

Consolidated Six-Year Summary

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2004, 2003, 2002, 2001, 2000, and 1999

	Thousands of U.S. dollars		Millions of yen				
	2004	2004	2003	2002	2001	2000	1999
Net sales	\$5,013,762	¥529,654	¥460,580	¥417,825	¥723,880	¥440,729	¥313,820
Semiconductor production equipment ¹	4,030,173	425,747	364,689	325,715	619,001	355,103	242,240
Computer network ¹	174,629	18,448	17,193	17,031	14,054	12,357	12,878
Electronic components	797,322	84,229	77,380	73,658	89,211	72,051	57,734
Other	11,638	1,230	1,318	1,421	1,614	1,218	968
Operating income (loss)	210,902	22,280	1,119	(18,310)	121,086	35,816	6,383
Income (loss) before income taxes	141,382	14,936	(23,010)	(22,919)	99,132	29,689	6,038
Net income (loss)	78,544	8,297	(41,554)	(19,938)	62,012	19,848	1,866
Domestic sales	2,293,810	242,318	190,513	186,516	299,272	183,987	149,838
Overseas sales	2,719,952	287,336	270,067	231,309	424,608	256,742	163,982
Depreciation and amortization	236,302	24,963	27,374	26,294	21,679	19,446	17,921
Capital expenditures ²	104,191	11,007	12,359	30,946	49,403	18,999	23,478
R&D expenses	417,927	44,150	50,123	53,827	52,911	37,135	26,842
Total assets	5,316,467	561,632	524,901	556,915	729,511	499,499	414,903
Total shareholders' equity	2,610,748	275,800	252,904	307,579	333,281	273,603	257,716
Number of employees		8,870	10,053	10,171	10,236	8,946	7,835
	U.S. dollars		Yen				
Net income (loss) per share of common stock: ³							
Basic	\$ 0.44	¥ 46.37	¥ (238.57)	¥ (113.85)	¥ 353.76	¥ 113.53	¥ 10.70
Diluted ⁴	0.43	45.78	-	-	344.75	110.64	-
Cash dividends per share of common stock:							
Actual	0.09	10.00	8.00	8.00	38.00	14.00	12.00
Adjusted ³	0.09	10.00	8.00	8.00	38.00	14.00	12.00
Number of shares outstanding (thousands)		180,611	175,698	175,691	175,691	175,660	174,624
Number of shareholders		60,873	49,259	37,116	42,781	7,147	8,576
		Percent					
ROE		3.1	(14.8)	(6.2)	20.4	7.5	0.7
Operating income margin		4.2	0.2	(4.4)	16.7	8.1	2.0
Shareholders' equity ratio		49.1	48.2	55.2	45.7	54.8	62.1
Asset turnover (times)		0.97	0.85	0.65	1.18	0.96	0.69
	U.S. dollars		Thousands of yen				
Net sales per employee	\$ 565,249	¥ 59,713	¥ 45,815	¥ 41,080	¥ 70,719	¥ 49,265	¥ 40,054

1 The FPD, Flat Panel Display, Department 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 From 2003, the Company began applying "Accounting Standards regarding Net Income per Share (Business Accounting Standards No.2)" and "Practical Guidelines for Applying Accounting Standards regarding Net Income per Share (Practical Guidelines for Applying Accounting Standards No.4)" released by the Accounting Standards Board of Japan (ASBJ).

4 Dilution is not assumed for the years ended March 2003, 2002 and 1999.

Consolidated Balance Sheets

Tokyo Electron Limited and its Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Current assets:			
Cash and cash equivalents (Note 3).....	¥ 42,650	¥ 52,982	\$ 403,727
Trade notes and accounts receivable.....	245,554	182,218	2,324,439
Allowance for doubtful accounts.....	(155)	(342)	(1,464)
Inventories (Note 5).....	105,187	111,810	995,712
Deferred tax assets (Note 9).....	2,943	4,152	27,863
Prepaid expenses and other current assets.....	6,795	5,619	64,321
Total current assets.....	402,974	356,439	3,814,598
Investments and other assets:			
Investments in securities (Note 4).....	10,874	7,216	102,931
Deferred tax assets (Note 9).....	10,203	9,362	96,587
Intangible and other assets.....	28,792	32,273	272,546
Total investments and other assets.....	49,869	48,851	472,064
Property, plant and equipment:			
Land.....	19,577	19,718	185,319
Buildings.....	108,718	110,950	1,029,136
Machinery and equipment.....	92,379	97,937	874,466
Construction in progress.....	2,552	2,480	24,162
Total property, plant and equipment.....	223,226	231,085	2,113,083
Less: Accumulated depreciation.....	114,437	111,474	1,083,278
Net property, plant and equipment.....	108,789	119,611	1,029,805
Total assets.....	¥561,632	¥524,901	\$5,316,467

