

CONSOLIDATED SIX-YEAR SUMMARY

Years ended March 31, 1999, 1998, 1997, 1996, 1995 and 1994

	Thousands of U.S. dollars		Millions of yen				
	1999	1999	1998	1997	1996	1995	1994
Net sales	\$2,603,235	¥313,820	¥455,585	¥432,785	¥401,775	¥251,683	¥189,712
Semiconductor production equipment ¹	2,009,457	242,240	380,184	355,877	334,983	188,661	128,750
Computer systems ¹	106,827	12,878	15,262	14,408	14,314	14,071	14,509
Electronic components.....	478,922	57,734	60,139	62,500	52,478	48,951	46,453
Other	8,029	968	–	–	–	–	–
Operating income	52,949	6,383	63,296	60,389	67,754	24,425	10,898
Income before income taxes	50,087	6,038	62,834	60,487	65,098	22,648	11,067
Net income	15,479	1,866	30,009	29,975	30,964	9,731	5,129
Domestic sales	1,242,953	149,838	230,550	256,808	264,660	187,305	147,992
Overseas sales.....	1,360,282	163,982	225,035	175,977	137,115	64,378	41,720
Depreciation and amortization.....	148,660	17,921	12,652	10,167	7,730	5,911	4,874
Capital expenditures	194,757	23,478	33,302	18,456	25,606	14,884	6,583
R&D expenses	222,663	26,842	26,813	20,988	17,277	12,068	9,202
Total assets	3,441,750	414,903	493,600	387,077	400,050	318,275	269,189
Shareholders' equity	2,137,835	257,716	261,009	207,476	180,842	153,267	146,148
Number of employees.....		7,835	7,287	6,277	5,616	4,751	3,467
	U.S. dollars		Yen				
Net income per share of common stock: ²							
Basic	\$ 0.09	¥ 10.70	¥ 174.68	¥ 181.97	¥ 188.05	¥ 59.11	¥ 31.15
Diluted ³	0.09	10.70	168.43	172.74	178.25	59.11	31.15
Cash dividends per share of common stock:							
Actual.....	0.10	12.00	30.00	28.00	24.00	16.00	14.00
Adjusted ²	0.10	12.00	30.00	25.45	21.82	14.55	12.73
Number of shares outstanding (thousands)....		174,624	174,569	150,189	149,706	149,674	149,674
Number of shareholders		8,576	9,562	11,097	12,676	12,231	12,458
			Percent				
ROE		0.7	12.8	15.4	18.5	6.5	3.5
Operating income margin		2.0	13.9	14.0	16.9	9.7	5.7
Shareholders' equity ratio		62.1	52.9	53.6	45.2	48.2	54.3
Asset turnover (times)		0.76	0.92	1.12	1.00	0.79	0.70
	U.S. dollars		Thousands of yen				
Net sales per employee	\$ 332,257	¥ 40,054	¥ 62,520	¥ 68,948	¥ 71,541	¥ 52,975	¥ 54,719

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 1994, March 1995 and March 1999.

CONSOLIDATED BALANCE SHEET

March 31, 1999 and 1998

ASSETS	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Current assets:			
Cash and time deposits	¥ 46,910	¥ 71,057	\$ 389,133
Marketable securities (Note 4)	835	835	6,926
Trade notes and accounts receivable:			
Customers	140,487	191,107	1,165,384
Subsidiaries and affiliates	259	898	2,148
	140,746	192,005	1,167,532
Short-term loans to subsidiaries and affiliates	10,752	7,676	89,191
Allowance for doubtful accounts	(1,134)	(1,822)	(9,406)
Inventories (Note 5)	88,085	100,372	730,693
Prepaid expenses and other current assets	4,554	2,960	37,777
Total current assets	290,748	373,083	2,411,846
Investments and other assets:			
Investments in securities (Note 4)	8,633	8,020	71,613
Investments in and advances to subsidiaries and affiliates	9,363	11,958	77,669
Intangible and other assets	14,067	13,640	116,690
Total investments and other assets	32,063	33,618	265,972
Property, plant and equipment:			
Land	17,163	13,678	142,372
Buildings	81,527	73,847	676,292
Machinery and equipment	62,777	46,967	520,755
Construction in progress	97	4,181	805
Total property, plant and equipment	161,564	138,673	1,340,224
Less: Accumulated depreciation	69,472	51,774	576,292
Net property, plant and equipment	92,092	86,899	763,932
Total assets	¥414,903	¥493,600	\$3,441,750

