

Consolidated Six-Year Summary

Tokyo Electron Limited and its Subsidiaries

Years ended March 31, 2001, 2000, 1999, 1998, 1997 and 1996

	Thousands of U.S. dollars		Millions of yen				
	2001	2001	2000	1999	1998	1997	1996
Net sales	\$5,842,455	¥723,880	¥440,729	¥313,820	¥455,585	¥432,785	¥401,775
Semiconductor production equipment ¹	4,995,973	619,001	355,103	242,240	380,184	355,877	334,983
Computer network ¹	113,430	14,054	12,357	12,878	15,262	14,408	14,314
Electronic components	720,021	89,211	72,051	57,734	60,139	62,500	52,478
Other	13,031	1,614	1,218	968	—	—	—
Operating income	977,292	121,086	35,816	6,383	63,296	60,389	67,754
Income before income taxes	800,094	99,132	29,689	6,038	62,834	60,487	65,098
Net income	500,499	62,012	19,848	1,866	30,009	29,975	30,964
Domestic sales	2,415,433	299,272	183,987	149,838	230,550	256,808	264,660
Overseas sales	3,427,022	424,608	256,742	163,982	225,035	175,977	137,115
Depreciation and amortization	174,970	21,679	19,446	17,921	12,652	10,167	7,730
Capital expenditures ²	398,729	49,403	18,999	23,478	33,302	18,456	25,606
R&D expenses	427,043	52,911	37,135	26,842	26,813	20,988	17,277
Total assets	5,887,903	729,511	499,499	414,903	493,600	387,077	400,050
Total shareholders' equity	2,689,923	333,281	273,603	257,716	261,009	207,476	180,842
Number of employees		10,236	8,946	7,835	7,287	6,277	5,616
Net income per share of common stock: ³	U.S. dollars		Yen				
Basic	\$ 2.86	¥ 353.76	¥ 113.53	¥ 10.70	¥ 174.68	¥ 181.97	¥ 188.05
Diluted ⁴	2.78	344.75	110.64	10.70	168.43	172.74	178.25
Cash dividends per share of common stock:	U.S. dollars		Yen				
Actual	0.31	38.00	14.00	12.00	30.00	28.00	24.00
Adjusted ³	0.31	38.00	14.00	12.00	30.00	25.45	21.82
Number of shares outstanding (thousands) ..		175,691	175,660	174,624	174,569	150,189	149,706
Number of shareholders		42,781	7,147	8,576	9,562	11,097	12,676
ROE			Percent				
Operating income margin	20.4		7.5	0.7	12.8	15.4	18.5
Shareholders' equity ratio	16.7		8.1	2.0	13.9	14.0	16.9
Asset turnover (times)	45.7		54.8	62.1	52.9	53.6	45.2
Shareholders' equity ratio	1.18		0.96	0.69	1.03	1.10	1.12
Net sales per employee	U.S. dollars		Thousands of yen				
	\$ 570,775	¥ 70,719	¥ 49,265	¥ 40,054	¥ 62,520	¥ 68,948	¥ 71,541

1 Results are retroactively restated due to a structural reorganization in fiscal 1997. The LCD Department, formerly part of Computer Network, has been included in Semiconductor Production Equipment. The Computer Systems division was renamed the Computer Network division as of April 1, 2000.

2 Capital expenditures before 1999 represent the gross increase in property, plant and equipment, intangible assets and other depreciable assets. Capital expenditures from 2000 only represent the gross increase in property, plant and equipment.

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

4 Dilution is not assumed for the year ended March 1999.

Consolidated Balance Sheet

Tokyo Electron Limited and its Subsidiaries
March 31, 2001 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current assets:			
Cash and cash equivalents (Note 4).....	¥ 65,320	¥ 79,519	\$ 527,205
Marketable securities (Note 5).....	–	835	–
Trade notes and accounts receivable.....	302,953	175,153	2,445,143
Allowance for doubtful accounts	(1,720)	(1,029)	(13,885)
Inventories (Note 6).....	161,981	112,481	1,307,351
Deferred tax assets (Note 10)	12,659	5,306	102,169
Prepaid expenses and other current assets	7,048	2,892	56,885
Total current assets	548,241	375,157	4,424,868
Investments and other assets:			
Investments in securities (Note 5)	11,599	9,010	93,616
Intangible and other assets	44,950	16,512	362,796
Total investments and other assets.....	56,549	25,522	456,412
Foreign currency translation adjustments	–	1,094	–
Property, plant and equipment:			
Land.....	19,698	16,554	158,984
Buildings	106,753	89,795	861,603
Machinery and equipment	84,607	67,520	682,867
Construction in progress.....	853	877	6,887
Total property, plant and equipment.....	211,911	174,746	1,710,341
Less: Accumulated depreciation	87,190	77,020	703,718
Net property, plant and equipment.....	124,721	97,726	1,006,623
Total assets	¥729,511	¥499,499	\$5,887,903

