

Consolidated Six-Year Summary

Years ended March 31, 1998, 1997, 1996, 1995, 1994 and 1993

	Thousands of U.S. dollars		Millions of yen				
	1998	1998	1997	1996	1995	1994	1993
Net sales	\$3,448,789	¥455,585	¥432,785	¥401,775	¥251,683	¥189,712	¥153,914
Semiconductor production equipment ¹	2,878,001	380,184	355,877	334,983	188,661	128,750	93,416
Computer systems ¹	115,534	15,262	14,408	14,314	14,071	14,509	16,187
Electronic components.....	455,254	60,139	62,500	52,478	48,951	46,453	44,311
Operating income.....	479,152	63,296	60,389	67,754	24,425	10,898	3,535
Income before income taxes.....	475,655	62,834	60,487	65,098	22,648	11,067	5,395
Net income.....	227,169	30,009	29,975	30,964	9,731	5,129	1,792
Domestic sales	1,745,269	230,550	256,808	264,660	187,305	147,992	129,529
Overseas sales.....	1,703,520	225,035	175,977	137,115	64,378	41,720	24,385
Depreciation and amortization.....	95,776	12,652	10,167	7,730	5,911	4,874	5,312
Capital expenditures.....	252,097	33,302	18,456	25,606	14,884	6,583	2,849
R&D expenses.....	202,975	26,813	20,988	17,277	12,068	9,202	6,083
Total assets	3,736,563	493,600	387,077	400,050	318,275	269,189	238,406
Shareholders' equity	1,975,844	261,009	207,476	180,842	153,267	146,148	144,310
Number of employees.....		7,287	6,277	5,616	4,751	3,467	3,381
Net income per share of common stock: ²	U.S. dollars		Yen				
Primary	\$ 1.32	¥ 174.68	¥ 181.97	¥ 188.05	¥ 59.11	¥ 31.15	¥ 10.89
Assuming full dilution ³	1.28	168.43	172.74	178.25	59.11	31.15	10.89
Cash dividends per share of common stock:							
Actual.....	0.23	30.00	28.00	24.00	16.00	14.00	14.00
Adjusted ²	0.23	30.00	25.45	21.82	14.55	12.73	12.73
Number of shares outstanding (thousands)....		174,569	150,189	149,706	149,674	149,674	149,674
Number of shareholders		9,562	11,097	12,676	12,231	12,458	13,793
ROE		12.8	15.4	18.5	6.5	3.5	1.2
Operating income margin		13.9	14.0	16.9	9.7	5.7	2.3
Shareholders' equity ratio		52.9	53.6	45.2	48.2	54.3	60.5
Asset turnover (times)		0.92	1.12	1.00	0.79	0.70	0.65
Net sales per employee	U.S. dollars		Thousands of yen				
	\$ 473,280	¥ 62,520	¥ 68,948	¥ 71,541	¥ 52,975	¥ 54,719	¥ 45,523

1 Results retroactively restated due to a structural reorganization in fiscal 1997. The LCD Department, formerly part of Computer systems, has been included in Semiconductor production equipment.

2 Per share amounts prior to the year ended March 1998 have been restated to reflect a 1.1-for-1 stock split.

3 Dilution not assumed for years ended March 1993 to March 1995.

Consolidated Balance Sheet

March 31, 1998 and 1997

ASSETS	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Current assets:			
Cash and time deposits	¥ 71,057	¥ 31,016	\$ 537,903
Marketable securities (Note 4)	835	978	6,321
Trade notes and accounts receivable:			
Customers	191,107	179,580	1,446,684
Subsidiaries and affiliates	898	1,068	6,798
	192,005	180,648	1,453,482
Short-term loans to subsidiaries and affiliates	7,676	1,206	58,108
Allowance for doubtful accounts	(1,822)	(1,692)	(13,792)
Inventories (Note 5)	100,372	76,335	759,818
Prepaid expenses and other current assets	2,960	3,695	22,407
Total current assets	373,083	292,186	2,824,247
Investments and other assets:			
Investments in securities (Note 4)	8,020	8,902	60,712
Investments in and advances to subsidiaries and affiliates	11,958	8,246	90,522
Intangible and other assets	13,640	11,617	103,255
Total investments and other assets	33,618	28,765	254,489
Property, plant and equipment:			
Land	13,678	10,306	103,543
Buildings	73,847	56,949	559,023
Machinery and equipment	46,967	38,555	355,541
Construction in progress	4,181	2,504	31,650
Total property, plant and equipment	138,673	108,314	1,049,757
Less: Accumulated depreciation	51,774	42,188	391,930
Net property, plant and equipment	86,899	66,126	657,827
 Total assets	 ¥493,600	 ¥387,077	 \$3,736,563

