2,700	3,133	5,833	10,830	30,668
S.E. Asia	6,356	5,648	12,004	3,384	4,911	8,295	20,299	38,516
FPD	23,914	19,122	43,037	16,663	21,475	38,138	81,176	75,038
Computer Network	3,189	5,089	8,278	3,289	5,929	9,218	17,497	15,966
Other	323	329	653	263	331	595	1,248	1,266
Electronic Components	18,603	23,306	41,909	20,273	24,697	44,971	86,880	86,249
Ordinary income	21,717	15,037	36,754	16,965	22,231	39,197	75,951	65,632
Net income	13,237	10,741	23,978	10,147	13,879	24,026	48,005	61,601

4. Financial Position and Cash Flow

(1) Financial Position

Current assets at the end of the fiscal year increased by 22,302 million yen compared to the end of the previous fiscal year, to 517,487 million yen. Major changes included increases in cash and deposits of 24,603 million yen, decreased trade notes and accounts receivable of 3,449 million yen, increased inventories of 2,256 million yen.

Tangible fixed assets decreased by 3,677 million yen compared to the end of the previous fiscal year, to 94,738 million yen. The major reason for this was further depreciation of equipment.

Intangible fixed assets decreased by 1,901 million yen compared to the end of the previous fiscal year, to 16,709 million yen.

Investments and other assets increased by 2,201 million yen from the end of the previous fiscal year, to 34,307 million yen, primarily as a result of market valuations of investment securities.

The combined result of these developments was an increase in total assets of 18,923 million yen compared to the previous fiscal year, to 663,242 million yen.

Current liabilities decreased by 4,984 million yen from the end of the previous fiscal year, to

201,627 million yen. The main reductions were a decrease of 4,351 million yen in short-term borrowings and a reduction of 5,500 million yen in corporate bonds due within one year.

Long-term liabilities decreased by 21,138 million yen from the end of the previous fiscal year, to 79,993 million yen, mainly because the tenth issue of unsecured corporate bonds worth 20 billion yen and the fourth issue of unsecured corporate bonds with subscription rights, which were worth 4,500 million yen, will mature within one year.

Shareholders' equity for the fiscal year increased by 44,734 million yen compared to the end of the previous fiscal year, to 376,900 million yen. The equity ratio rose by 5.2 percentage points, from 51.6% at the end of the previous fiscal year to 56.8%.

(2) Cash Flow

Cash flow obtained from operating activities during the fiscal year decreased by 35,496 million yen from the previous fiscal year, to 78,853 million yen. Major positive factors included income before income taxes of 75,328 million yen, depreciation and amortization of 19,170 million yen, a decrease in accounts receivable of 5,144 million yen, and an increase in accounts payable of 6,743 million yen. Major negative factors included a decrease in customer advances of 9,504 million yen and payment of income taxes of 19,524 million yen.

Cash flow from investment activities was 10,536 million yen, mainly due to capital investments.

Cash flow from financial activities was 43,420 million yen, mainly due to redemption of the ninth issue of unsecured corporate bonds worth 30 billion yen, repayment of long-term borrowings of 5,475 million yen, and dividend payments of 9,795 million yen.

As a result, the balance of cash and cash equivalents for the fiscal year was 140,023 million yen, an increase of 24,603 million yen from the 115,420 million yen reported at the end of the previous fiscal year.

The trends in cash flow indicators are shown below.

	Year ended March 31, 2005	Year ended March 31, 2006
Equity ratio (%)	51.6	56.8
Equity ratio at market value (%)	168.9	218.3
Debt redemption period (number of years)	0.9	0.8
Interest coverage ratio	98.64	106.73

Equity ratio: Shareholders' equity / Total assets x 100

Equity ratio at market value: Market capitalization / Total assets x 100

Debt redemption period: Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest expenses

* All indices are calculated using figures on a consolidated basis.
* Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end x Number of shares outstanding at fiscal year-end.
* Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing debt includes all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest paid in the consolidated statement of cash flows.

5. Projected Allocation of Profit

Based on basic policies for allocation of earnings, cash dividends for the year ended March 31, 2006, have been planned, taking into consideration the outcome of the fiscal year and policies emphasizing shareholders. It is planned to propose a year-end dividend of 30 yen per share (in addition to interim dividend of 25 yen, total cash dividends for the year ended March 31, 2006 has increased 10 yen compared with the previous fiscal year) in the 43rd general meeting of shareholders to be held in June 2006. As a result, the dividend payout ratio is 20.6% of consolidated net income.

