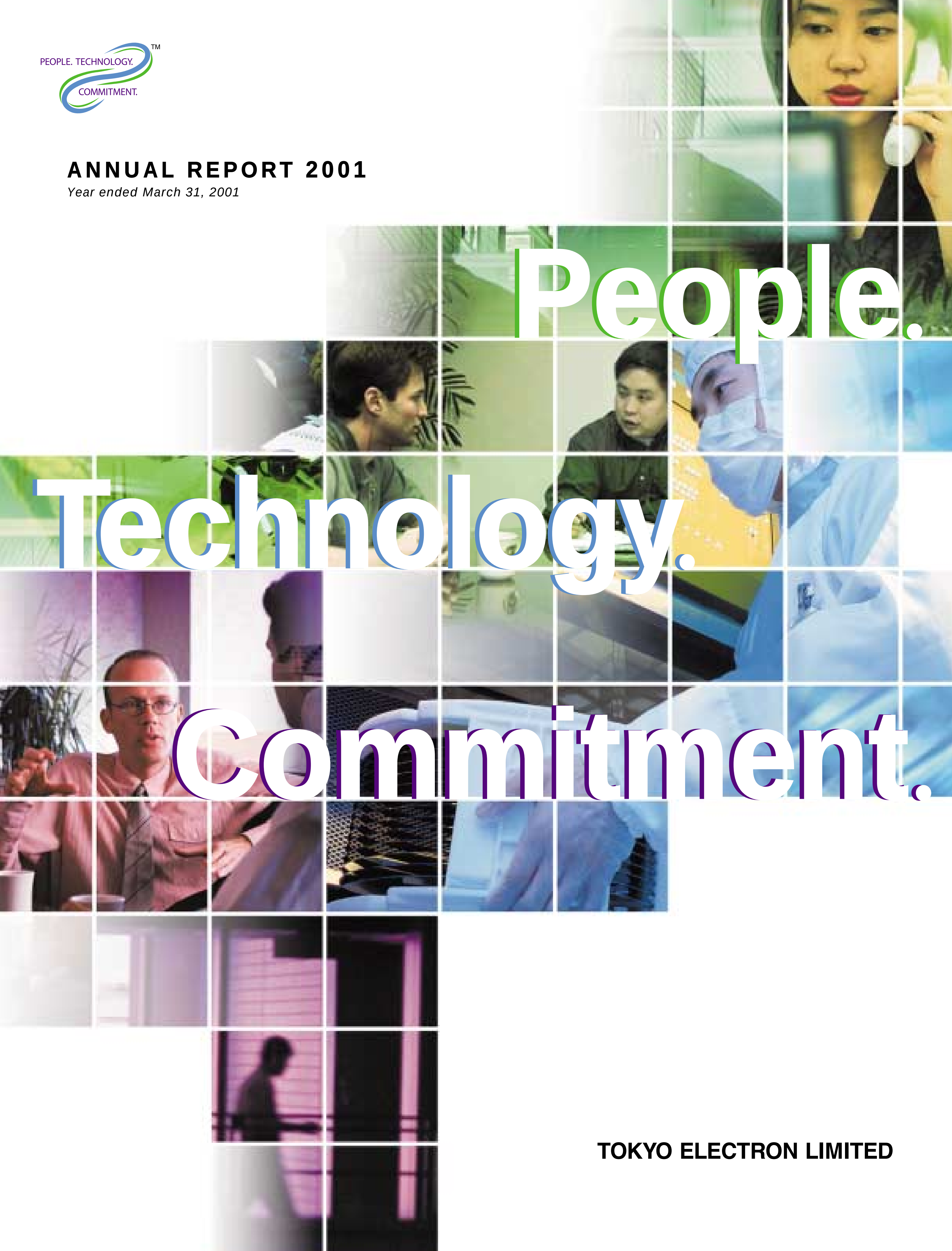
PEOPLE. TECHNOLOGY. COMMITMENT.™

ANNUAL REPORT 2001

Year ended March 31, 2001



TOKYO ELECTRON LIMITED

Established in 1963, Tokyo Electron (TEL) is a world-leading supplier of semiconductor production equipment (SPE) and related services for the semiconductor industry. The Company develops, manufactures and markets a broad lineup of products, including oxidation/diffusion/LP-CVD systems, metal CVD and PVD systems, coater/developers, spin-on dielectric (SOD) coaters, etch systems, cleaning systems, wafer probers and wafer-level burn-in & test systems.

Tokyo Electron also uses its accumulated expertise in SPE to develop, manufacture and market coater/developers and etch/ash systems for the manufacture of TFT-LCD panels. Most of the Company’s semiconductor and TFT-LCD production systems hold the leading share in their respective markets.

Tokyo Electron also maintains a strong presence as a distributor, providing a wide array of semiconductor production systems, storage area network and Internet related products for broadband solutions, and electronic components in Japan from other leading suppliers.

With a network spanning 13 countries on three continents, Tokyo Electron provides superior products and services to its customers, and superior returns to its shareholders.

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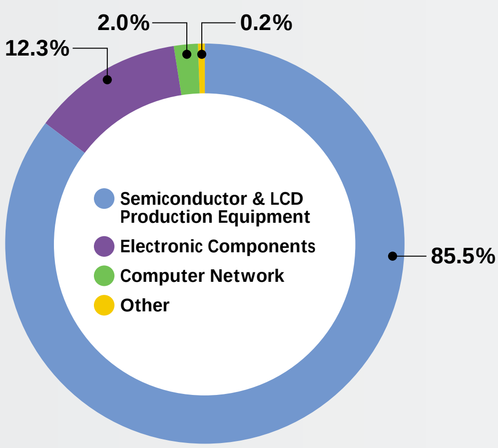
Forward-Looking Statements

This publication contains forward-looking statements based on projections and estimates that involve many variables. Tokyo Electron operates in an extremely competitive business environment and in an industry characterized by rapid changes in technology and supply-demand balance. Certain risks and uncertainties could cause the Company's results to differ materially from any projections and estimates presented in this publication.

Tokyo Electron at a Glance

Percentage of consolidated net sales by sector for the year ended March 31, 2001



Semiconductor Production Equipment

Tokyo Electron develops and manufactures a broad range of superior semiconductor production equipment, and complements its original lineup by distributing high-value-added products from other suppliers.

Original Products

- Oxidation/diffusion/LP-CVD systems
- Single wafer CVD systems
- PVD systems (Sputtering systems)
- Coater/developers
- Spin-on dielectric coaters
- Etch systems
- Carrierless cleaning systems
- Scrubber systems
- Fully automatic wafer probers
- Wafer-level burn-in & test systems

Coater/developer system
CLEAN TRACK ACT®12

Distributed Products

FEI Company
- FIB systems

Rudolph Technologies, Inc.
- Film metrology tools

ISOA, Inc.
- Macro Inspection System

Yield Dynamics, Inc.
- Yield Management Software

NuTool Inc.
- Cu ECD System

(Electro Chemical Mechanical Deposition)

Single wafer CVD system
Trias™

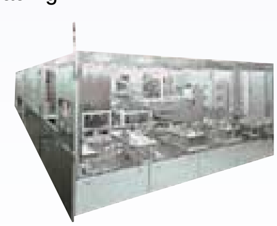
Etch system
Telius™

LCD Production Equipment

Leveraging the technology and expertise accumulated from its semiconductor production equipment business, Tokyo Electron has created a strong lineup of leading-edge LCD production equipment.