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Current liabilities:			
Short-term borrowings (Note 7).....	¥ 6,815	¥ 8,729	\$ 64,514
Current portion of long-term debt (Note 7).....	21,754	37,404	205,923
Commercial paper.....	–	35,000	–
Trade notes and accounts payable.....	78,009	48,279	738,440
Accrued income taxes.....	3,273	3,645	30,983
Allowance for employees' bonuses.....	6,376	3,629	60,357
Provision for loss on restructuring.....	–	8,577	–
Accrued expenses and other current liabilities.....	25,245	15,443	238,975
Total current liabilities.....	141,472	160,706	1,339,192
Long-term debt, less current portion (Note 7).....	98,476	70,230	932,181
Allowance for retirement and severance benefits (Note 8).....	38,275	36,392	362,319
Other non-current liabilities.....	3,662	1,074	34,664
Total liabilities.....	281,885	268,402	2,668,356
Minority interest.....	3,947	3,595	37,363
Shareholders' equity:			
Common stock (Note 10).....	54,961	47,223	520,269
Authorized: 300,000,000 shares			
Issued: 180,610,911 at March 31, 2004			
175,697,930 at March 31, 2003			
Additional paid-in capital (Note 10).....	78,023	70,285	738,576
Retained earnings.....	154,343	147,465	1,461,025
Unrealized gains on securities.....	2,396	(59)	22,676
Foreign currency translation adjustments.....	(720)	1,229	(6,815)
Treasury stock at cost (Note 11).....	(13,203)	(13,239)	(124,983)
2,022,343 at March 31, 2004			
2,034,755 at March 31, 2003			
Total shareholders' equity.....	275,800	252,904	2,610,748
Total liabilities and shareholders' equity.....	¥561,632	¥524,901	\$5,316,467

Consolidated Statements of Operation

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales	¥529,654	¥460,580	¥417,825	\$5,013,762
Cost of sales	389,499	326,540	302,270	3,687,037
Gross profit	140,155	134,040	115,555	1,326,725
Selling, general and administrative expenses	117,875	132,921	133,865	1,115,823
Operating income (loss)	22,280	1,119	(18,310)	210,902
Other income (expenses):				
Interest and dividend income	200	191	351	1,894
Interest expenses	(1,326)	(1,601)	(1,960)	(12,557)
Restructuring costs (Note 12)	(2,540)	(12,055)	-	(24,050)
Amount transferred to provision for loss on restructuring (Note 13)	-	(8,577)	-	-
Devaluation of investments in securities	(470)	(739)	(1,236)	(4,447)
Impairment of goodwill (Note 14)	(1,933)	-	-	(18,300)
Other, net	(1,275)	(1,348)	(1,764)	(12,060)
Income (loss) before income taxes	14,936	(23,010)	(22,919)	141,382
Provision for income taxes (Note 9):				
Current	5,108	4,806	2,612	48,346
Deferred	1,016	13,726	(5,602)	9,616
Minority interest	515	12	8	4,876
Net income (loss)	¥ 8,297	¥ (41,554)	¥ (19,938)	\$ 78,544
Per share of common stock:				
	Yen			U.S. dollars
Net income (loss) — basic	¥ 46.37	¥ (238.57)	¥ (113.85)	\$ 0.44
Net income — diluted	45.78	-	-	0.43
Cash dividends	10.00	8.00	8.00	0.09

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Common stock				
Balance at beginning of year.....	¥ 47,223	¥ 47,214	¥ 47,213	\$ 447,021
Conversion of convertible bonds (Note 10).....	7,738	9	1	73,248
Balance at end of year	54,961	47,223	47,214	520,269
Additional paid-in capital				
Balance at beginning of year.....	70,285	70,276	70,275	665,328
Conversion of convertible bonds (Note 10).....	7,738	9	1	73,248
Balance at end of year	78,023	70,285	70,276	738,576
Retained earnings				
Balance at beginning of year.....	147,465	190,195	214,920	1,395,918
Increase due to the change in the equity holding as a result of a public offering by a consolidated subsidiary	-	219	-	-
Net income (loss) for year	8,297	(41,554)	(19,938)	78,544
Cash dividends	(1,409)	(1,395)	(4,031)	(13,338)
Bonuses to directors	(10)	-	(756)	(99)
Loss on disposal of treasury stocks	(0)	-	-	(0)
Balance at end of year	154,343	147,465	190,195	1,461,025
Unrealized gains on securities				
Net change in unrealized holding gains arising during the period	2,396	(59)	1,171	22,676
Net change in foreign currency translation adjustments	(720)	1,229	3,738	(6,815)
Treasury stock, at cost (Note 11)	(13,203)	(13,239)	(5,015)	(124,983)
(2002: 605,867 shares; 2003: 2,034,755 shares 2004: 2,022,343 shares)				
Total shareholders' equity	¥275,800	¥252,904	¥307,579	\$2,610,748