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Net sales	¥455,585	¥432,785	¥401,775	\$3,448,789
Cost of sales	304,825	297,546	270,125	2,307,532
Gross profit	150,760	135,239	131,650	1,141,257
Selling, general and administrative expenses	87,464	74,850	63,896	662,105
Operating income	63,296	60,389	67,754	479,152
Other income (expenses):				
Interest and dividend income	1,664	909	1,053	12,597
Interest expenses	(1,640)	(1,870)	(1,711)	(12,415)
Other, net	(486)	1,059	(1,998)	(3,679)
Income before income taxes	62,834	60,487	65,098	475,655
Provision for income taxes (Note 8)	32,825	30,512	34,448	248,486
	30,009	29,975	30,650	227,169
Equity in income of affiliates	-	-	314	-
Net income	¥ 30,009	¥ 29,975	¥ 30,964	\$ 227,169
Per share of common stock:				
		Yen		U.S. dollars
Net income — primary ¹ (Note 9)	¥ 174.68	¥ 181.97	¥ 188.05	\$ 1.32
Net income — assuming full dilution ¹ (Note 9)	168.43	172.74	178.25	1.28
Cash dividends paid — actual (Note 10)	30.00	28.00	24.00	0.23
Cash dividends paid — adjusted ¹ (Note 10)	30.00	25.45	21.82	0.23

See accompanying Notes to Consolidated Financial Statements.

¹ Per share amounts prior to the year ended March 1998 have been restated to reflect a 1.1-for-1 stock split.

Consolidated Statement of Shareholders' Equity

Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Common stock				
Balance at beginning of year	¥ 30,755	¥ 29,922	¥ 29,867	\$ 232,816
Conversion of convertible bonds (Note 9).....	5,476	3	2	41,454
Exercise of warrants (Note 9)	9,214	830	53	69,750
Balance at end of year	45,445	30,755	29,922	344,020
Additional paid-in capital				
Balance at beginning of year	53,823	52,991	52,937	407,441
Conversion of convertible bonds (Note 9).....	5,476	3	1	41,453
Exercise of warrants (Note 9)	9,208	829	53	69,705
Balance at end of year	68,507	53,823	52,991	518,599
Legal reserve				
Balance at beginning of year	3,739	3,300	3,000	28,304
Transfer from retained earnings (Note 10).....	489	439	300	3,702
Balance at end of year	4,228	3,739	3,300	32,006
Retained earnings				
Balance at beginning of year	119,175	94,640	67,468	902,157
Net income for year.....	30,009	29,975	30,964	227,169
Cash dividends (Note 10).....	(4,689)	(4,192)	(2,844)	(35,496)
Transfer to legal reserve (Note 10).....	(489)	(440)	(300)	(3,702)
Bonuses to directors	(336)	(354)	(181)	(2,543)
Increase (decrease) resulting from consolidation/termination of subsidiaries/equity method applying companies, net	(816)	(454)	(467)	(6,177)
Balance at end of year	142,854	119,175	94,640	1,081,408
Treasury stock, at cost	(25)	(16)	(11)	(189)
Total shareholders' equity	¥261,009	¥207,476	¥180,842	\$1,975,844

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Cash flows from operating activities:				
Net income.....	¥30,009	¥29,975	¥30,964	\$227,169
<i>Adjustments to reconcile net income to net cash generated by operating activities</i>				
Depreciation and amortization.....	12,652	10,167	7,730	95,776
Loss (gain) on disposal of property, plant and equipment, net.....	622	362	1,051	4,708
Increase (decrease) in allowances.....	2,553	459	2,273	19,326
Equity in earnings of affiliates.....	-	-	(314)	-
Foreign currency translation adjustment.....	873	479	465	6,609
Decrease (increase) in trade notes and accounts receivable.....	(11,356)	10,594	(72,808)	(85,965)
Decrease (increase) in inventories.....	(24,037)	(1,748)	(27,339)	(181,961)
Increase (decrease) in trade notes and accounts payable.....	2,685	(12,138)	21,223	20,326
Increase (decrease) in accrued income taxes.....	3,304	(12,040)	16,544	25,011
Other, net.....	1,041	(1,468)	828	7,880
Net cash generated by (used in) operating activities.....	18,346	24,642	(19,383)	138,879
Cash flows from investing activities:				
Payment for purchase of property, plant and equipment.....	(33,302)	(18,456)	(25,606)	(252,097)
Proceeds from disposition of property, plant and equipment.....	101	433	4,274	765
Decrease (increase) in investments in securities.....	882	(217)	406	6,677
Decrease (increase) in investments in and advances to subsidiaries and affiliates.....	(3,712)	(2,518)	(1,786)	(28,100)
Decrease (increase) in short-term loans to subsidiaries and affiliates.....	(6,470)	305	356	(48,978)
Other, net.....	(2,825)	(3,524)	(1,326)	(21,385)
Net cash used in investing activities.....	(45,326)	(23,977)	(23,682)	(343,118)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings.....	54,208	(7,327)	15,527	410,356
Increase (decrease) in current portion of long-term debt.....	(17,919)	8,919	(30,685)	(135,647)
Increase (decrease) in long-term debt, less current portion (Note 7).....	7,066	(17,242)	29,238	53,490
Cash dividends paid (Note 10).....	(4,689)	(4,192)	(2,844)	(35,496)
Other, net.....	28,212	850	(546)	213,565
Net cash generated by (used in) financing activities.....	66,878	(18,992)	10,690	506,268
Net increase (decrease) in cash and cash equivalents.....	39,898	(18,327)	(32,375)	302,029
Cash and cash equivalents at beginning of year.....	31,994	50,321	82,696	242,195
Cash and cash equivalents at end of year.....	¥71,892	¥31,994	¥50,321	\$544,224