6. Projected Operating Results for the Next Fiscal Year ending March 31, 2007

(1) Overall Projected Operating Results for the Next Fiscal Year

With regard to the next fiscal year (ending March 31, 2007), over the medium term the Company expects demand for semiconductors to remain strong and semiconductor capital investment to increase. Given these circumstances, the Company will continue to work for greater operational efficiency and cost reductions to increase profitability. Financial forecasts for the next fiscal year are as follows:

Consolidated forecast (Billions of Yen, Y/Y change)

				Interim		Full year	
Net Sales	Industrial Electronic Equipment	Semiconductor/ FPD Production Equipment		310.0	9.8%	642.0	13.0%
			SPE	260.0	8.7%	542.0	11.3%
			FPD	50.0	16.2%	100.0	23.2%
		Computer Network		8.5	2.7%	17.0	-2.8%
		Other		0.5	23.5%	1.0	-19.9%
		Total		319.0	9.5%	660.0	12.5%
	Electronic Components			44.0	5.0%	90.0	3.6%
	Total			363.0	9.0%	750.0	11.3%
Ordinary income				46.0	25.2%	103.0	35.6%
Net income				28.0	16.8%	63.0	31.2%

Non-consolidated forecast (Billions of Yen, Y/Y change)

			Interim		Full year	
Net Sales	Semiconductor/FPD Production Equipment		295.5	6.1%	613.0	10.5%
		SPE	246.0	4.4%	514.0	8.5%
		FPD	49.5	15.3%	99.0	22.6%
	Computer Network		8.5	2.7%	17.0	-2.9%
	Total		304.0	6.0%	630.0	10.1%
Ordinary income			24.0	17.0%	54.0	20.4%
Net income			15.0	8.4%	34.0	16.2%

(2) Profit Distribution Forecast

Based on the basic policies for allocation of earnings and the financial forecasts described above, the Company plans to pay total cash dividends of 72 yen per share for the year ending March 31, 2007, comprising interim dividend of 32 yen per share and year-end dividend of 40 yen per share. As a result, the dividend payout ratio will be 20.4% of consolidated net income.

7. Business-related and Other Risks

The following are possible risks that may have an impact on the Company's operating results, stock prices, or financial position.

(1) Impact of Fluctuating Foreign Exchange Rates

By succeeding in actively developing overseas operations, the Company has increased the proportion of its overseas sales. As a rule, the Company carries out export transactions on a yen-basis in order to avert exchange-related risks, but there are some exports involving foreign currency. In these cases, the Company employs an exchange risk hedge, such as a forward exchange contract at the time an order is placed. However, since for overseas customers, exchange-related risks can arise from fluctuations in prices due to drastic exchange fluctuations, this may have an indirectly negative impact on the Company's performance.

(2) Impact from Research and Development

The Company has created cutting-edge technologies through its ongoing implementation of proactive R&D investment and activities, including miniaturization, vacuum, plasma, thermal-processing, coating/developing, cleaning, wafer-transfer, and clean technologies. By promptly introducing new products on the market that are equipped with these technologies, the Company has successfully obtained a large market share in each of the product fields, along with a high profit margin. However, the possibility does exist that the ill-timed introduction of new products may have a negative impact on the Company's performance.

(3) Impact from Changes in the Semiconductor Market

The Company has been able to achieve a high profit margin by concentrating resources in the high-tech field, including semiconductor production equipment, where technologies undergo rapid change and the Company is able to display its strength. The semiconductor market may enjoy broad growth through technological change, while on the other hand, the size of the market may temporarily contract due to an imbalance of supply and demand. Therefore, the Company has been actively involved in business structural reforms to be able to generate profit even when such rapid changes take place. However, the possibility does exist that business results will be negatively impacted by an unexpectedly broad contraction in the size of the market, resulting in order write-offs, excess capacity and head-count, or increased inventories.

(4) Impact from Transactions Concentrated on Particular Customers

The Company has been successful in expanding its business transactions with the world's leading semiconductor manufacturers both inside and outside of Japan by providing products equipped with superior, cutting-edge technology and offering a service system with high customer satisfaction. However, since the Company's net sales may at times be temporarily concentrated on particular customers due to the timing of large-scale capital investments by major semiconductor manufacturers, there is the possibility of a negative impact on business

results from intensified sales competition.