Original Products

- LCD coater/developer systems
- LCD plasma etch/ash systems



LCD coater/developer system
CS800

Oxidation/diffusion/LP-CVD system
ALPHA(α)-303i

Fully automatic wafer prober
P-12XL

Carrierless cleaning system
UW300Z

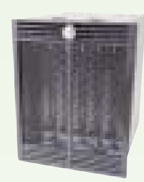
Wafer-level burn-in & test system
WX-8

LCD plasma etch/ash system
HT-800

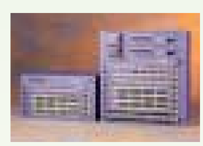
Computer Network

In order to fulfill its goal of providing solutions tailored to user needs, Tokyo Electron distributes storage area network and Internet related products for broad-band solutions to offer comprehensive system solutions.

- Computer systems
- Network products
- SAN products
- Data management software
- Defense/Aerospace products



Brocade Communications Systems, Inc.
Fibre Channel Integrated Fabric Switch



Extreme Networks, Inc.
Gigabit ETHERNET Switch

- Advanced Digital Information Corp.
- BAE SYSTEMS
- BF Goodrich Aerospace
- Brocade Communications Systems, Inc.
- Ciprico, Inc.
- Conax Florida Corp.
- Cycomm International, Inc.
- Emulex Corporation
- Extreme Networks, Inc.
- F5 Networks, Inc.
- Gadzoox Networks, Inc.
- Genroco, Inc.
- H. Koch & Sons Co.
- Hewlett-Packard Co.
- Hitachi, Ltd.
- ITT Aerospace Controls Corp.
- L-3 Communications Corp.
- LuxN, Inc.
- Marconi Communications, Inc.
- nCipher Corporation plc.
- NetScaler, Inc.
- Silicon Graphics, Inc.
- Sony Corp.
- TimesTen Performance Software, Inc.
- Tivoli Systems, Inc.
- VERITAS Software Corp.

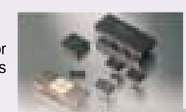
Notes: 1. The Computer Systems division was renamed the Computer Network division as of April 1, 2000.
2. Product names and company names are trademarks or registered trademarks of their respective holders.

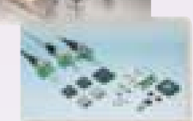
Electronic Components

Tokyo Electron selects and offers the world's best products from leading suppliers. With a full product lineup and flexible technical support, the Company provides total solutions to meet diversified user needs. Operations are handled by wholly owned subsidiary Tokyo Electron Device Ltd.

- Semiconductor devices
- Board products
- Components
- Software

Semiconductor devices





Board products

- Advanced Micro Devices, Inc
- Agilent Technologies, Inc.
- Conexant Systems, Inc.
- Cosel Co., Ltd.
- Dallas Semiconductor Corp.
- Dialogic Corp. (an Intel Company)
- Digital Electronics Corp.
- Eicon Technology Corp. (Trisignal Div.)
- Fujifilm Microdevices Co., Ltd.
- Fujitsu Ltd.
- Fujitsu Quantum Devices Ltd.
- Fujitsu Media Devices Ltd.
- Integrated Device Technology, Inc.
- Intersil Corp.
- Intoto Inc.
- Legerity Inc.
- Linear Technology Corp.
- Litton Winchester/Retconn
- Metrowerks, Inc.
- Microsoft Corp.
- Mindspeed Technologies
- Motion Engineering, Inc.
- Motorola, Inc.
- ON Semiconductor
- Phoenix Technologies Ltd.
- Pixelworks, Inc.
- Portwell, Inc.
- Ramtron International Corp.
- Robinson Nugent, Inc.
- Shinko Electric Industries Co., Ltd.
- Siber Core Technologies Inc.
- Tokyo Electron Device Ltd.
- Trillium Digital Systems, Inc.
- Tundra Semiconductor Corp.
- Valence Semiconductor, Inc.
- VenturCom, Inc.
- WESTTEK, L. L. C.
- Woodhead Industries, Inc. (SST Div.)
- Xicor, Inc.
- Xilinx, Inc.
- Zarlink Semiconductor Inc.

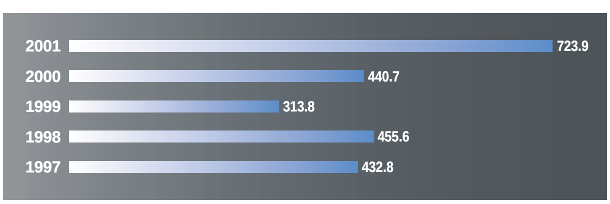
Financial Highlights

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

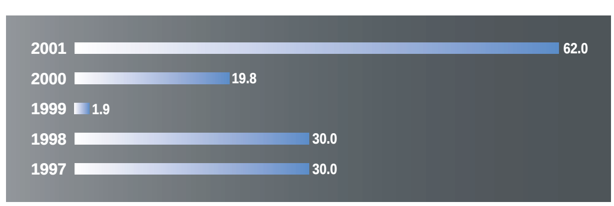
	Millions of yen (Note 1)			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	**2001**
FOR THE YEAR				
Net sales	**¥723,880**	¥440,729	¥313,820	**$5,842,455**
Operating income	**121,086**	35,816	6,383	**977,292**
Income before income taxes	**99,132**	29,689	6,038	**800,094**
Net income	**62,012**	19,848	1,866	**500,499**
Net income per share of common stock (Note 2):				
Basic	**¥ 353.76**	¥ 113.53	¥ 10.70	**$ 2.86**
Diluted (Note 3)	**344.75**	110.64	10.70	**2.78**
Cash dividends per share of common stock	**38.00**	14.00	12.00	**0.31**
AT YEAR-END				
Total assets	**¥729,511**	¥499,499	¥414,903	**$5,887,903**
Total shareholders' equity	**333,281**	273,603	257,716	**2,689,923**

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123.90=$1. Per share figures are stated in yen and dollars.
2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year.
3. Dilution is not assumed for the year ended March 1999.

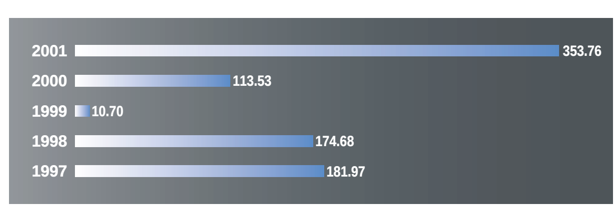
NET SALES (¥ Billions)



NET INCOME (¥ Billions)



NET INCOME PER SHARE (BASIC) (¥)



To Our Shareholders

As always, during the fiscal year ended March 2001, Tokyo Electron (TEL) focused on generating high shareholder value. Consolidated net sales gained 64.2 percent year-on-year to ¥723.9 billion, while operating income increased 3.4 times to ¥121.1 billion. Both net sales and operating income substantially exceeded previous records, making fiscal 2001 Tokyo Electron's best year ever.

Rapid diffusion of Internet- and mobile-related products drove expansion in the semiconductor market, supporting strong demand for Tokyo Electron's core semiconductor and liquid crystal display (LCD) production equipment that surpassed projections. Particularly, solid performance in the United States, with sales more than doubling, enabled us to increase our share of the semiconductor production equipment market, which made a major contribution to Tokyo Electron's overall results. Moreover, the Computer Network division and the Electronic Components division generated double-digit growth under a product strategy that emphasizes the information and communications sectors. This also contributed measurably to overall performance.