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Net sales	¥313,820	¥455,585	¥432,785	\$2,603,235
Cost of sales	225,962	304,825	297,546	1,874,425
Gross profit	87,858	150,760	135,239	728,810
Selling, general and administrative expenses	81,475	87,464	74,850	675,861
Operating income	6,383	63,296	60,389	52,949
Other income (expenses):				
Interest and dividend income	898	1,664	909	7,449
Interest expenses	(2,003)	(1,640)	(1,870)	(16,615)
Other, net	760	(486)	1,059	6,304
Income before income taxes	6,038	62,834	60,487	50,087
Provision for income taxes (Note 8)	4,167	32,825	30,512	34,567
Minority Interest	5	—	—	41
Net income	¥ 1,866	¥ 30,009	¥ 29,975	\$ 15,479
Per share of common stock:		Yen		U.S. dollars
Net income — basic ¹ (Note 9)	¥ 10.70	¥ 174.68	¥ 181.97	\$ 0.09
Net income — diluted ¹ (Note 9)	10.70	168.43	172.74	0.09
Cash dividends paid — actual (Note 9)	12.00	30.00	28.00	0.10
Cash dividends paid — adjusted ¹ (Note 9)	12.00	30.00	25.45	0.10

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, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Common stock				
Balance at beginning of year	¥ 45,445	¥ 30,755	¥ 29,922	\$ 376,980
Conversion of convertible bonds (Note 9).....	87	5,476	3	722
Exercise of warrants (Note 9)	0	9,214	830	0
Balance at end of year	45,532	45,445	30,755	377,702
Additional paid-in capital				
Balance at beginning of year	68,507	53,823	52,991	568,287
Conversion of convertible bonds (Note 9).....	87	5,476	3	722
Exercise of warrants (Note 9)	0	9,208	829	0
Balance at end of year	68,594	68,507	53,823	569,009
Retained earnings				
Balance at beginning of year	147,082	122,914	97,939	1,220,091
Increase (decrease) resulting from consolidation net.....	(210)	(816)	(454)	(1,742)
Net income for year	1,866	30,009	29,975	15,479
Cash dividends (Note 9)	(3,665)	(4,689)	(4,192)	(30,402)
Bonuses to directors	(358)	(336)	(354)	(2,970)
Balance at end of year	144,715	147,082	122,914	1,200,456
Treasury stock, at cost (Note 10)	(1,125)	(25)	(16)	(9,332)
(1997: 4,219 shares; 1998: 4,101 shares; 1999: 247,191 shares)				
Total shareholders' equity	¥257,716	¥261,009	¥207,476	\$2,137,835

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Cash flows from operating activities:				
Net income.....	¥ 1,866	¥30,009	¥29,975	\$ 15,479
<i>Adjustments to reconcile net income to net cash generated by operating activities</i>				
Depreciation and amortization.....	17,921	12,652	10,167	148,660
Loss (gain) on disposal of property, plant and equipment, net.....	381	622	362	3,160
Decrease (increase) in trade notes and accounts receivable.....	51,259	(11,356)	10,594	425,209
Decrease (increase) in inventories.....	12,287	(24,037)	(1,748)	101,924
Increase (decrease) in trade notes and accounts payable.....	(12,499)	2,685	(12,138)	(103,683)
Increase (decrease) in accrued income taxes.....	(17,330)	3,304	(12,040)	(143,758)
Increase (decrease) in allowances.....	(2,104)	2,553	459	(17,453)
Other, net.....	(1,953)	1,041	(1,468)	(16,200)
Net cash generated by operating activities.....	49,828	17,473	24,163	413,338
Cash flows from investing activities:				
Payment for purchase of property, plant and equipment.....	(23,478)	(33,302)	(18,456)	(194,757)
Proceeds from disposition of property, plant and equipment.....	1,126	101	433	9,341
Decrease (increase) in investments in securities.....	(613)	882	(217)	(5,085)
Decrease (increase) in investments in and advances to subsidiaries and affiliates.....	2,595	(3,712)	(2,518)	21,526
Decrease (increase) in short-term loans to subsidiaries and affiliates.....	(3,075)	(6,470)	305	(25,508)
Other, net.....	(901)	(2,825)	(3,524)	(7,474)
Net cash used in investing activities.....	(24,346)	(45,326)	(23,977)	(201,957)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings.....	(35,261)	44,850	(7,327)	(292,501)
Increase (decrease) in current portion of long-term debt.....	(7,822)	(8,561)	8,919	(64,886)
Increase (decrease) in long-term debt, less current portion (Note 7).....	52	7,066	(17,242)	431
Cash dividends paid (Note 11).....	(3,665)	(4,689)	(4,192)	(30,402)
Other, net.....	(1,493)	28,212	850	(12,385)
Net cash generated by (used in) financing activities.....	(48,189)	66,878	(18,992)	(399,743)
Effect of exchange rate changes.....	(1,440)	873	479	(11,945)
Net increase (decrease) in cash and cash equivalents.....	(24,147)	39,898	(18,327)	(200,307)
Cash and cash equivalents at beginning of year.....	71,892	31,994	50,321	596,366
Cash and cash equivalents at end of year.....	¥47,745	¥71,892	¥31,994	\$396,059