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited and its subsidiaries (hereinafter "the Company") have been prepared from those that have been filed with the Minister of Finance of Japan as required by the Securities and Exchange Law and that conform with accounting principles generally accepted in Japan.

For the convenience of readers outside Japan, however, the presentation of the consolidated financial statements and the information contained therein have been modified in some respects. The basis of modification has been reorganized slightly this year for the purpose of making the presentation more meaningful and informative.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Parent Company and its 14 subsidiaries: Tokyo Electron Tohoku Limited, Tokyo Electron Yamanashi Limited, Tokyo Electron Kyushu Limited, Tokyo Electron FE Limited, Tokyo Electron Device Limited, Tokyo Electron Oregon, Inc., Tokyo Electron America, Inc., Tokyo Electron Korea Limited, Tokyo Electron Europe Limited, Tokyo Electron Italia S.p.A., Tokyo Electron Deutschland GmbH, Tokyo Electron Switzerland Limited, Tokyo Electron España S.L. and Tokyo Electron Nederland B.V.

Tokyo Electron Oregon, Inc., Tokyo Electron España S.L. and Tokyo Electron Nederland B.V. were consolidated in 1998 due to the increasing significance of their aggregated impact to the consolidated financial statements. The cumulative effect of prior years of this change has been shown as decreasing retained earnings by ¥816 million at the beginning of the year ended March 31, 1998. The accounts of the other subsidiaries were not included in the consolidation since their total assets, revenue, net income and retained earnings were insignificant.

All significant intercompany accounts, transactions and

unrealized profits or losses have been eliminated in consolidation. The fiscal years of all consolidated subsidiaries end on March 31, the fiscal year-end of the Parent Company.

(b) Foreign currency translation

Foreign currency deposits and short-term foreign currency receivables and payables are translated into Japanese yen at the rates prevailing at the balance sheet date, except for those subject to forward contracts, which are translated at the contracted rates. Non-current assets and liabilities denominated in foreign currencies are translated at historical rates. Foreign currency financial statements have been translated in accordance with Japanese current accounting standards.

(c) Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows include cash on hand, cash in banks, time deposits and marketable securities presented in current assets.

(d) Marketable securities and investments in securities

Marketable securities and investments in securities are stated principally at cost, cost being determined principally by the weighted average method.

(e) Inventories

Inventories other than raw materials are stated principally at cost, cost being determined principally by the individual method.

Raw materials are stated principally at cost, cost being determined principally by the moving average method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed on the declining balance method for the Parent Company and its consolidated domestic subsidiaries at rates based on the

useful lives of assets as prescribed by Japanese tax laws, and the straight-line method for consolidated overseas subsidiaries other than Tokyo Electron Korea Limited, over the useful lives of the assets. Tokyo Electron Korea Limited applies the declining balance method for its depreciation at rates based on the useful lives of assets as prescribed by Korean tax laws.

(g) Retirement and severance benefits

The Parent Company and certain of its consolidated subsidiaries have funded pension plans to provide retirement and severance benefits to substantially all directors, statutory auditors, and employees to the extent of the amount required according to internal regulations for directors and statutory auditors, and the maximum amount allowable according to each country's tax laws or internal regulations for employees. Under the plans, employees are entitled to lump-sum payments based on the current rate of pay and the length of service upon retirement or termination of employment for reasons other than cause for dismissal.

(h) Leases

Finance lease transactions, unless the lessee practically acquires legal title to the leased asset, are treated as operating lease transactions.

(i) Research and development costs

Expenditures for research and development activities are charged to income as incurred.