Consolidated net income tripled to ¥62.0 billion, and basic net income per share totaled ¥353.76. Return on equity (ROE) rose to 20.4 percent, another record that indicates the success of management's strategies for maximizing corporate value. Cash dividends per share were ¥38.00, a ¥24.00 increase from the prior year.

Focusing Investment on Growth Sectors

During the past fiscal year, Tokyo Electron geared up operations to stay abreast of surging orders. With demand for the Company's products rising sharply, Tokyo Electron devoted substantial effort to expanding production capability in order to deliver on its commitments to customers. We also executed a cost reduction project that included the deployment of information technologies (IT) with the aim of shortening lead time. We are now halfway through this project, which is designed to result in significantly higher productivity as we move toward its completion at the end of 2002. Tokyo Electron also invested ¥52.9 billion in research and development, a 42.5 percent increase year-on-year, as we worked to create the core technologies of tomorrow. We have assembled a development portfolio that devotes the highest percentage of investment to date to the high-growth sectors of the future.

Acquisitions are another component of our product strategy based on high-potential product segments. During the fiscal year, Tokyo Electron purchased two companies in the United States that have given the Company access to highly promising and innovative technologies. The acquisition of Supercritical Systems gives Tokyo Electron a breakthrough cleaning technology for sub-100nm nodes. The purchase of Timbre Technologies strengthens Tokyo Electron's ability to add value to its product lineup with metrology solutions for Advanced Process Control. These two acquisitions will support Tokyo Electron's drive to further build its position in the semiconductor production equipment market.

Investments during a Market Downturn Lay the Foundation for Future Growth

While 2001 carried the excitement of the beginning of a new century, it also brought with it a turbulent market for semiconductor production equipment. Inventories of semiconductors for personal computers and cellular phones rose and economic growth cooled in the United States, the world's largest consumer market. Moreover, demand for digital consumer appliances, which are expected to be a new growth driver replacing PCs, has not grown enough to create a significant market. The world's semiconductor manufacturers curtailed investment as a result.

While these trends are making the year ending March 2002 especially challenging, Tokyo Electron will implement thorough measures to cut costs during this period. We are also increasing our emphasis on continuing to implement concerted measures, such as the cost reduction project mentioned previously, to build a powerful earnings structure. Moreover, our staunch commitment to developing next-generation technologies will play a critical role in our ability to benefit from the next phase of market expansion. We intend to maintain high-level investment in research and development during the current fiscal year, despite the difficult period we are experiencing.

Driving the Information and Communications Revolution of the Twenty-first Century

Over the mid- to long-term, we are standing by our projection that the semiconductor and LCD production equipment business will continue to substantially outperform other industries because they are essential to the IT revolution. The growing importance of the Internet and increased mobility throughout society has only just begun, and the broadband era is now dawning. These trends will drive strong demand for semiconductors and LCDs, which in turn will fuel a rapid rebound in global capital investment in the products we manufacture.

In addition, the Computer Network and Electronic Components divisions have quickly reoriented their product portfolios toward information and communications, and will continue to devote their resources to areas with the strongest growth potential.

Our ongoing emphasis on maintaining or achieving number-one positions in each of our selected arenas should make Tokyo Electron a ¥1 trillion company over the next few years. Our objective is to further strengthen our corporate capabilities by contributing to the information and communications revolution.

Earn the Trust of Global Capital Markets by Defending Shareholder Interests

A worldwide network of sales and service bases and the creation of manufacturing and development bases in the United States are representative of Tokyo Electron's progress since 1994 in implementing its global strategy. One result is that about 70 percent of the Semiconductor Production Equipment division's sales now come from outside Japan, demonstrating our increased global presence. This is indicative of the importance we place on overseas operations and on reforming corporate systems in order to be accepted internationally.

We are determined to earn the trust of global capital markets, and so have been a leader among Japanese corporations in implementing policies to embrace corporate governance. These efforts have included reorganizing the Board of Directors, establishing the Compensation Committee, disclosing the compensation of corporate officers, and implementing a stock option program.

New initiatives in the past fiscal year included the establishment within the Board of Directors of the Nomination Committee to select director and chief executive officer candidates. The creation of a process for selecting statutory auditors that ensures their autonomy was another advance in the past fiscal year. Tokyo Electron also began quarterly reporting in 2000 as part of our commitment to ensuring access to information.

Tokyo Electron’s dedication to managing in the interest of shareholders has recently received the recognition of numerous investor relations institutions and the investors they represent. In March 2001, Tokyo Electron received the Excellence in Corporate Governance award from Institutional Shareholder Services of the United States, which is the world’s leading provider of proxy voting and corporate governance consulting services. Tokyo Electron was one of just five companies worldwide to receive this recognition of outstanding corporate governance, and became the second Japanese corporation to receive the award. We intend to maintain the superior standards that this award represents.

People. Technology. Commitment.

Tokyo Electron has adopted a new, globally oriented corporate message at the start of the twenty-first century: People. Technology. Commitment. Chosen after soliciting the opinions of employees worldwide, these three themes have been an integral part of Tokyo Electron’s history and clarify our corporate culture and management philosophy both internally and externally. People are our greatest asset. They support our customers by creating innovative technologies and value-added products. Keeping our promises allows us to earn the trust of customers, which is the basis of our future.

We believe in the boundless possibilities of people and technology, and our goal is to be a company that continually creates true value. I would like to thank our shareholders for the support they have given us, and invite you to share in the benefits as we make our vision for the future a reality.

Tetsuro Higashi
C.E.O., President
June 2001

Interview with President Tetsuro Higashi

Q&A

Where is the market heading over the next five years?

Broadband technology, a part of the IT revolution, will become increasingly pervasive. It will enable extremely high-speed delivery of images and sound that will be more realistic than anything to date. Various applications will develop around broadband, including digital consumer appliances. This in turn will create an urgent need for intelligent semiconductors and LCD panels. These industries, and in turn the production equipment they require, will post double-digit growth over the mid- to long-term, despite inevitable short-term downturns. It's a market with a very bright future.

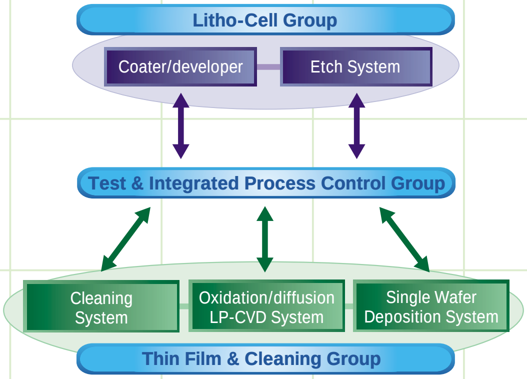
Given this outlook, what are Tokyo Electron's strengths and approaches to achieving growth?

Tokyo Electron supplies the equipment for producing advanced semiconductors and LCDs. Through our Computer Network and Electronic Components divisions, we are also a leading distributor, using our technological expertise to market superior semiconductor chips and systems from around the world for mobile and Internet-related applications. In other words, all of Tokyo Electron's operations are involved in fundamental segments of the IT revolution. We intend to grow by maintaining a leading market share in many of these segments and acquiring leadership in others.

The key to success as a supplier of semiconductor production equipment is process integration capabilities. This entails supplying comprehensive solutions for multiple adjoining processes using a number of our products, or even incorporating those of other companies. Few competitors can match our process integration capabilities because of the breadth of our product lineup.

Advanced Process Control technology adds value to process integration. Customers have always managed yield. Process control capability incorporated in equipment and between equipment will support stable and higher yields. The ability to deliver integrated process control capability will be a key factor differentiating suppliers of semiconductor production equipment. Few companies in the world can do this. We intend to expand sales by devoting even more effort to this area.