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2004 and 2003

	Thousands of		
	Millions of yen	U.S. dollars	
	2004	2003	2004
Cash flow from operating activities:			
Income(loss) before income taxes	¥ 14,936	¥(23,010)	\$141,382
Depreciation and amortization	24,963	27,374	236,302
Increase in allowance for retirement and severance benefits.....	1,891	3,416	17,900
Increase in allowance for employees' bonuses	2,765	1,166	26,171
Interest expenses	1,333	1,605	12,617
Loss on disposal of fixed assets	1,257	1,707	11,899
Devaluation of investments in securities	470	739	4,447
Restructuring costs (Note 12)	2,540	12,055	24,050
Amount transferred to provision for loss on restructuring (Note 13).....	-	8,577	-
(Increase) in trade notes and accounts receivable	(61,789)	(13,662)	(584,902)
(Increase) in inventories	(5,326)	(3,890)	(50,417)
Increase in accounts payable.....	29,154	10,352	275,973
(Increase) decrease in prepaid consumption tax	333	(926)	3,158
Others.....	9,944	(2,103)	94,135
Subtotal	22,471	23,400	212,715
Receipts from interest and dividends	193	191	1,827
Interest paid.....	(1,307)	(1,670)	(12,369)
Payment for special retirement benefits.....	(6,513)	-	(61,658)
Income taxes paid	(6,961)	(527)	(65,892)
Net cash provided by operating activities	7,883	21,394	74,623
Cash flow from investing activities:			
Payment for purchase of property, plant and equipment.....	(7,530)	(7,028)	(71,280)
Payment for acquisition of intangible assets.....	(3,200)	(2,780)	(30,297)
Others.....	2,186	2,538	20,695
Net cash (used in) investing activities	(8,544)	(7,270)	(80,882)
Cash flow from financing activities:			
(Decrease) in short-term borrowings	(1,464)	(4,829)	(13,860)
Increase (decrease) in commercial paper.....	(35,000)	25,000	(331,314)
Proceeds from long-term debt.....	-	3,000	-
Repayment of long-term debt.....	(1,922)	(7,183)	(18,198)
Proceeds from issuance of bonds.....	49,767	-	471,102
Redemption of unsecured bonds	(20,005)	(20,000)	(189,370)
(Increase) decrease in treasury stock.....	35	(8,224)	335
Dividends paid.....	(1,409)	(1,395)	(13,338)
Proceeds from a public offering of a subsidiary	-	3,751	-
Others.....	(273)	(4)	(2,582)
Net cash (used in) financing activities	(10,271)	(9,884)	(97,225)
Effect of exchange rate changes on cash and cash equivalents	600	333	5,675
Net increase (decrease) in cash and cash equivalents	(10,332)	4,573	(97,809)
Cash and cash equivalents at beginning of year.....	52,982	48,409	501,536
Cash and cash equivalents at end of year (Note 3)	¥ 42,650	¥ 52,982	\$403,727

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 (hereinafter "the Company") and its subsidiaries 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.

Foreign subsidiaries maintain their books in conformity with financial standards of the countries of their domicile.

For the convenience of readers outside Japan, 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 its 27 subsidiaries.

The investments in affiliates in which the Company's ownership is 20% to 50% are accounted for by the equity method.

All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated in consolidation.

The fiscal year of all entities ends on March 31, except for two foreign subsidiaries, which use December 31 year end, and no significant transactions were noted between the different fiscal year ends.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥105.64 to \$1.00, the approximate rate at March 31, 2004. 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

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.

Income and expense items are translated at the rates that approximate those rates prevailing at the time of the transactions.

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

(c) Marketable securities and investments in securities

Securities with market prices are valued at market based on market prices on the fiscal year-end. Other securities without market value 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, which is determined principally by the individual method. Raw materials are stated principally at cost, which is 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 Company and its consolidated domestic subsidiaries at rates based on the estimated useful lives of assets, while the straight-line method is mainly applied for its consolidated 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. Prior service costs are charged to income on a straight-line basis, beginning from the consolidated fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur. 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) Provision for loss on restructuring

The Company and its consolidated domestic subsidiaries booked provision for loss on restructuring in the year ended March 31, 2003 in preparation for losses that the companies expected to incur in future due to the implementation of their business restructuring plan.