(5) Safety-related impact

The Company always carries out operations, including development, manufacturing, sales, services, and administration, with the necessity of paying attention to safety and health in mind. In accordance with this basic principle, the Company is making an active and continued effort to improve the safety of its products and eliminate any harmful impact on health. If damage were to be caused to customers or orders were to be canceled, or some other unexpected event were to occur due to a problem arising from the safety of the Company's products or other causes, it would likely adversely affect the performance of the Company.

(6) Impact from Quality Issues

The Company has been proactively developing superior, cutting-edge technologies utilized in new products that are promptly introduced onto the market, while at the same time establishing a quality assurance system, including obtaining ISO 9001 certification. The Company has also worked to establish a world-class service system, and this has resulted in a large number of customers adopting our products. However, because of the cutting-edge nature of our technologies, in addition to other factors, many of the technologies developed are in unknown fields, and the possibility exists that business results may be negatively affected by the unforeseen appearance of defective products.

(7) Impact of Intellectual Property Rights

In order for the Company to set its products apart from rival products and enhance its competitive strength, the Company has promoted an R&D strategy for the prompt development of cutting-edge technologies, together with business and intellectual property strategies. This has made it possible for the Company to obtain many of its own proprietary technologies, thereby successfully ensuring a large market share and high profit margin in each product field. However, partly because the Company's products use many of the consolidated and optimized cutting-edge technologies, there may be cases where a negative impact on business results arises from avoiding the use of third-party technologies and intellectual property rights.

(8) Other Risks

The Company has been active in creating new high-growth and high-revenue businesses, pursuing even higher revenue in existing businesses, and improving its structure so that it can earn profits even as the market shrinks. It has also worked to promote environmental protection activities and restructure its compliance and risk management systems. However, to the extent

that the Company performs its operations, it is subject - just like other companies in the same or different industries - to the impact from factors that include the global or local economic environment, natural disasters, wars, terrorism, unavoidable incidents (such as infectious diseases), financial or stock markets, government regulation, provision systems of suppliers, market conditions for products and real estate, securing of personnel domestically or overseas, competition over standardization, loss of important personnel, etc., and thus it can be assumed that the Company's business performance will be negatively affected at times by such factors.

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)

	As of March 31, 2006		As of March 31, 2005		Increase (Decrease)	
	Amount	Compo-sition (%)	Amount	Compo-sition (%)	Amount	(%)
(Assets)	663,242	100.0	644,319	100.0	18,923	2.9
Current Assets	517,487	78.0	495,185	76.9	22,302	4.5
Cash and cash equivalents	140,023		115,420			
Trade notes and accounts receivable	169,038		172,487			
Inventories	163,745		161,489			
Deferred income taxes	21,356		18,172			
Others	23,488		27,730			
Allowance for doubtful accounts	(164)		(114)			
Long-term Assets	145,755	22.0	149,133	23.1	(3,378)	(2.3)
Tangible fixed assets	94,738	14.3	98,416	15.2	(3,677)	(3.7)
Buildings and structures	48,075		51,044			
Machinery and carriers	19,535		20,737			
Tools, furniture and fixtures	6,762		6,497			
Land	18,149		18,350			
Construction in progress	2,215		1,786			
Intangible fixed assets	16,709	2.5	18,611	2.9	(1,901)	(10.2)
Consolidating adjustments	8,000		9,600			
Others	8,708		9,010			
Investments and other assets	34,307	5.2	32,106	5.0	2,201	6.9
Investment securities	14,860		10,381			
Deferred income taxes	13,174		15,313			
Others	6,646		6,779			
Allowance for doubtful accounts	(374)		(367)			
Total Assets	663,242	100.0	644,319	100.0	18,923	2.9

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2006		As of March 31, 2005		Increase (Decrease)	
	Amount	Compo-sition (%)	Amount	Compo-sition (%)	Amount	(%)
(Liabilities)	281,621	42.5	307,743	47.7	(26,122)	(8.5)
Current liabilities	201,627	30.4	206,611	32.0	(4,984)	(2.4)
Trade notes and accounts payable	65,816		58,229			
Short-term borrowings	2,100		6,451			
Bonds due within 1 year	24,500		30,000			
Income taxes payable	22,895		13,357			
Customer advances	33,810		42,970			
Accrued employees' bonuses	10,230		8,644			
Accrued warranty expenses	12,219		13,105			
Others	30,054		33,852			
Long-term liabilities	79,993	12.1	101,132	15.7	(21,138)	(20.9)
Straight bonds	35,500		60,000			
Long-term borowings	3,000		3,000			
Accrued pension and severance costs	38,034		35,632			
Accrued pension and severance costs for directors	716		748			
Others	2,742		1,750			
(Minority interest)	4,721	0.7	4,410	0.7	311	7.1
(Shareholders' equity)	376,900	56.8	332,165	51.6	44,734	13.5
Common stock	54,961	8.3	54,961	8.5	-	
Capital surplus	78,078	11.8	78,023	12.1	55	
Retained earnings	249,938	37.7	212,093	32.9	37,844	
Revaluation of investment in securities	5,117	0.7	2,132	0.4	2,984	
Foreign currency translation adjustment	3,921	0.6	997	0.2	2,924	
Treasury stock, at cost	(15,116)	(2.3)	(16,042)	(2.5)	925	
Total liabilities, minority interest and shareholders' equity	663,242	100.0	644,319	100.0	18,923	2.9