Do the organizational innovations implemented in April 2001 reflect the direction Tokyo Electron is taking in its business?



Formerly, the Semiconductor Production Equipment division was organized into product-specific business units. Under the current reorganization, with the exception of LCD production equipment, the division has been broadly divided into three groups: the Litho-Cell Group, the Test & Integrated Process Control Group and the Thin Film & Cleaning Group. This reorganization is significant in two major ways. First, it clarifies our core competencies in semiconductor production equipment. Second, it defines a matrix for implementation of key process integration that provides substantial value to the market, which we believe to be strategically important.

A megatrend in the semiconductor industry is the shift to 300mm wafers, which has started at several chip manufacturers. What is the status of Tokyo Electron's 300mm equipment?

Currently, the 200mm equipment market is contracting, influenced by the global slowdown in capital investment. Bookings for Tokyo Electron's 300mm equipment, however, are firm. We have already readied our lineup of 300mm equipment, with the result that 300mm orders now account for nearly 20 percent of total SPE orders. We expect that number to further increase during the current fiscal year.

A key strength in winning orders is that our outstanding support system assists customers in making the shift to the 300mm platform. We have created the world's largest application laboratory, our new Process Technology Center in Nirasaki, Japan, for 300mm equipment, an advanced facility where 300mm production concepts are in actual use. The Center enables us to work in close cooperation with customers to determine their particular needs for 300mm equipment. The shift toward 300mm provides a valuable opportunity to further increase the market share of Tokyo Electron's products.

Will attaining leadership in additional market segments require external acquisition of technologies?

There are three ways to obtain new technology. We can develop it ourselves, but if it is a crucial technology related to our core business and we decide that acquisition is faster, we'll take that route. The third way is strategic alliances, which we typically employ to complement our own core technologies. A good example is the partnership we formed last year with NuTool of the United States, which supplies innovative copper electroplating technology for interconnects.

How does Tokyo Electron handle the well-known upward and downward swings in the semiconductor production equipment market?

The cyclical nature of our main market is not going to disappear, and we must ensure we have a highly efficient and flexible organization to handle it. Right now, we are executing a three-year project that will cut the lead time from order to delivery in half. While this project will not insulate us against the current downswing, its completion will result in the creation of a structure that promotes highly efficient use of assets.

We have turned the difficult environment to our advantage so far. Companies that have successfully met the technological and management challenges posed by the cyclicality of the market have generated strong growth and, thus, the industry has developed. Tough times engender innovation: Mainstream technology tends to become outdated, and new technologies come to the forefront. In such a period of change, we aggressively innovate our technology and approaches to management.

Without a doubt, 300mm equipment will come to the forefront. Also, demand will increase for equipment designed to be scalable and adaptable to changes in the volume and variety of products, such as System LSIs. We will continue improving our 300mm equipment while promoting new-concept production equipment that radically shortens production time. The latter includes *Telius*™, a 300mm etcher, and *TELFORMULA*™, which offers ultra-high-speed thermal processing for both mini and mega fabs. Tokyo Electron does not intend to scale back R&D investment during the current downswing.

What directions will the Computer Network and Electronic Components divisions take?

We will further focus on growth sectors. The Computer Network division is emphasizing core broadband technologies such as storage area networks and Internet technologies. The Electronic Components division is concentrating on high-value-added products such as communications-related devices and System LSIs. In these businesses, Tokyo Electron is not simply a distributor, but functions as a group with a technological specialty. Customers hold this characteristic in high regard. We will make the most of these unique businesses as we successfully strengthen our accumulated engineering and design capabilities.

What management tasks lie ahead?

While there are many things I would like to accomplish, I have recently started to think that we need to be truly globalized for further growth. Our globalization program over the past several years has been a key factor in increasing earnings. Up to this point, globalization for Tokyo Electron has meant expanding our network of operating bases outward from Japan. The process must become centripetal in order to incorporate the best global practices into management. In this light, for example, certain functions of headquarters could be diffused overseas. Now is the time for framing specific concepts toward our second phase of globalization. We will also strengthen technical support in Southeast Asian countries, including China, which is poised to become a large growth market.

Recently, Tokyo Electron has been receiving awards from best-of-class customers worldwide in recognition of our excellence as a supplier, indicating the broad acceptance we have received for the quality of our products and support. This kind of recognition both affirms our success at raising corporate value and striving toward global excellence, and inspires us to aim even higher.

PEOPLE. TECHNOLOGY. COMMITMENT.™

Tokyo Electron was founded on a simple philosophy: the prosperity and respect of our customers, partners, shareholders, and employees. We encourage community involvement, exercising responsibility by promoting safety and environmental conservation. As a people-centered company, we strongly believe in encouraging the creativity and unlimited potential of people. With offices around the world, Tokyo Electron respects all cultures and their unique values. Accordingly, the Company is made up of dedicated people with a spirit of service and passion for their work.

People.

Environment, health & safety

Since its establishment, Tokyo Electron has maintained its entrepreneurial corporate culture. Everyone is encouraged to take on new challenges, and no one is criticized for failing. This “can-do” spirit forms the foundation for business growth, and helps employees constantly focus on how to best achieve customer satisfaction and generate profits.

Tokyo Electron demonstrates its global environmental awareness through ongoing efforts to reduce waste, improve the recycling rate, promote energy and resource conservation as well as the safe handling of chemicals, and develop environmentally friendly products. Seven Tokyo Electron Group plants in Japan have obtained ISO 14001 certification, an international standard for environmental management systems. In addition, all board members and employees of Tokyo Electron recognize that health and safety considerations underlie every aspect of their jobs as well as the development of the Company as a whole.

Tokyo Electron’s first Environmental Report, published in 2000, details the Company’s progress in reducing environmental impact and promoting conservation in a variety of areas.

Milestones in Environmental Protection

To 1995:	Carried out studies for an environmental management system. Eliminated CFC usage.
1996:	Established first Tokyo Electron Environmental Committee. Implemented environmental management system.
1997-1999:	Obtained ISO 14001 certification of the environmental management systems at seven main domestic plants.
1999:	Created Product EHS Roadmap.
2000:	Began environmental accounting.

Tokyo Electron provides a wide variety of highly competitive products, utilizing original development and technological capabilities, and an unparalleled service system. These factors have propelled us to leadership in the technology marketplace. In the future, we are determined to keep ahead of industry developments by designing technologies for the next generation and beyond. Furthermore, we will continue to provide our customers with the value they expect by producing original technology and the highest-quality products.

Technology.

Shift toward 300mm

Comprehensive, integrated solutions

Tokyo Electron's state-of-the-art Process Technology Center is involved in the development of technologies essential for next-generation wafer processing, such as processes for 300mm wafers and finer design rules, as well as advanced clean technology. In addition, the Center is focusing on the development of process integration in order to provide customers with comprehensive solutions incorporating multiple products, rather than single-process solutions.

As the use of semiconductors in digital consumer appliances increases, semiconductor manufacturers must rapidly ramp up production in order to accelerate their products' time-to-market. Tokyo Electron has responded to this customer need by developing production equipment that shortens production cycle time. The high-value-added technology supplied by the Company contributes to both customer performance and society at large.

The new Process Technology Center in Nirasaki, Japan, is an advanced facility that supports the shift to 300mm equipment.

Production line for the *CLEAN TRACK ACT® 8* coater/developer, a best-selling Tokyo Electron product for manufacturing leading-edge semiconductors.