(h) Leases

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

(i) Income taxes

The Company and its consolidated subsidiaries record 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.

(j) 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 fiscal year-end.

(k) Valuation of assets and liabilities of consolidated subsidiaries

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

(l) Amortization of goodwill

Goodwill is evaluated on an individual basis and amortized not exceeding 20 years, and the balance is included in the Intangible and other assets.

(m) Per share information

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

From 2003, the Company began applying "Accounting Standards regarding Net Income per Share (Business Accounting Standards No.2)" and "Practical Guidelines for Applying Accounting Standards regarding Net Income per Share (Practical Guidelines for Applying Accounting Standards No.4)" released by the Accounting Standards Board of Japan (ASBJ)

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 March 31 but applicable to the year then ended.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and deposits	¥ 42,650	¥52,982	\$403,727
Time deposits due over 3 month.....	-	-	-
Total	¥ 42,650	¥52,982	\$403,727

4. Investments in Securities

Investments in securities at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Listed stock	¥ 9,308	¥5,710	\$ 88,109
Mutual funds	116	117	1,099
Other	1,450	1,389	13,723
Total	¥ 10,874	¥7,216	\$102,931

5. Inventories

Inventories at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished products	¥ 49,759	¥ 63,206	\$471,022
Work in process, raw materials and supplies	55,428	48,604	524,690
Total	¥105,187	¥111,810	\$995,712

6. Pledged Assets

The Company and its consolidated subsidiaries did not hold any assets pledged as collateral at March 31, 2004 and 2003.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings are represented by 365-day notes issued by the Company and its consolidated subsidiaries to banks and bore interest at the average annual rate of 1.13% at March 31, 2004 and 1.15% at March 31, 2003. Long-term debt at March 31, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
0.90% unsecured convertible bonds due 2003	¥ -	¥15,481	\$ -
1.39% unsecured bonds due 2004.....	20,000	20,000	189,322
0.85% unsecured bonds due 2003.....	-	20,000	-
1.30% unsecured bonds due 2005.....	30,000	30,000	283,983
0.42% unsecured bonds due 2006.....	20,000	-	189,322
0.72% unsecured bonds due 2008.....	30,000	-	283,983
1.59% unsecured bonds with warrants due 2006	4,500	4,500	42,598
0.86% unsecured bonds with warrants due 2007	5,500	5,500	52,064
Other loans from banks	10,230	12,153	96,832
Current portion.....	(21,754)	(37,404)	(205,923)
Total	¥98,476	¥70,230	\$932,181

A summary of terms and conditions of the bonds with warrants at March 31, 2004 is as follows:

1.59% unsecured bonds with warrants due 2006

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

0.86% unsecured bonds with warrants due 2007

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

8. 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 and its consolidated domestic subsidiaries 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.

Certain 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.

Based on the enforcement of Defined Benefit Corporate Pension Law, Tokyo Electron Employees' Pension Fund, established by the Company, was permitted by the Minister of Health, Labor and Welfare on January 1, 2004 to be released from its future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2004 and 2003 is as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Benefit obligation	¥(75,682)	¥(67,714)	\$(716,413)
Fair value of plan assets	23,686	20,631	224,213
Unrecognized benefit obligation	(51,996)	(47,083)	(492,200)
Unrecognized actuarial difference	13,929	13,622	131,853
Unrecognized prior service cost	492	(1,857)	4,658
Amount recognized in the consolidated balance sheets (note) ..	¥(37,575)	¥(35,318)	\$(355,689)

Note: The annual provision for accrued retirement benefits for directors and corporate auditors (¥ 700 million in 2004, and ¥1,074 million in 2003) is not included.

The amount of pension plan assets expected to be transferred back to the government (minimum legal reserve) was measured at ¥10,323 million as of March 31, 2004. If the payment of the amount was made on that date, the expected gain in accordance with paragraph 44-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)" would be ¥6,032 million.