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current liabilities:			
Short-term borrowings (Note 8)	¥ 48,462	¥ 23,998	\$ 391,139
Current portion of long-term debt (Note 8)	2,970	32,699	23,968
Commercial paper	30,000	–	242,131
Trade notes and accounts payable	87,350	62,574	705,007
Accrued income taxes	41,440	11,843	334,464
Allowance for employees' bonuses	10,948	7,375	88,366
Accrued expenses and other current liabilities	17,271	7,969	139,392
Total current liabilities	238,441	146,458	1,924,467
Long-term debt, less current portion (Note 8)	126,348	67,278	1,019,757
Allowance for retirement and severance benefits (Note 9)	29,807	11,581	240,570
Other non-current liabilities	1,576	545	12,718
Total liabilities	396,172	225,862	3,197,512
Minority interest	58	34	468
Shareholders' equity:			
Common stock, par value ¥50 per share (Note 11)	47,213	47,163	381,055
Authorized: 300,000,000 shares			
Issued and outstanding: 175,691,269 at March 31, 2001			
175,659,848 at March 31, 2000			
Additional paid-in capital (Note 11)	70,275	70,225	567,189
Retained earnings	214,920	157,876	1,734,628
Unrealized gains on securities	1,658	–	13,385
Foreign currency translation adjustments	2,734	–	22,071
Treasury stock at cost (Note 12)	(3,519)	(1,661)	(28,405)
Total shareholders' equity	333,281	273,603	2,689,923
Total liabilities and shareholders' equity	¥729,511	¥499,499	\$5,887,903

Consolidated Statement of Income

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
Net sales	¥723,880	¥440,729	¥313,820	\$5,842,455
Cost of sales	458,902	303,839	225,962	3,703,810
Gross profit	264,978	136,890	87,858	2,138,645
Selling, general and administrative expenses	143,892	101,074	81,475	1,161,353
Operating income	121,086	35,816	6,383	977,292
Other income (expenses):				
Interest and dividend income	669	276	898	5,400
Interest expenses	(2,378)	(1,960)	(2,003)	(19,195)
Patent royalties for prior years	-	(1,575)	-	-
Devaluation of golf memberships	(35)	(1,253)	-	(285)
Devaluation of investments in securities	(1,552)	-	-	(12,530)
Amortization of discrepancy arising from adoption of retirement benefit accounting standards (Note 9)	(15,975)	-	-	(128,932)
Other, net	(2,683)	(1,615)	760	(21,656)
Income before income taxes	99,132	29,689	6,038	800,094
Provision for income taxes (Note 10):				
Current	50,589	14,545	4,167	408,302
Deferred	(13,490)	(4,709)	-	(108,874)
Minority interest	21	5	5	167
Net income	¥ 62,012	¥ 19,848	¥ 1,866	\$ 500,499
Per share of common stock:				
		Yen		U.S. dollars
Net income — basic	¥ 353.76	¥ 113.53	¥ 10.70	\$ 2.86
Net income — diluted	344.75	110.64	10.70	2.78
Cash dividends	38.00	14.00	12.00	0.31