We firmly believe that Tokyo Electron's future is built on a foundation of trust. It is essential that we make efficient use of our resources to continue leading the digital age and that we take responsibility for fulfilling our promises, without fail. To that end, we are firmly committed to the future success of our customers, shareholders, partners, and local communities.

Commitment.

Customer success

Earning trust

Corporate value

Tokyo Electron is committed to fulfilling its promises to customers. The results of this commitment can be seen in our successful development overseas during the past several years. Numerous semiconductor and LCD manufacturers have been added to Tokyo Electron's customer list in a short period of time. This is due not only to our superior products and strong technological support capabilities, but also to the trust we have earned among customers around the world.

Raising the quality of Tokyo Electron as a corporation is a way of showing our commitment to our shareholders and employees around the world, and we have employed a variety of methods to achieve this objective. The Company's overall management system has been separated into two sections: the Board of Directors, which decides basic management policies and oversees the management of the Company, and the Corporate Senior Staff, which formulates and implements business strategies. Moreover, we established the Compensation Committee and the Nomination Committee to improve management transparency. Our global stock option program aligns the interests of key employees worldwide with those of shareholders. We intend to continue innovating to further increase corporate value.

Tokyo Electron has received many awards in recognition of its commitment to providing outstanding products and support to customers around the world.

Semiconductor Production Equipment

Since the second half of 1999, demand has risen sharply for semiconductor chips and LCD panels used in network and mobile related products such as PCs and mobile phones, while 2000 witnessed a substantial increase in capital investment by semiconductor and LCD manufacturers worldwide. As a result, orders for the Semiconductor Production Equipment (SPE) division for the fiscal year ended March 31, 2001 increased 20.6 percent year-on-year to ¥627.6 billion.

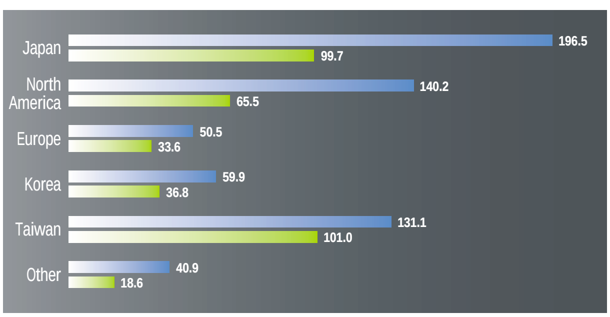
Resurgent demand has made improving production capability a pressing issue, and the Company has successfully expanded it. Consequently, net sales for the SPE division rose 74.3 percent to a record-breaking ¥619.0 billion. The division accounted for 85.5 percent of total consolidated net sales, up from 80.6 percent in the previous fiscal year.

However, inventory adjustments for semiconductors and slow growth in the U.S. economy have cast a shadow over the semiconductor market since late 2000, and capital investment by semiconductor manufacturers began to contract in early 2001. While orders began to show signs of slowing at the beginning of the year, revenues for the period under review were supported by sufficient backlog.

Review by Geographic Region

SPE division sales expanded in every region in which Tokyo Electron operates. Sales in Japan jumped 97.2 percent to ¥196.5 billion, accounting for 31.7 percent of total net sales in the division. This was the highest percentage among all regions, exceeding Taiwan, which last year surpassed Japan in net sales for the first time in the Company's history. Sales in North America more than doubled to ¥140.2 billion, as our market share in the U.S. continues to expand. In Taiwan, sales rose 29.9 percent to ¥131.1 billion. Year-on-year sales growth was low compared to other regions, due to the fact that capital investment by Taiwanese semiconductor foundries during the previous fiscal year exceeded that of other regions. In addition, sales in Europe increased 50.4 percent to ¥50.5 billion, sales in Korea rose 62.7 percent to ¥59.9 billion and sales in other regions soared 120.0 percent to ¥40.9 billion.

SPE SALES BY GEOGRAPHIC REGION (¥ Billions)



2001
2000

Sales of third-party products imported into Japan are included in Japan sales.

Review by Product

Sales in all product categories increased year-on-year, with *CLEAN TRACK ACT® 8* series coater/developer systems and *UNITY®* series etching systems generating particularly strong gains. These products—which already command an impressive share of the world market—recorded sales growth exceeding the market average, resulting in an even larger market share.

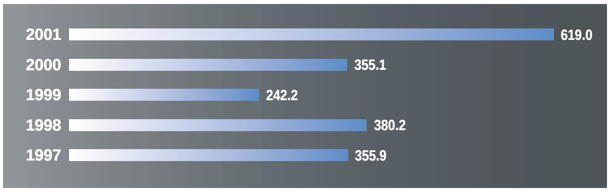
One feature of capital investment during the fiscal year was that manufacturers of DRAM chips and flash memory resumed building new production lines. α-series oxidation/diffusion/LP-CVD systems directly benefited from this development, as sales reached their highest levels in three years. The Company is currently

Note: Product names and company names are trademarks or registered trademarks of their respective holders.

developing *TELFORMULA*™, a new ultra-fast thermal processing system that speeds up the production cycle through small-batch and sequential processes designed to be adaptable to changes in the volume and variety of products, such as System LSIs.

Single wafer CVD systems *MB²-730* and the *UNITY*® series experienced significant year-on-year sales growth. While maintaining its strengths in front-end-of-line (FEOL), the Company plans to expand its range of applications to back-end-of-line (BEOL) interconnect processes, which are expected to have excellent growth potential.

SPE SALES (¥ Billions)



Sales of cleaning systems and wafer probers also increased substantially. The new *PR200Z* cleaning system, which incorporates unique cleaning technology for BEOL interconnect processes, supported increased revenue during the past fiscal year. The product's launch has earned Tokyo Electron the second-highest market share among manufacturers of cleaning systems worldwide. Orders have been solid for *P12XL*, a wafer prober model capable of handling 300mm wafers. This high-accuracy, high-load resistance model is a step ahead of the competition and is building toward 300mm market leadership.

The *CLEAN TRACK ACT*® series of spin-on dielectric (SOD) coaters for BEOL multilayer processes, which was launched only two years ago, has been introduced in the advanced R&D lines of almost all of the world's leading semiconductor manufacturers. It is currently being evaluated on the basis of its performance.

Sales of LCD production equipment increased 68.3 percent year-on-year to ¥71.8 billion, setting a record for the second year in a row. The trend in recent years has been toward increasing substrate size.

During the past fiscal year, Tokyo Electron began shipments of 300mm equipment to semiconductor manufacturers that have taken the lead in switching to 300mm wafers.

Acquisition of U.S. Companies, Supercritical Systems, Inc. and Timbre Technologies, Inc.

During the past fiscal year, Tokyo Electron purchased two U.S. companies in order to obtain access to their innovative technologies. Supercritical Systems, Inc., acquired in October 2000, possesses promising supercritical cleaning technology for semiconductors with sub-100nm design rules. Timbre Technologies, Inc., which was purchased in February 2001, has developed Optical Digital Profilometry (ODP), a method of metrology that will enable Tokyo Electron to incorporate the Advanced Process Control capability required for future markets into its semiconductor production lines. Use of this technology will allow the Company to offer an array of high-value-added products to its customers.

Partnership with U.S. Company, NuTool Inc.