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 21 subsidiaries: Tokyo Electron Tohoku Limited, Tokyo Electron Yamanashi Limited, Tokyo Electron Kyushu Limited, Tokyo Electron FE Limited, Tokyo Electron Device Limited, Tokyo Electron Sapporo Limited, Tokyo Electron Leasing Co., Limited, Tokyo Electron Logistics Limited, Tokyo Electron Agency Limited, Tokyo Electron America, Inc., Tokyo Electron Oregon, Inc., Tokyo Electron Korea Limited, Tokyo Electron Europe Limited, Tokyo Electron Deutschland GmbH, Tokyo Electron Italia S.p.A., Tokyo Electron Switzerland Limited, Tokyo Electron Nederland B.V., Tokyo Electron España S.L., Tokyo Electron Ireland Limited, Tokyo Electron Israel Limited and Tokyo Electron Taiwan Limited.

Tokyo Electron Sapporo Limited, Tokyo Electron Leasing Co., Limited, Tokyo Electron Logistics Limited, Tokyo Electron Agency Limited, Tokyo Electron Taiwan Limited, Tokyo Electron Ireland Limited and Tokyo Electron Israel Limited were consolidated in 1999 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 ¥210 million at the beginning of the year ended March 31, 1999. 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 ¥120.55 to \$1.00, the exchange rate prevailing at March 31, 1999. 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, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Listed stock	¥825	¥825	\$6,843
Other	10	10	83
Total	¥835	¥835	\$6,926

Investments in securities at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Listed stock	¥8,107	¥7,258	\$67,250
Mutual funds	216	702	1,792
Other	310	60	2,571
Total.....	¥8,633	¥8,020	\$71,613

5. Inventories

Inventories at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Finished products	¥32,595	¥ 39,571	\$270,386
Work in process, raw materials and supplies.....	55,490	60,801	460,307
Total.....	¥88,085	¥100,372	\$730,693

6. Pledged Assets

The Company did not hold any assets pledged as collateral at March 31, 1999 and 1998.

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 2.18% at March 31, 1999. Long-term debt at March 31, 1999 and 1998 was as follows:

	Millions of yen		Thousands of
	1999	1998	U.S. dollars
0.90% unsecured convertible bonds due 2003.....	¥18,864	¥19,038	\$156,483
2.45% unsecured bonds due 2000	30,000	30,000	248,860
2.00% unsecured bonds due 2002	20,000	20,000	165,906
Other loans from banks.....	8,845	8,619	73,372
Total.....	¥77,709	¥77,657	\$644,621

The 0.90% yen unsecured convertible bonds due 2003 are convertible into common stock at a conversion price of ¥3,150.00 per share at March 31, 1999, subject to adjustment in certain events.

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 48% in 1999 and approximately 52% in 1998 and 1997. 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.

During 1999 and 1998, the Company issued 55,237 shares and 3,476,785 shares of common stock, respectively, in connection with conversion of convertible bonds.

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. Share Repurchase Under Stock Option Program

At the Annual Shareholders' Meeting held on June 26, 1998, a stock option plan was approved in order to further increase directors' incentive and motivation to raise corporate performance with the aim of maximizing corporate value. Pursuant to this approval, from July 1, 1998 to July 7, 1998, the Company repurchased 240,000 shares of its common stock with a total value of ¥1,090 million.

11. Retained Earnings

As amended in the Japanese Securities and Exchange Law, "legal reserve," formerly disclosed separately in the shareholders' equity section, has been included in "retained earnings" in fiscal 1999. Prior year figures have been adjusted to reflect this change.

12. Segment Information

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

13. Contingent Liabilities

The Company did not hold any contingent liabilities at March 31, 1999 and 1998.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors, Tokyo Electron Limited

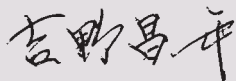
We have examined the consolidated balance sheets of Tokyo Electron Limited and its consolidated subsidiaries as of March 31, 1999 and 1998, and the related statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1999, all expressed in yen. Our 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, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, 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 29, 1999



Masatoshi Yoshino
Certified Public Accountant



Eiji Miyashita
Certified Public Accountant



Fumihiko Sugiura
Certified Public Accountant