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Increase (decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)
Net sales	673,686	100.0	635,710	100.0	37,976	6.0
Cost of sales	483,954	71.8	459,797	72.3	24,156	5.3
Gross profit	189,731	28.2	175,912	27.7	13,819	7.9
Selling, general & administrative expenses	114,028	17.0	111,929	17.6	2,099	1.9
Operating income	75,703	11.2	63,982	10.1	11,720	18.3
Non-operating income						
Interest income	421		188			
Dividend income	81		47			
Rent revenue	312		498			
Revenue from development grants	1,536		2,194			
Others	1,236		1,604			
Non-operating expenses						
Interest expenses	686		1,093			
Rent expenses	251		310			
Foreign currency translation loss	1,675		722			
Loss on equity method	402		351			
Others	323		405			
Ordinary income	75,951	11.3	65,632	10.3	10,318	15.7
Unusual or infrequent profit						
Gain on prior year adjustment	855		-			
Gain on sale of fixed assets	286		584			
Gain on return of substitutional portion of employees' pension fund	-		7,083			
Others	-		108			
Unusual or infrequent loss						
Loss on proceeds or disposal of fixed assets	719		1,469			
Loss on impairment	418		-			
Accrued warranty expenses for previous fiscal years	-		12,470			
Loss on correction of prior period contratcs	286		-			
Loss on restructuring operations	214		241			
Loss on discontinued operations	-		2,783			
Others	125		670			
Income before income taxes	75,328	11.2	55,775	8.8	19,552	35.1
Provision for income taxes and enterprise taxes	29,190	4.3	15,540	2.5	13,649	87.8
Deferred income taxes	(2,352)	(0.3)	(21,970)	(3.5)	19,617	-
Minority interest	484	0.1	603	0.1	(118)	(19.7)
Net income	48,005	7.1	61,601	9.7	(13,595)	(22.1)

Consolidated Statement of Retained Earnings

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2005	Increase (Decrease)
	Amount	Amount	Amount
(Capital surplus)			
Capital surplus at the beginning of the period	78,023	78,023	-
Increase in capital surplus	55	-	55
Gain on treasury stock disposition	55	-	55
Capital surplus at the end of the period	78,078	78,023	55
(Retained earnings)			
Retained earnings at the beginning of the period	212,093	154,342	57,751
Increase in retained earnings	48,005	61,601	(13,595)
Net income	48,005	61,601	(13,595)
Decrease in retained earnings	10,161	3,850	6,311
Cash dividends	9,795	3,742	6,053
Bonuses to directors	349	107	241
Decrease in newly added consolidated companies	16	-	16
Retained earnings at the end of the period	249,938	212,093	37,844