In November 2000, Tokyo Electron formed a partnership with NuTool Inc., a U.S.-based supplier of advanced copper electroplating systems. The Company has started global marketing, sales and support of the systems, except in certain Southeast Asian countries. NuTool™ 2000 deposits a planar copper film with complete feature fill, independent of aspect ratio, and low field thickness. This alliance has given rise to a new business model that will make the best use of Tokyo Electron's powerful global sales and support engine and its long-standing expertise in the distribution business. The Company is flexible enough to work towards similar alliances with leading equipment suppliers.

Computer Network




F5 Networks, Inc.
• Server Load Balancer

nCipher Corporation plc.
• Hardware Security Module
• SSL Accelerator

LuxN, Inc.
• DWDM Equipment

Sony Corp.
• High Performance Tape Library

Net sales for the Computer Network (CN) division increased 13.7 percent to ¥14.1 billion, the result of firm growth in sales of IT-related equipment as part of the division's continuing emphasis on the market for Internet business. Sales of network-related products and storage area network (SAN)-related products were particularly strong.

In the network-related products segment, sales of Gigabit Ethernet switches from Extreme Networks increased 1.7 times over the previous fiscal year, while sales of server load balancing equipment from F5 Networks expanded rapidly with the increase of Internet business sites. In addition, factors such as the implementation of digital signature regulations brought the importance of security to the forefront, supporting rapid growth in sales of security products from nCipher, which Tokyo Electron began handling in the previous fiscal year.

COMPUTER NETWORK SALES (¥ Billions)

Progress in broadband network creation has added urgency to the need to increase data storage capacity and growth in internet Data Center (iDC) business. As a result, sales of Brocade Communications Systems' Fibre Channel switches, which are key to constructing SANs, increased 5.3 times year-on-year. Moreover, increasing data volume has heightened the need for data administration, which supported growth in sales of SAN administration software from Veritas Software and tape drives from Sony.

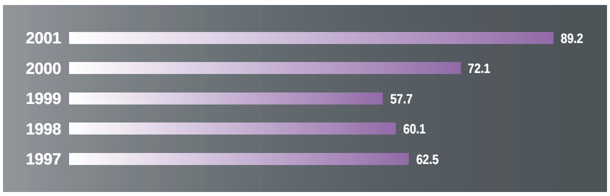
The division has oriented its product portfolio toward meeting emerging needs, with emphasis on marketing leading-edge information technologies. During the past fiscal year, the division began handling dense wavelength division multiplex (DWDM) equipment from LuxN that accelerates the progress of broadband. Furthermore, the division develops and markets original products using engineering capability accumulated through service and support for the world's leading edge products. One such product, Ruff Systems™, enables transmission of high-quality, uncompressed video, and has begun attracting attention in the broadcasting and hospital sectors.

Looking forward, Internet technology and SANs will remain a primary focus. The division intends to begin handling products that will serve as next-generation portals.

Notes: 1. The Computer Systems division was renamed the Computer Network division as of April 1, 2000.
2. Product names and company names are trademarks or registered trademarks of their respective holders.

Electronic Components

ELECTRONIC COMPONENTS SALES (¥ Billions)



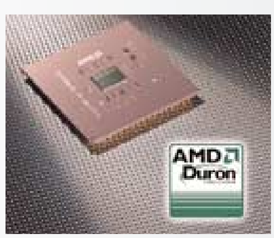
Net sales for the Electronic Components (EC) division increased 23.8 percent to ¥89.2 billion, a record for the second consecutive year. The division focused on products for high-growth sectors including mobile communications, Internet appliances, infrastructure equipment required for next-generation mobile phones, and digital consumer appliances such as DVD and car navigation systems. Vigorous marketing of these high-value-added products that require technical support has been a primary factor supporting growth.

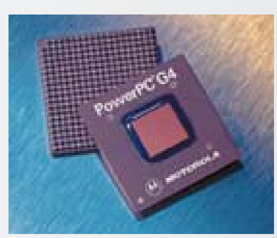
Semiconductor devices accounted for 87 percent of net sales. Sales growth was strong for semi-custom ICs, primarily programmable logic devices (PLDs), application-specific integrated circuits (ASICs) for communications-related applications, and various kinds of ICs including flash memory for mobile communications. Sales of Xilinx's semi-custom IC products were particularly strong, more than doubling year-on-year.

New products that the division began handling during the past three years more than doubled in sales year-on-year, and expanded to account for 10 percent of net sales. In particular, sales of image processor ICs from Pixelworks nearly quadrupled. In the past fiscal year, the division added vitality to its product portfolio by signing contracts to represent suppliers with strong capabilities in developing products for the growth markets of information and communications-related products, and digital consumer appliances.

The division also employs its broad experience to design and develop original products and provide LSI design services that meet customer needs. In the past fiscal year, orders for ASIC and PLD design increased, and demand is projected to continue expanding. The division is therefore promoting refinements and expansion of its design and development organization to improve its ability to respond to increased demand. Coupled with moves to strengthen original product development capabilities and technical support, these initiatives should give the division a firm foundation as a technology-specific trading company.

In addition, the division is expanding its ability to market new products and further strengthen customer-centered sales. Improvements during the past fiscal year included the establishment of the Corporate Marketing Group and refinements in the Sales Promotion Group. Moves to deploy IT to further raise operational efficiency included a shift to mobile computing in the Sales Division and support for business-to-business (B2B) commerce with secondary trading companies.



Note: Product names and company names are trademarks or registered trademarks of their respective holders.

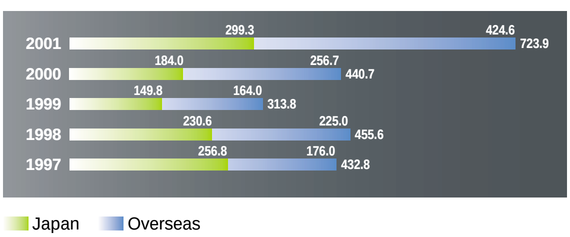
Management's Discussion and Analysis

Sales and Income

Sales

For the year ended March 31, 2001, consolidated net sales increased 64.2 percent from the prior fiscal year to a record ¥723.9 billion (US$5,842 million), as semiconductor and LCD manufacturers invested to meet a sharp rise in demand for IT-related products such as personal computers, mobile phones, network-related products and digital appliances. Geographically, domestic sales grew 62.7 percent to ¥299.3 billion and overseas sales gained 65.4 percent to ¥424.6 billion. Sales outside of Japan have exceeded domestic sales for the past three fiscal years. By division, Semiconductor Production Equipment (SPE) sales, which include sales of LCD production equipment, increased 74.3 percent to ¥619.0 billion. Computer Network (CN) sales rose 13.7 percent to ¥14.1 billion, and Electronic Components (EC) sales gained 23.8 percent to ¥89.2 billion.

Domestic and Overseas Sales (¥ Billions)



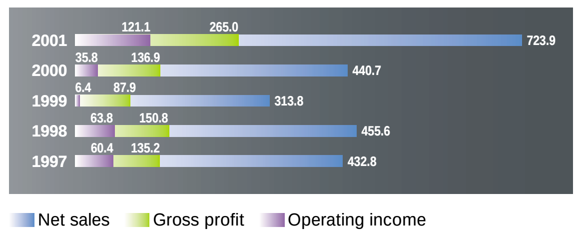
Orders received for the SPE division increased 20.6 percent to ¥627.6 billion, with order growth particularly strong during the first half of the fiscal year. Order backlog for the SPE division rose 3.4 percent to ¥258.1 billion, but weakening order flow in the second half of the fiscal year indicates a worsening of the business environment during the year ending March 2002.

