Sales and Income

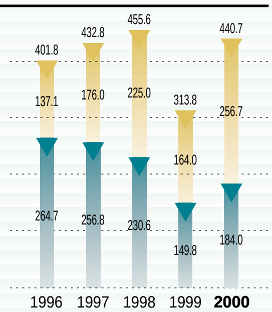
Sales

For the year ended March 31, 2000, consolidated net sales increased 40.4 percent from the prior fiscal year to ¥440.7 billion (US$4,152 million), as the semiconductor industry rapidly recovered from the 1998 downturn and entered a period of capacity expansion and investment in advanced technology. Geographically, domestic sales grew 22.8 percent to ¥184.0 billion and overseas sales jumped 56.6 percent to ¥256.7 billion. Sales outside of Japan thus exceeded domestic sales for the second consecutive year.

Domestic and Overseas Sales
(¥ Billions)

Net sales outside Japan grew a robust 56.6 percent in the year ended March 2000, surpassing domestic sales for the second straight year.

Overseas
Japan



By division, Semiconductor Production Equipment (SPE) sales, which include sales of LCD production equipment, increased 46.6 percent to ¥355.1 billion. Computer Systems (CS) sales were essentially unchanged at ¥12.4 billion, and Electronic Components (EC) sales rose 24.8 percent to ¥72.1 billion.

Tokyo Electron now reports orders received and order backlog on a consolidated basis, beginning with the year ended March 2000. Orders received for the SPE division increased to ¥520.5 billion as non-memory chipmakers and foundries ramped up capital investment to remain in step with increasing demand. Consequently, order backlog for the SPE division rose to ¥249.5 billion. Strong order flow in the fourth quarter of the fiscal year indicates continuing sales growth during the year ending March 2001. For reference, non-consolidated orders received in the prior fiscal year were ¥198.1 billion and order backlog was ¥84.0 billion.

Because exports from Japan are generally denominated in yen, changes in exchange rates have no material effect on Tokyo Electron's results. However, a stronger yen vis-a-vis the U.S. dollar typically raises prices from the purchaser's perspective. The ratio of U.S. dollar-denominated transactions involving equipment imported to Japan is comparatively low and did not have a material effect in the year ended March 31, 2000.

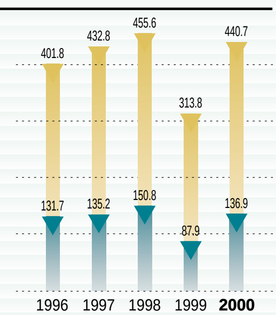
Cost of Sales and SG&A Expenses

Cost of sales increased 34.5 percent to ¥303.8 billion, a rate of increase well below the rate of sales growth. Consequently, cost of sales as a percentage of net sales improved to 68.9 percent from 72.0 percent for the prior fiscal year. Gross profit increased 55.8 percent to ¥136.9 billion and the gross profit margin rose 3.1 percentage points to 31.1 percent, reflecting higher business volume and the favorable effects of Tokyo Electron's drive to improve productivity and reduce costs.

Net Sales & Gross Profit
(¥ Billions)

Higher business volume and Tokyo Electron's efforts to improve productivity contributed to a solid gain in gross profit.

Net sales
Gross profit



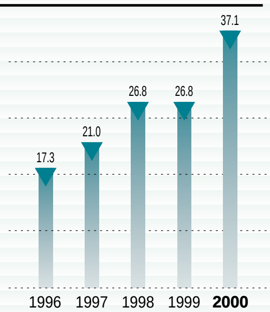
Selling, general and administrative expenses increased 24.1 percent to ¥101.1 billion, again substantially below the rate of sales growth due to Tokyo Electron's successful cost-control measures. Research and development expenses, which are included in SG&A expenses, increased 38.3 percent to ¥37.1 billion. R&D was focused primarily on development of

Note: Years in all graphs refer to fiscal years ended March 31.

equipment for 0.13µm and beyond, 300mm equipment and new business opportunities. Consistent and substantial R&D spending, even during market slowdowns, has been a key factor supporting Tokyo Electron's ability to maintain a competitive advantage in the products and services it provides, and is allowing the Company to benefit fully from the current market recovery. Operating income increased more than five times to ¥35.8 billion as sales growth strongly outpaced expense increases. The operating margin was 8.1 percent, compared to 2.0 percent for the prior fiscal year.

R&D Expenses
(¥ Billions)

R&D expenses rose significantly, reflecting Tokyo Electron's aggressive investment in developing next-generation technology.