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2005	Increase (decrease)
	Amount	Amount	Amount
I Cash flow from operating activities			
Income before income taxes	75,328	55,775	19,552
Depreciation and amortization	19,170	21,462	(2,292)
Loss on impairment	418	-	418
Amortization of consolidating adjustments	1,600	1,600	-
Increase in accrued pension and severance costs (decrease)	2,372	5,109	(2,737)
Increase in accured employees' bonuses (decrease)	1,586	2,258	(672)
Increase in accrued warranty expenses (decrease)	(985)	13,105	(14,090)
Interest and dividend revenue	(503)	(235)	(267)
Interest expenses	686	1,093	(406)
Foreign currency translation loss (gain)	299	260	38
Gain on prior year adjustment	(855)	-	(855)
Loss (gain) on sale of fixed assets	(224)	(503)	278
Loss on disposal of fixed assets	658	1,388	(729)
Gain on return of substitutional portion of employees' pension fund	-	(7,083)	7,083
Loss on discontinued operations	-	2,783	(2,783)
Decrease in trade notes and accounts receivable (increase)	5,144	59,114	(53,970)
Decrease in inventories (increase)	(5,467)	(59,914)	54,446
Increase in accounts payable (decrease)	6,743	(7,440)	14,183
Decrease in prepaid consumption tax (increase)	2,656	(6,926)	9,583
Increase in customer advances (decrease)	(9,504)	30,815	(40,320)
Others	(507)	8,935	(9,443)
Subtotal	98,614	121,599	(22,985)
Receipts from interest and dividends	502	241	261
Interest paid	(738)	(1,159)	420
Payment for discontinued operations	-	(1,557)	1,557
Income taxes paid	(19,524)	(4,774)	(14,750)
Net cash generated by operating activities	78,853	114,349	(35,496)
II Cash flow from investing activities			
Payment for purchase of tangible fixed assets	(8,600)	(8,679)	78
Proceeds from sale of tangible fixed assets	1,279	3,797	(2,517)
Payment for acquisition of intangible fixed assets	(2,610)	(1,780)	(830)
Loans to third parties	(506)	(700)	193
Collection of loans	0	810	(810)
Others	(98)	(897)	799
Net cash used in investing activities	(10,536)	(7,450)	(3,086)
III Cash flow from financing activities			
Net increase in short-term borrowings (decrease)	1,037	(5,864)	6,901
Repayment of long-term borrowings	(5,475)	(1,753)	(3,721)
Redemption of straight bonds	(30,000)	(20,000)	(10,000)
Net decrease in treasury stock (increase)	981	(2,839)	3,821
Dividends paid	(9,795)	(3,742)	(6,053)
Others	(168)	(143)	(24)
Net cash generated by financing activities	(43,420)	(34,343)	(9,076)
IV Foreign currency translation difference in cash and cash equivalents	(340)	214	(554)
V Net increase in cash and cash equivalents (decrease)	24,555	72,770	(48,214)
VI Cash and cash equivalents at the beginning of the period	115,420	42,649	72,770
VII Cash and cash equivalents at the beginning of the period of newly consolidated companies	48	-	48
VIII Cash and cash equivalents at the end of the period	140,023	115,420	24,603

Segment Information

1. Information by business segment

(Millions of yen)

Year ended March 31, 2006					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	586,805	86,880	673,686	-	673,686
(2) Intersegment sales or transfers	1,003	1,409	2,412	(2,412)	-
Total	587,809	88,290	676,099	(2,412)	673,686
Operating expenses	515,240	85,189	600,430	(2,447)	597,983
Operating income	72,568	3,100	75,668	34	75,703
2. Assets, depreciation expenses, loss on impairment and capital expenditure					
Assets	626,838	37,088	663,927	(684)	663,242
Depreciation expenses	20,512	257	20,770	-	20,770
Loss on impairment	418	-	418	-	418
Capital expenditure	16,223	143	16,366	-	16,366

(Millions of yen)

Year ended March 31, 2005					
	Industrial electronic equipment	Electronic components	Total	Eliminations and corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	549,460	86,249	635,710	-	635,710
(2) Intersegment sales or transfers	1,053	1,830	2,884	(2,884)	-
Total	550,514	88,079	638,594	(2,884)	635,710
Operating expenses	489,723	84,973	574,696	(2,969)	571,727
Operating income	60,790	3,106	63,897	85	63,982
2. Assets, depreciation expenses and capital expenditure					
Assets	609,295	35,988	645,284	(964)	644,319
Depreciation expenses	22,772	289	23,062	-	23,062
Capital expenditure	12,088	602	12,691	(348)	12,343

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, computer systems and networks, other
Electronic components	Semiconductor products, boards, software, other electronic components

3. Depreciation expenses and capital expenditure include long-term prepaid expenses and its depreciation.

2. Information by geographic segment

(Millions of yen)

Year ended March 31, 2006					
	Japan	Other regions	Total	Eliminations and corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	602,564	71,121	673,686	-	673,686
(2) Intersegment sales or transfers	61,442	43,811	105,253	(105,253)	-
Total	664,007	114,933	778,940	(105,253)	673,686
Operating expenses	588,933	107,639	696,572	(98,589)	597,983
Operating income	75,073	7,293	82,367	(6,664)	75,703
2. Assets	636,559	85,729	722,288	(59,045)	663,242

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

In the Company's financial results for the previous fiscal year, Japan accounted for more than 90% of total net sales in all segments, and the total value of assets in all segments, and therefore, information by geographic segment has been omitted.