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
Common stock				
Balance at beginning of year.....	¥ 47,163	¥ 45,532	¥ 45,445	\$ 380,656
Conversion of convertible bonds (Note 11).....	50	1,631	87	399
Balance at end of year	47,213	47,163	45,532	381,055
Additional paid-in capital				
Balance at beginning of year.....	70,225	68,594	68,507	566,790
Conversion of convertible bonds (Note 11).....	50	1,631	87	399
Balance at end of year	70,275	70,225	68,594	567,189
Retained earnings				
Balance at beginning of year.....	157,876	144,715	147,082	1,274,218
Increase (decrease) resulting from change in reporting entity, net.....	-	(7,309)	(210)	-
Cumulative effect of applying deferred tax accounting ..	-	2,717	-	-
Net income for year	62,012	19,848	1,866	500,499
Cash dividends	(4,734)	(2,095)	(3,665)	(38,200)
Bonuses to directors.....	(234)	-	(358)	(1,889)
Balance at end of year	214,920	157,876	144,715	1,734,628
Unrealized gains on securities				
Unrealized holding gains arising during the period	1,658	-	-	13,385
Foreign currency translation adjustments				
	2,734	-	-	22,071
Treasury stock, at cost (Note 12)				
	(3,519)	(1,661)	(1,125)	(28,405)
(1999: 247,191 shares; 2000: 303,761 shares 2001: 407,556 shares)				
Total shareholders' equity	¥333,281	¥273,603	¥257,716	\$2,689,923

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash flow from operating activities:			
Income before income taxes.....	¥ 99,132	¥ 29,689	\$ 800,094
Depreciation and amortization	21,679	19,446	174,970
Increase in allowance for retirement and severance benefits	18,228	2,153	147,118
Increase in allowance for employees' bonuses.....	3,482	3,175	28,103
Interest expenses	2,381	1,964	19,214
Loss on disposal of fixed assets.....	2,492	2,149	20,112
Devaluation of investments in securities	1,552	–	12,530
Loss from devaluation of golf memberships	35	1,253	285
Increase in trade notes and accounts receivable	(121,669)	(31,675)	(981,992)
Increase in inventories	(53,666)	(27,196)	(433,137)
Increase in accounts payable	9,709	22,416	78,365
Increase in prepaid consumption tax	(4,859)	(3,542)	(39,218)
Others	13,282	10,695	107,197
Subtotal.....	(8,222)	30,527	(66,359)
Receipts from interest and dividends	671	280	5,413
Interest paid	(2,295)	(1,923)	(18,525)
Income taxes paid.....	(19,596)	(3,757)	(158,160)
Net cash provided by (used in) operating activities	(29,442)	25,127	(237,631)
Cash flow from investing activities:			
Payment for purchase of property, plant and equipment	(39,155)	(14,577)	(316,021)
Payment for acquisition of intangible assets	(4,568)	(4,100)	(36,871)
Payment for purchase of newly consolidated subsidiaries.....	(18,867)	–	(152,282)
Others	231	2,485	1,872
Net cash used in investing activities	(62,359)	(16,192)	(503,302)
Cash flow from financing activities:			
Increase in short-term borrowings.....	23,927	13,022	193,113
Increase (decrease) in commercial paper.....	30,000	(10,000)	242,131
Proceeds from long-term debt.....	8,671	5,700	69,986
Repayment of long-term debt	(3,757)	(2,477)	(30,325)
Proceeds from issuance of bonds	54,938	19,899	443,406
Redemption of unsecured bonds.....	(30,000)	–	(242,131)
Increase in treasury stock.....	(1,859)	(454)	(15,001)
Dividends paid.....	(4,733)	(2,095)	(38,200)
Others	(5)	(25)	(39)
Net cash provided by financing activities.....	77,182	23,570	622,940
Effect of exchange rate changes on cash and cash equivalents	391	(469)	3,158
Net increase (decrease) in cash and cash equivalents.....	(14,228)	32,036	(114,835)
Cash and cash equivalents at beginning of year	79,519	46,761	641,798
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year..	–	722	–
Cash and cash equivalents at end of year (Note 4)	¥ 65,291	¥ 79,519	\$ 526,963

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Tokyo Electron Limited and its Subsidiaries

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 Ministry 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.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its 30 subsidiaries (28 in 2000).

All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated in consolidation. The fiscal years of all the subsidiaries end on March 31, the fiscal year-end of the Parent Company.

U.S. dollar amounts included herein are solely for the convenience of readers and are made at the rate of ¥123.90 to \$1.00, the approximate current rate at March 31, 2001. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

(b) Foreign currency translation

In accordance with the revised Japanese accounting standards effective April 1, 2000, all assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rate prevailing at the balance sheet date, except for those hedged by forward exchange contracts, which are translated at the contracted rates.

The financial statements of foreign subsidiaries have been translated in accordance with the accounting standards in Japan.