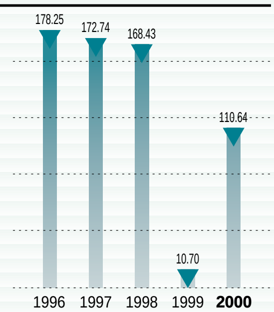


Other Income (Expenses) and Net Income

Net other expenses increased sharply to ¥6.1 billion, primarily because of non-recurring charges, which consisted mainly of losses on the sale and disposal of fixed assets and patent royalty payments for past fiscal years. Income before income taxes increased nearly five times to ¥29.7 billion. Net income totaled ¥19.8 billion, compared to ¥1.9 billion for the prior fiscal year, and fully diluted net income per share increased from ¥10.70 to ¥110.64. Tokyo Electron increased cash dividends by ¥2.00 per share to ¥14.00 per share; the payout ratio was 12.7 percent, which is in line with the Company's historical norm.

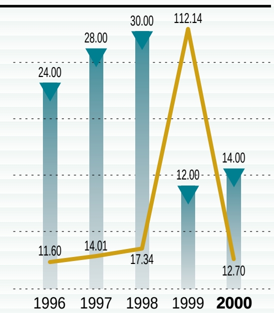
Net Income per Share
(¥)

Fully diluted net income per share rebounded nearly ¥100 to ¥110.64.



Cash Dividends per Share & Payout Ratio
(¥ / %)

Due to the solid recovery in net income, Tokyo Electron revised its original forecast for cash dividends upward by ¥2 to ¥14 per share for the full fiscal year.



Cash dividends
Payout ratio

	Millions of yen (percentage of net sales)						Thousands of U.S. dollars
	2000		1999		1998		**2000**
Net sales	**¥440,729**	**(100.0)**	¥313,820	(100.0)	¥455,585	(100.0)	**$4,151,945**
Cost of sales	**303,839**	**(68.9)**	225,962	(72.0)	304,825	(66.9)	**2,862,355**
Gross profit	**136,890**	**(31.1)**	87,858	(28.0)	150,760	(33.1)	**1,289,590**
SG&A expenses	**101,074**	**(22.9)**	81,475	(26.0)	87,464	(19.2)	**952,181**
Operating income	**35,816**	**(8.1)**	6,383	(2.0)	63,296	(13.9)	**337,409**
Other income (expenses)	**(6,127)**	**—**	(345)	–	(462)	–	**(57,720)**
Income before income taxes	**29,689**	**(6.7)**	6,038	(1.9)	62,834	(13.8)	**279,689**
Provision for income taxes	**9,836**	**(2.2)**	4,167	(1.3)	32,825	(7.2)	**92,661**
Net income	**¥ 19,848**	**(4.5)**	¥ 1,866	(0.6)	¥ 30,009	(6.6)	**$ 186,981**

Financial Position and Cash Flows

Financial Position

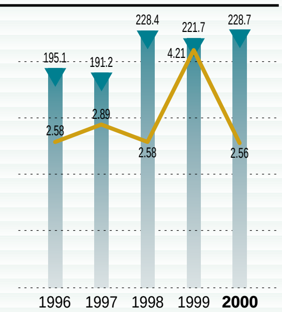
Current assets at March 31, 2000 increased 29.0 percent from a year earlier to ¥375.2 billion as both trade notes and accounts receivable and inventories expanded in reflection of the gain in sales. However, inventory turnover improved to 4.39 times compared with 3.33 times in the previous fiscal year. Trade notes and accounts receivable turnover was 2.79 times, compared to 1.89 times for the prior fiscal year. Current liabilities more than doubled to ¥146.5 billion, mainly because of increased short-term borrowings outstanding at the balance sheet date and an increase in trade notes and accounts payable due to the ramp-up in production to meet higher demand. Working capital increased to ¥228.7 billion, while the current ratio decreased to 2.6 to 1 from 4.2 to 1 a year earlier. The current ratio decreased primarily because of an increase in current liabilities, but still signifies excellent liquidity. Total assets increased 20.4 percent to ¥499.5 billion, mainly because of the rise in current assets coupled with an increase in fixed assets as capital projects came onstream.

Tokyo Electron reduced long-term debt 13.4 percent from a year earlier to ¥67.3 billion as ¥30.0 billion in bonds were transferred to current liabilities.

Working Capital & Current Ratio
(¥ Billions / Times)

Working capital increased; the current ratio decreased, but continued to signify excellent liquidity.

Working capital
Current ratio



Shareholders' equity increased 6.2 percent to ¥273.6 billion, due mainly to an increase in retained earnings. As a percentage of total assets, shareholders' equity was 54.8 percent, compared to 62.1 percent a year earlier. Return on average total shareholders' equity improved to 7.5 percent.

Shareholders' Equity Ratio
(%)

Despite higher shareholders' equity, the equity ratio declined in reflection of the increase in current assets resulting from higher sales.