(j) Amounts per share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

Dividends per share have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved or to be approved after such March 31, but applicable to the year then ended.

3. Financial Statements Translation

Japanese yen amounts are presented in millions of yen and are rounded to the nearest million yen. U.S. dollar amounts included herein are solely for the convenience of readers and are translated at the rate of ¥132.10 to \$1.00, the exchange rate prevailing at March 31, 1998. The translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars.

4. Marketable Securities and Investments in Securities

Marketable securities at March 31, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Listed stock.....	¥825	¥966	\$6,245
Other.....	10	12	76
Total.....	¥835	¥978	\$6,321

Investments in securities at March 31, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Listed stock.....	¥7,258	¥7,620	\$54,944
Mutual funds.....	702	1,223	5,314
Other.....	60	59	454
Total.....	¥8,020	¥8,902	\$60,712

5. Inventories

Inventories at March 31, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Finished products.....	¥ 39,571	¥30,119	\$299,553
Work in process, raw materials and supplies.....	60,801	46,216	460,265
Total.....	¥100,372	¥76,335	\$759,818

6. Pledged Assets

The Company did not hold any assets pledged as collateral at March 31, 1998 and 1997.

7. Short-Term Borrowings and Long-Term Debt

Short-term bank loans are represented by 365-day notes issued by the Company to banks and bore interest at the average annual rate of 2.61% at March 31, 1998. Long-term debt at March 31, 1998 and 1997 was as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
1.25% unsecured bonds with detachable warrants due 1998	¥ -	¥17,919	\$ -
0.90% unsecured convertible bonds due 2003.....	19,038	29,990	144,118
2.45% unsecured bonds due 2000	30,000	30,000	227,101
2.00% unsecured bonds due 2002	20,000	-	151,400
Other loans from banks.....	8,619	10,602	65,246
Less current portion.....	-	(17,919)	-
Total.....	¥77,657	¥70,592	\$587,865

The 0.90% yen unsecured convertible bonds due 2003 are convertible into common stock at a conversion price of ¥3,465.00 per share originally, but adjusted to ¥3,150.00 on April 1, 1997, due to the stock split.

8. Income Taxes

The Parent Company and its consolidated domestic subsidiaries are subject to a number of different taxes based on income which, in the aggregate, result in a normal effective tax rate of approximately 52% in 1998, 1997 and 1996. The actual effective tax rates in the consolidated statements of income differ from the normal tax rate due not only to permanently non-deductible expenses and temporary differences in recognizing certain expense items for financial and tax reporting purposes, but also to applicable tax rate differences between Japan and foreign countries.

9. Common Stock and Per Share Data

On May 20, 1997, the Company conducted a 1.1-for-1 stock split to shareholders of record on March 31, 1997. As a result, shares increased by 15,018,919.

During 1998 and 1997, the Company issued 3,476,785 shares and 1,731 shares of common stock, respectively, in connection with conversion of convertible bonds. Also, during 1998 and 1997, the Company issued 5,883,862 shares and 481,284 shares of common stock, respectively, in connection with exercise of warrants.

Conversion of convertible bonds into common stock and exercise of warrants have been accounted for in accordance with the provisions of the Japanese Commercial Code by crediting one-half of the conversion price and exercise price to each of the common stock account and the additional paid-in capital account.

10. Shareholders' Equity

The Japanese Commercial Code provides that an amount equivalent to at least 10% of cash dividends and bonuses to directors paid with respect to each financial period be appropriated to the "legal reserve" until such reserve equals 25% of common stock. The Code also provides that neither additional paid-in capital nor the legal reserve is available for cash dividends, but that both may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of their respective countries.

11. Segment Information

The Company does not disclose segment information as it operates in a single segment.

12. Contingent Liabilities

The Company did not hold any contingent liabilities at March 31, 1998 and 1997.

Independent Auditors' Report

To the Board of Directors, Tokyo Electron Limited

We have examined the consolidated balance sheets of Tokyo Electron Limited and its consolidated subsidiaries as of March 31, 1998 and 1997, and the related statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1998, all expressed in yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

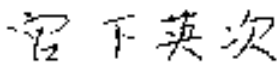
In our opinion, the consolidated financial statements present fairly the financial position of Tokyo Electron Limited and its consolidated subsidiaries at March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The amounts expressed in U.S. dollars have been translated on the basis described in Note 3.

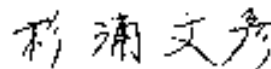
Tokyo, Japan
June 26, 1998



Masatoshi Yoshino
Certified Public Accountant



Eiji Miyashita
Certified Public Accountant



Fumihiko Sugiura
Certified Public Accountant