Foreign currency translation adjustments previously classified in the Assets section have been reclassified in the Shareholders' equity section starting from April 1, 2000 in accordance with the revised Japanese accounting standards effective April 1, 2000.

(c) Marketable securities and investments in securities

In accordance with the revised Japanese accounting standards effective April 1, 2000, securities with market prices are valued at market based on market prices on the consolidated account settlement date. Other securities are valued at cost using the weighted average method.

The differences between the book and market prices of marketable securities are charged to shareholders' equity. The cost of sold securities is calculated using the weighted average method.

(d) 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.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment is computed on the declining-balance method for the Parent Company and its domestic subsidiaries at rates based on the estimated useful lives of assets, while the straight-line method is mainly applied for foreign subsidiaries over the estimated useful lives of their assets.

(f) Retirement and severance benefits

The Company and its consolidated domestic subsidiaries provide a reserve for employees' retirement benefits based on the projected benefit obligation and pension assets on the consolidated account settlement date. The entire difference stemming from the accounting change (¥15,975 million) implemented from the fiscal year starting April 1, 2000 has been charged to income in the fiscal year ended March 31, 2001. Actuarial differences are charged to income on a straight-line basis, beginning from the year after they are recognized, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

The annual provision for accrued retirement benefits for directors and corporate auditors of the Company and its consolidated domestic subsidiaries is also calculated to state the liability at the amount that would be required if all directors and corporate auditors retired at the end of the consolidated fiscal year according to internal regulation.

(g) Leases

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

(h) Income taxes

The Company records deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(i) Derivatives

The Company makes use of derivatives only to reduce exchange risk of foreign currencies. The amount of derivatives is limited to the extent of foreign currency assets, debt and actual orders, and the Company does not trade in derivatives for speculative purposes.

Derivatives are valued at market based on market prices on the consolidated account settlement date.

(j) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full mark-to-market method.

(k) Amortization of consolidated goodwill

Consolidated goodwill is evaluated on an individual basis and amortized within a reasonable number of years not exceeding 20 years.

(l) Per share information

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. Acquisitions

The Company has acquired all the shares of stock of Supercritical Systems, Inc. and Timbre Technologies, Inc. The assets and liabilities of the newly acquired companies are as follows:

Supercritical Systems, Inc.:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Current assets	¥ 5	\$ 45
Fixed assets	3	21
Consolidated goodwill.....	2,974	24,005
Total acquisition cost of Supercritical Systems, Inc.	2,982	24,071
Cash or cash equivalents of Supercritical Systems, Inc.	(4)	(32)
Net acquisition cost of Supercritical Systems, Inc.	¥2,978	\$24,039

Timbre Technologies, Inc.:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Current assets	¥ 155	\$ 1,249
Fixed assets	59	479
Consolidated goodwill.....	16,001	129,147
Current liabilities	(216)	(1,742)
Total acquisition cost of Timbre Technologies, Inc.	15,999	129,133
Cash or cash equivalents of Timbre Technologies, Inc.	(110)	(890)
Net acquisition cost of Timbre Technologies, Inc.	¥15,889	\$128,243

4. Cash and cash equivalents

Cash and cash equivalents at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Cash and deposits.....	¥65,320	\$527,205
Time deposits due over 3 month.	(29)	(242)
Total	¥65,291	\$526,963

5. Marketable Securities and Investments in Securities

Marketable securities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
Listed stock	¥ -	¥825	\$ -	
Other	-	10	-	
Total	¥ -	¥835	\$ -	

Based on the Company's assessment of the purpose of holding securities, ¥835 million of securities have been reclassified from "Marketable securities" to "Investments in securities" as of April 1, 2000.

Investments in securities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
Listed stock	¥10,577	¥8,086	\$85,364	
Mutual funds	113	114	916	
Other	909	810	7,336	
Total	¥11,599	¥9,010	\$93,616	

6. Inventories

Inventories at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
Finished products	¥ 58,878	¥ 38,909	\$ 475,207	
Work in process, raw materials and supplies ...	103,103	73,572	832,144	
Total	¥161,981	¥112,481	\$1,307,351	

7. Pledged Assets

The Company did not hold any assets pledged as collateral at March 31, 2001 and 2000.