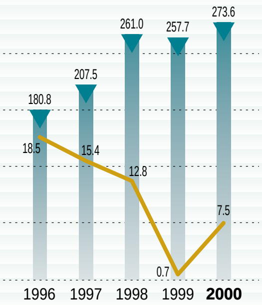
	Millions of yen (percentage of total assets)				Thousands of U.S. dollars
	2000		1999		**2000**
Total assets	**¥499,499**	**(100.0)**	¥414,903	(100.0)	**$4,705,596**
Trade notes and accounts receivable	**175,153**	**(35.0)**	140,746	(33.9)	**1,650,052**
Cash and time deposits	**79,519**	**(15.9)**	46,910	(11.3)	**749,119**
Inventories	**112,481**	**(22.5)**	88,085	(21.2)	**1,059,642**
Investments and other assets	**25,522**	**(5.1)**	32,063	(7.7)	**240,433**
Property, plant and equipment	**97,726**	**(19.6)**	92,092	(22.2)	**920,641**
Total liabilities	**225,862**	**(45.2)**	156,885	(37.8)	**2,127,763**
Trade notes and accounts payable	**62,574**	**(12.5)**	35,019	(8.4)	**589,487**
Short-term borrowings	**23,998**	**(4.8)**	21,657	(5.2)	**226,076**
Accrued income taxes	**11,843**	**(2.4)**	1,488	(0.4)	**111,569**
Long-term debt	**67,278**	**(13.5)**	77,709	(18.7)	**633,801**
Shareholders' equity	**¥273,603**	**(54.8)**	¥257,716	(62.1)	**$2,577,513**

The balance of convertible bonds outstanding at March 31, 2000 was ¥15.6 billion. The potential number of shares if all convertible bonds had been converted at the balance sheet date represented 2.8 percent of total common stock issued and outstanding.

Shareholders' Equity & ROE
(¥ Billions / %)

Return on equity improved to 7.5 percent due to increased earnings, while shareholders' equity increased 6.2 percent.

Shareholders' equity
Return on equity

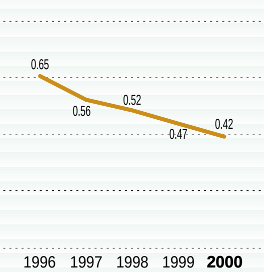


Cash Flows

Operating activities generated net cash of ¥25.1 billion, 49.6 percent below the ¥49.8 billion in net cash generated in the prior fiscal year. Net cash flow, defined as the sum of net income and depreciation, increased 2 times to ¥39.3 billion, due to the increase in net income. Net changes in assets and liabilities, however, tend to represent a use of cash during periods of revenue growth because Tokyo Electron generally incurs costs and expends cash in advance of receiving cash from its customers. In the past fiscal year, increases in trade notes and accounts receivable and in inventories were the primary factors reducing net cash generated by operating activities.

Debt-to-Equity Ratio
(Times)

Strong cash flow allowed Tokyo Electron to rely less on external funding for operations; consequently, the debt-to-equity ratio improved to 0.42 times.

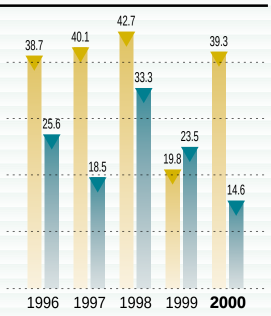


Investing activities used net cash of ¥16.2 billion, down 33.5 percent from ¥24.3 billion in the prior fiscal year. Payment for purchase of property, plant and equipment amounted to ¥14.6 billion. Beginning in the year ended March 31, 2000, this item excludes the amount of Tokyo Electron's own equipment capitalized as fixed assets. Including this amount, capital expenditures for property, plant and equipment would have totaled ¥19.0 billion. Capital investments were mainly directed toward equipment for evaluation; Tokyo Electron made no major investments in buildings or land during the past fiscal year. Tokyo Electron reduced capital investment in response to the downturn in the semiconductor industry during 1998 and early 1999, but anticipates additional investment to expand capacity and ensure the continued availability of innovative technology during the fiscal year ending March 2001.

Net Cash Flow & Capital Expenditures
(¥ Billions)

Net cash flow consistently outpaces capital expenditures, reflecting Tokyo Electron's disciplined approach to financial management.

Net cash flow
Capital expenditures



Net cash generated by financing activities totaled ¥23.6 billion; in the prior fiscal year, financing activities used net cash of ¥48.2 billion. Tokyo Electron increased short-term borrowings by ¥13.0 billion, and issued unsecured bonds of ¥20.0 billion.

Cash and cash equivalents at the end of the year were ¥79.5 billion, a significant increase from ¥47.7 billion at the end of the prior fiscal year. Management believes that Tokyo Electron's positive cash flow, manageable debt and strong working capital give the Company the liquidity and financial base necessary to continue expanding internationally while meeting customer demand during the upward cycle of the semiconductor industry.