Net pension cost of the plans is as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Service cost	¥ 5,909	¥5,164	\$ 55,938
Interest cost	1,733	1,688	16,401
Expected return on plan assets	(206)	(541)	(1,953)
Amortization of actuarial difference	4,034	2,456	38,193
Amortization of prior service cost	(35)	(619)	(333)
Net pension cost	¥ 11,435	¥8,148	\$108,246

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

	2004	2003
Allocation method of benefit obligation	Straight-line method	
Discount rate	2.00%	2.50%
Expected rate of return on plan assets	1.00%	3.00%
Amortization life of prior service cost	4 years	4 years
Amortization life of actuarial difference	4 years	4 years
Amortization life of transition obligation	Fully recognized in the fiscal year ended March 31, 2001	

9. Income Taxes

Significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Deferred tax assets			
Tax loss carryforwards	¥17,735	¥13,394	\$167,880
Allowance for retirement benefits	13,470	11,417	127,507
Devaluation of inventories	3,570	6,993	33,794
Excess of depreciation and amortization	2,963	2,451	28,045
Allowance for bonuses	2,579	1,165	24,413
Elimination of unrealized gain on fixed assets	1,286	1,271	12,175
Elimination of unrealized gain on inventories	208	1,273	1,970
Provision for loss on restructuring	-	3,549	-
Other	3,304	3,014	31,278
Subtotal of deferred tax assets	45,115	44,527	427,062
Valuation allowance	(31,431)	(30,724)	(297,526)
Total deferred tax assets	13,684	13,803	129,536
Deferred tax liabilities			
Allowance for extraordinary depreciation	(1,877)	(523)	(17,771)
Other	(1,894)	(407)	(17,926)
Total deferred tax liabilities	(3,771)	(930)	(35,697)
Net deferred tax assets	¥ 9,913	¥12,873	\$ 93,839

10. Shareholders' Equity

The Company issued 4,912,981 shares and 6,027 shares of common stock in 2004 and 2003, respectively, in connection with the 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 the common stock account and the additional paid-in capital account respectively.

11. Share Repurchase Under Stock Option Program

The Company and its consolidated subsidiaries have a stock option plan to further increase directors' and employees' 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, 2004 is as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
Outstanding at beginning of the year	603,000	¥4,991	\$47,249
Purchased	-	-	-
Exercised	20,000	90	860
Outstanding at end of the year	583,000	¥4,901	\$46,389

Note: The Company has 1,439,343 shares (¥8,302 million) of treasury stock other than the above.

12. Restructuring Costs

These costs are for the devaluation and disposal, etc. of assets due to the consolidation or the closure of operating bases in accordance with the implementation of the business restructuring plan.

13. Amount Transferred to Provision for Loss on Restructuring

This amount was transferred to provision for loss on restructuring in preparation for losses expected to be incurred in future due to the implementation of the business restructuring plan.

14. Impairment of Goodwill

The impairment of goodwill was fully recognized as an extraordinary loss in this fiscal year due to the devaluation in the subsidiary.

15. Leases

Pro-forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, and depreciation expense of finance leases that do not transfer ownership of leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 is as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Acquisition cost	¥ 1,014	¥ 999	\$ 9,600
Accumulated depreciation	412	255	3,906
Net leased property	¥ 602	¥ 744	\$ 5,694

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 176	¥ 171	\$ 1,667
Due over one year	426	573	4,027
Total	¥ 602	¥ 744	\$ 5,694

Lease payments and depreciation computed by the straight-line method over the lease terms with no residual value and imputed interest expense were ¥178 million in the year ended March 31, 2004 and ¥171 million in the year ended March 31, 2003.

Future minimum operating lease payments:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 721	¥ 1,434	\$ 6,830
Due over one year	700	1,582	6,622
Total	¥ 1,421	¥ 3,016	\$13,452

16. Segment Information

The Company and its consolidated subsidiaries operate in a single segment.

17. Contingent Liabilities

The Company and its consolidated subsidiaries did not hold any contingent liabilities at March 31, 2004.

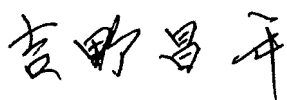
To the Board of Directors, Tokyo Electron Limited

We have examined the consolidated balance sheets of Tokyo Electron Limited and its consolidated subsidiaries as of March 31, 2004 and 2003, the related statements of income and shareholders' equity for each of the three years in the period ended March 31, 2004, and the statements of cash flows for the years ended March 31, 2004 and 2003, 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.

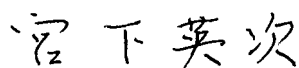
In our opinion, the consolidated statements present fairly the financial position of Tokyo Electron Limited and its consolidated subsidiaries at March 31, 2004 and 2003, the results of their operations for each of the three years in the period ended March 31, 2004, and their cash flows for the year ended March 31, 2004 and 2003, 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.

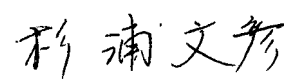
Tokyo, Japan
June 22, 2004



Masatoshi Yoshino
Certified Public Accountant



Eiji Miyashita
Certified Public Accountant



Fumihiko Sugiura
Certified Public Accountant