8. 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 1.08% at March 31, 2001. Long-term debt at March 31, 2001 and 2000 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
0.90% unsecured convertible bonds due 2003	¥ 15,502	¥ 15,601	\$ 125,117	
2.45% unsecured bonds due 2000.	-	30,000	-	
2.00% unsecured bonds due 2002.	20,000	20,000	161,420	
1.39% unsecured bonds due 2004.	20,000	20,000	161,420	
0.85% unsecured bonds due 2003.	20,000	-	161,420	
1.30% unsecured bonds due 2005.	30,000	-	242,131	
1.59% unsecured bonds with warrants due 2006.....	4,500	-	36,320	
Other loans from banks	19,316	14,376	155,896	
Current portion.....	(2,970)	(32,699)	(23,967)	
Total	¥126,348	¥ 67,278	\$1,019,757	

The 0.90% unsecured convertible bonds due 2003 are convertible at the option of holders into common stock through September 29, 2003. At March 31, 2000, the conversion price was ¥3,150.00 per share, subject to adjustment in certain events.

A summary of terms and conditions of the bonds with warrants is as follows:

Bond amount	¥4,500 million
Interest rate	1.59%
Issued stocks.....	Common stock, ¥50 par value
Exercise price	¥14,070
Exercise period.....	July 1, 2002-June 8, 2006

9. Retirement and Severance Benefits

The Company and its consolidated domestic subsidiaries have noncontributory retirement and severance benefit plans that provide for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. In addition, the majority of the employees of the Company are covered by a contributory pension plan, whose benefits are based on length of service and certain other factors and include a portion representing the government social security welfare pension.

Some consolidated foreign subsidiaries have a noncontributory retirement and severance benefit plan that provides for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2001 is as follows:

	Thousands of	
	Millions of yen	U.S. dollars
	2001	2001
Benefit obligation.....	¥(46,449)	\$(374,890)
Fair value of plan assets.....	15,575	125,710
Unrecognized benefit obligation.....	(30,874)	(249,180)
Unrecognized net transition obligation.....	-	-
Unrecognized actuarial difference	2,175	17,554
Unrecognized prior service cost	-	-
Amount recognized in the consolidated balance sheets (note).....	(28,699)	(231,626)
Prepaid benefit cost.....	-	-
Allowance for retirement and severance benefits.	¥(28,699)	\$(231,626)

Note: The annual provision for accrued retirement benefits for directors and corporate auditors (¥1,108 million) is not included.

Net pension cost of the plans is as follows:

	Thousands of	
	Millions of yen	U.S. dollars
	2001	2001
Service cost	¥ 3,942	\$ 31,821
Interest cost	1,418	11,443
Expected return on plan assets	(419)	(3,383)
Amortization of unrecognized transition obligation	15,975	128,930
Amortization of unrecognized actuarial difference..	-	-
Amortization of unrecognized prior service cost .	-	-
Net pension cost	¥20,916	\$168,811

Significant assumptions of domestic pension plans used to determine these amounts are as follows:

Allocation method of benefit obligation	Straight-line method
Discount rate	3.50%
Expected rate of return on plan assets ...	3.00%
Amortization life of prior service cost	-
Amortization life of unrecognized actuarial difference	4 years
Amortization life of unrecognized transition obligation.....	Fully recognized in the fiscal year ended March 31, 2001

10. Income Taxes

Significant components of the deferred tax assets and liabilities of the Company as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
	2001	2000	2001
Deferred tax assets			
Allowance for retirement benefits .	¥ 8,180	¥ 838	\$ 66,024
Elimination of unrealized gain on inventories	5,283	3,172	42,638
Enterprise taxes payable.....	3,912	1,007	31,571
Tax loss carryforwards.....	2,447	4,882	19,747
Allowance for bonuses	2,101	1,350	16,959
Elimination of unrealized gain on fixed assets	1,362	1,173	10,992
Devaluation of golf memberships.	527	519	4,255
Other	3,371	2,188	27,210
Subtotal of deferred tax assets....	27,183	15,129	219,396
Valuation allowance	(2,479)	(5,936)	(20,010)
Total deferred tax assets	24,704	9,193	199,386
Deferred tax liabilities			
Retained earnings of foreign subsidiaries	(1,974)	-	(15,930)
Revaluation of investment in securities.....	(1,455)	-	(11,742)
Allowance for extraordinary depreciation.	(884)	(1,028)	(7,136)
Revision of allowance for doubtful accounts due to offsetting credits and debts	(282)	(314)	(2,281)
Allowance for domestic market development for imported products.....	-	(252)	-
Other	(130)	(173)	(1,049)
Total deferred tax liabilities ...	(4,725)	(1,767)	(38,138)
Net deferred tax assets	¥19,979	¥7,426	\$161,248