Changes in exchange rates have no material effect on Tokyo Electron's results because exports from Japan are generally denominated in yen. However, a weaker yen vis-a-vis the U.S. dollar typically lowers prices from the purchaser's perspective, which raises Tokyo Electron's competitiveness. While some settlements are denominated in dollars, exchange risk is hedged using forward exchange contracts concluded individually at the time of order. 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, 2001.

Cost of Sales, SG&A Expenses and Operating Income

Cost of sales increased 51.0 percent to ¥458.9 billion, a rate of increase well below the rate of sales growth. Consequently, cost of sales as a percentage of net sales improved to 63.4 percent from 68.9 percent for the prior fiscal year. Gross profit increased 93.6 percent to ¥265.0 billion and the gross margin rose 5.5 points to 36.6 percent, reflecting the rise in production volume and the favorable effects of Tokyo Electron's drive to improve productivity and reduce costs.

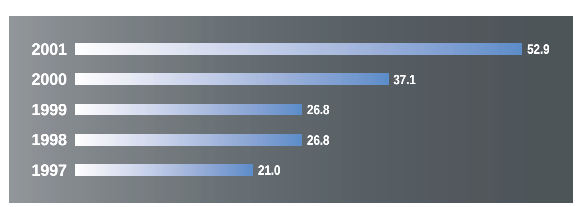
Net Sales, Gross Profit & Operating Income (¥ Billions)



Selling, general and administrative expenses increased 42.4 percent to ¥143.9 billion, also substantially below the rate of sales growth due to Tokyo Electron's concerted efforts to control costs. Research and development expenses, which are included in SG&A expenses, increased 42.5 percent to ¥52.9 billion. R&D was focused on development of technologies for the 0.13-0.10µm design rule generation, 300mm wafer equipment, and new business areas. Consistent and substantial R&D spending, even during market slowdowns, has been a key factor supporting Tokyo Electron's ability to further promote a competitive advantage in the products and services it provides. The Company intends to maintain R&D spending despite projected market weakness during the year ending March 2002 in order to benefit fully when the market recovers.

Operating income increased 238.1 percent to ¥121.1 billion as sales growth strongly outpaced expense increases. The operating margin was 16.7 percent, compared to 8.1 percent for the prior fiscal year.

R&D Expenses (¥ Billions)



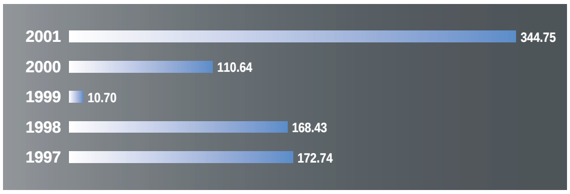
Notes: 1. Years in all graphs refer to fiscal years ended March 31.
2. The Computer Systems division was renamed the Computer Network division as of April 1, 2000.

Other Income (Expenses) and Net Income

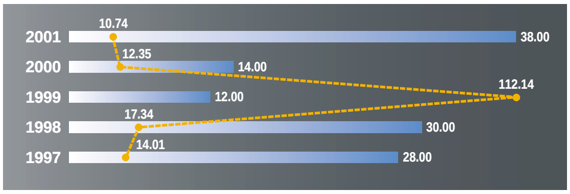
Net other expenses increased sharply to ¥22.0 billion, primarily because a difference due to the application of new accounting standards for retirement benefits resulted in a charge of ¥16.0 billion at the beginning of the fiscal year. While Tokyo Electron had planned on amortizing this amount over a two-year period, the Company opted to take a one-time charge to earnings during the past fiscal year. Income before income taxes increased 233.9 percent to ¥99.1 billion.

Net income increased 212.4 percent to ¥62.0 billion, and fully diluted net income per share increased to ¥344.75 from ¥110.64. Tokyo Electron increased cash dividends by ¥24.00 per share to ¥38.00 per share; the payout ratio was 10.74 percent, which is in line with the Company's historical norm.

Net Income per Share (Diluted) (¥)



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



Cash dividends per share Payout ratio

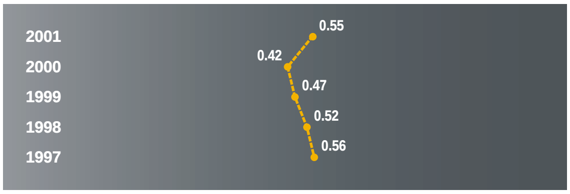
Financial Position and Cash Flows

Financial Position

Current assets at March 31, 2001 increased 46.1 percent from a year earlier to ¥548.2 billion as both trade notes and accounts receivable and inventories expanded in reflection of the increase in sales. Inventory turnover improved to 5.27 times compared with 4.39 times in the previous fiscal year. Trade notes and accounts receivable turnover was 3.03 times, compared to 2.79 times for the prior fiscal year.

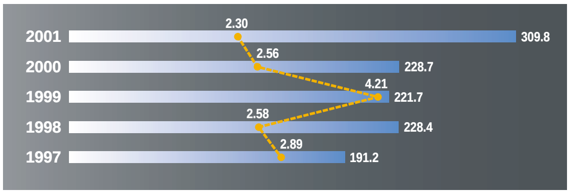
Current liabilities increased 62.8 percent to ¥238.4 billion. Factors included increased short-term borrowings outstanding at the balance sheet date, an increase in trade notes and accounts payable due to the ramp-up in production to meet higher demand, and higher accrued income taxes. Working capital increased to ¥309.8 billion, and while the current ratio decreased to 2.3 to 1 from 2.6 to 1 a year earlier, it continues to indicate ample liquidity. The current ratio decreased in large part because Tokyo Electron funded working capital requirements externally with short-term debt to promptly respond to rapid increases in demand.

Debt-to-Equity Ratio (Times)



Note: Debt-to-equity ratio = (Average short-term debt + Average long-term debt)/Average shareholders' equity

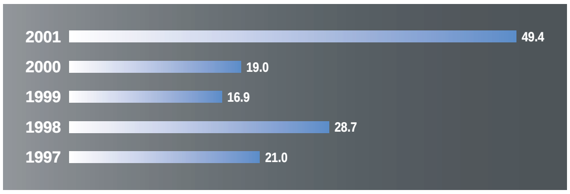
Working Capital & Current Ratio (¥ Billions / Times)



Working capital Current ratio

Property, plant and equipment increased 27.6 percent to ¥124.7 billion over a year earlier. During the fiscal year, Tokyo Electron invested ¥49.4 billion in property, plant and equipment, consisting primarily of production facilities for coater/developers at Tokyo Electron Kyushu, expansion of production capacity for etchers at Tokyo Electron Yamanashi, purchase of equipment for evaluation, capitalization of the Company's own equipment, and investment in IT.

Capital Expenditures for Property, Plant and Equipment (¥ Billions)

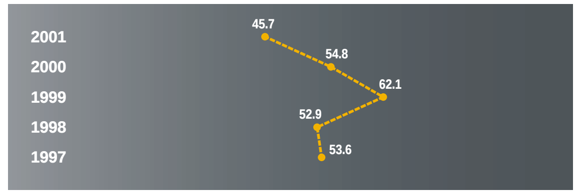


Investments and other assets increased 121.6 percent to ¥56.5 billion. Factors included the acquisition of Supercritical Systems, Inc. and Timbre Technologies, Inc., which generated consolidated goodwill of ¥19.0 billion that will be amortized within a reasonable period of time not exceeding 20 years. Total assets increased 46.0 percent to ¥729.5 billion, primarily because of the rise in current assets.