The differences between the aggregate statutory tax rate and the effective tax rate of the Company for financial statement purposes for the year ended March 31, 2001 and 2000 were as follows:

	2001	2000
Domestic statutory tax rate.....	42.05%	42.05%
Non-recognition of tax loss		
carryforward from prior year	(4.42)	(4.27)
Tax rate difference	(1.50)	(1.42)
Tax credits and others	(1.22)	(2.57)
Permanent differences such as non-taxable		
dividend income.....	(0.54)	(1.87)
Recognition of effective tax rate on retained		
earnings of foreign subsidiaries	1.99	-
Expenses not deductible for tax purposes .	0.53	0.86
Others.....	0.53	0.35
Effective tax rate	37.42%	33.13%

11. Shareholders' Equity

The Company issued 31,421 shares and 1,035,853 shares of common stock in 2001 and 2000, respectively, in connection with conversion of convertible bonds.

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

12. Share Repurchase Under Stock Option Program

The Company has a stock option plan to further increase directors' and corporate senior staff's incentive and motivation to raise corporate performance with the aim of maximizing corporate value. A summary of share repurchases under the stock option plan during the year ended March 31, 2001 is as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
Outstanding at			
beginning of the year.....	299,000	¥1,612	\$13,006
Purchased	144,000	2,104	16,978
Exercised.....	(32,000)	(146)	(1,174)
Expired or forfeited	(3,600)	(53)	(424)
Outstanding at end of the year...	407,400	¥3,517	\$28,386

Note: The Company has 156 shares (¥2 million) of treasury stock other than for the purpose of the stock option plan.

13. Leases

Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2001 and 2000, was as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Acquisition cost.....	¥35	¥52	\$280
Accumulated depreciation.....	31	37	247
Net leased property.....	¥ 4	¥15	\$ 33

Future minimum lease payments (Machinery and Equipment) :

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Due within one year.....	¥4	¥11	\$33
Due over one year.....	-	4	-
Total.....	¥4	¥15	\$33

Lease payments and depreciation computed by the straight-line method over the lease terms with no residual value and imputed interest expense were ¥6 million in the year ended March 31, 2001 and ¥11 million in the year ended March 31, 2000.

Future minimum operating lease payments:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Due within one year.....	¥ 474	¥ 98	\$ 3,825
Due over one year.....	1,503	76	12,136
Total.....	¥1,977	¥174	\$15,961

14. Segment Information

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

15. Contingent Liabilities

The Company did not hold any contingent liabilities at March 31, 2001 and 2000.

16. Subsequent Event

On June 8, 2001, 0.86% unsecured bonds with warrants due 2007 were issued as approved at the Board Meeting held on May 16, 2001. This was in relation to the stock-based compensation plan introduced and implemented as of the same date of the issuance of the bonds with warrants. Under this plan, the bond portion (¥5,500 million) was sold to the public and the warrant portion (¥631,950 thousand) was repurchased by the Company and granted to its eligible employees worldwide as an incentive linked to the Company's future stake. A summary of terms and conditions of the bonds with warrants are as follows:

Bond amount	¥5,500 million
Interest rate	0.86%
Issued stocks.....	Common stock, ¥50 par value
Exercise price	¥9,608
Exercise period.....	July 1, 2003 – June 7, 2007

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, 2001 and 2000, the related statements of income and shareholders' equity for each of the three years in the period ended March 31, 2001, and the statements of cash flows for the years ended March 31, 2001 and 2000, 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 statements present fairly the financial position of Tokyo Electron Limited and its consolidated subsidiaries at March 31, 2001 and 2000, the results of their operations for each of the three years in the period ended March 31, 2001, and their cash flows for the year ended March 31, 2001 and 2000, 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 2-a.

Tokyo, Japan

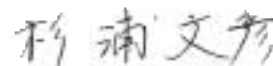
June 27, 2001



Masatoshi Yoshino
Certified Public Accountant



Eiji Miyashita
Certified Public Accountant



Fumihiko Sugiura
Certified Public Accountant