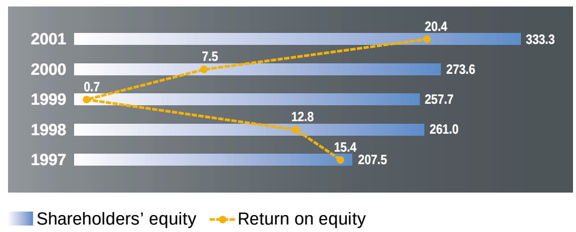
Tokyo Electron increased long-term debt 87.8 percent from a year earlier to ¥126.3 billion, primarily through the issue of unsecured bonds totaling ¥50.0 billion.

Shareholders' equity increased 21.8 percent to ¥333.3 billion, due to an increase in retained earnings. As a percentage of total assets, shareholders' equity was 45.7 percent, compared to 54.8 percent a year earlier. Return on average total shareholders' equity improved to a record high of 20.4 percent from 7.5 percent a year earlier.

Shareholders' Equity Ratio (%)



Shareholders' Equity & ROE (¥ Billions / %)



The balance of equity-linked bonds outstanding at March 31, 2001 was ¥20.0 billion. The potential number of shares if all convertible bonds and bonds with warrants had been converted and executed at the balance sheet date represented 3.0 percent of total common stock issued and outstanding.

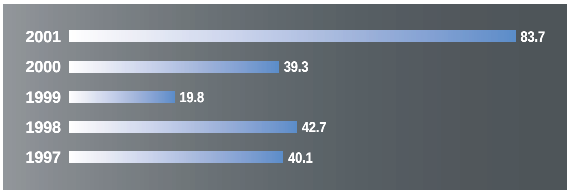
	Millions of yen (percentage of net sales)						Thousands of U.S. dollars
	2001		2000		1999		**2001**
Net sales	**¥723,880**	**(100.0)**	¥440,729	(100.0)	¥313,820	(100.0)	**$5,842,455**
Cost of sales	**458,902**	**(63.4)**	303,839	(68.9)	225,962	(72.0)	**3,703,810**
Gross profit	**264,978**	**(36.6)**	136,890	(31.1)	87,858	(28.0)	**2,138,645**
SG&A expenses	**143,892**	**(19.9)**	101,074	(23.0)	81,475	(26.0)	**1,161,353**
Operating income	**121,086**	**(16.7)**	35,816	(8.1)	6,383	(2.0)	**977,292**
Other income (expenses)	**(21,954)**	**—**	(6,127)	–	(345)	–	**(177,198)**
Income before income taxes	**99,132**	**(13.7)**	29,689	(6.7)	6,038	(1.9)	**800,094**
Provision for income taxes	**37,099**	**(5.1)**	9,836	(2.2)	4,167	(1.3)	**299,428**
Minority interest	**21**	**(0.0)**	5	(0.0)	5	(0.0)	**167**
Net income	**¥ 62,012**	**(8.6)**	¥ 19,848	(4.5)	¥ 1,866	(0.6)	**$ 500,499**

Cash Flows

Operating activities used net cash of ¥29.4 billion; in the prior fiscal year, operating activities generated net cash of ¥25.1 billion. Net cash flow, defined as the sum of net income and depreciation and amortization, increased 2.1 times to ¥83.7 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. Income taxes paid also increased significantly.

Investing activities used net cash of ¥62.4 billion, up 3.9 times from ¥16.2 billion in the prior fiscal year. Payment for purchase of property, plant and equipment increased 2.7 times to ¥39.2 billion. Capital investments were directed mainly toward capacity expansion and the acquisition of equipment for evaluation. In addition, the Company deployed ¥18.9 billion during the fiscal year to acquire two companies in the United States, as discussed earlier.

Net Cash Flow (¥ Billions)



Net cash generated by financing activities more than tripled to ¥77.2 billion. Tokyo Electron increased short-term borrowings by ¥23.9 billion and issued unsecured bonds totaling ¥50.0 billion. Redemption of unsecured bonds totaling ¥30.0 billion was offset by an equivalent net increase in commercial paper.

Cash and cash equivalents at the end of the year totaled ¥65.3 billion, down 17.9 percent from ¥79.5 billion at the end of the prior fiscal year as Tokyo Electron supplemented external funding with internal capital resources.

	Millions of yen (percentage of total assets)				Thousands of U.S. dollars
	2001		2000		**2001**
Total assets	**¥729,511**	**(100.0)**	¥499,499	(100.0)	**$5,887,903**
Cash and cash equivalents	**65,320**	**(9.0)**	79,519	(15.9)	**527,205**
Trade notes and accounts receivable	**302,953**	**(41.5)**	175,153	(35.0)	**2,445,143**
Inventories	**161,981**	**(22.2)**	112,481	(22.5)	**1,307,351**
Investments and other assets	**56,549**	**(7.8)**	25,522	(5.1)	**456,412**
Property, plant and equipment	**124,721**	**(17.1)**	97,726	(19.6)	**1,006,623**
Total liabilities	**396,172**	**(54.3)**	225,862	(45.2)	**3,197,512**
Short-term borrowings	**48,462**	**(6.6)**	23,998	(4.8)	**391,139**
Trade notes and accounts payable	**87,350**	**(12.0)**	62,574	(12.5)	**705,007**
Accrued income taxes	**41,440**	**(5.7)**	11,843	(2.4)	**334,464**
Long-term debt, less current portion	**126,348**	**(17.3)**	67,278	(13.5)	**1,019,757**
Shareholders' equity	**¥333,281**	**(45.7)**	¥273,603	(54.8)	**$2,689,923**

Board of Directors, Statutory Auditors and Corporate Senior Staff

(as of June 27, 2001)

Left to right: Mitsutaka Yoshida, Tetsuro Higashi, Tetsuo Tsuneishi, Takeo Tanaka

Board of Directors

Tetsuro Higashi
C.E.O., President
Tokyo Electron Limited

Tetsuo Tsuneishi
Corporate Officer
Executive Vice President
Tokyo Electron Limited

Takeo Tanaka [1, 2]
Corporate Officer
Senior Vice President
Tokyo Electron Limited

Mitsutaka Yoshida
Corporate Officer
Senior Vice President
Tokyo Electron Limited

Keiichiro Kuriyama [1]
Chairman
Tokyo Electron Device Limited

Kuniyuki Matsuba [2, 3]
Chairman
Tokyo Electron FE Limited

Hiroshi Takashima [1]
Chairman
Tokyo Electron Kyushu Limited

Junichi Inoue [2]
Chairman
Tokyo Electron AT Limited

Yukio Sunahara
President
Tokyo Broadcasting System, Inc.

Statutory Auditors

Hirosuke Ishibashi
Tokyo Electron Limited

Yoriaki Miyoshi
Tokyo Electron Limited

Takanori Suzuki
Tokyo Electron Limited

Hiroshi Maeda
Mitsui, Yasuda, Wani & Maeda

Notes:
1. Member of Compensation Committee
2. Member of Nomination Committee
3. Chief Business Ethics Director

Corporate Senior Staff

Tetsuro Higashi
C.E.O., President

Tetsuo Tsuneishi
Corporate Officer, Executive Vice President

Takeo Tanaka
Corporate Officer, Senior Vice President

Mitsutaka Yoshida
Corporate Officer, Senior Vice President

Yuichi Honda
Executive Manager, Finance, Accounting, Order Process

Mitsuru Onozato
Executive Manager, Litho-Cell Group, Etch Systems B.U.

Makoto Mizokuchi
Executive Manager, Business Development &
Account Management Group

Kousuke Ishii
General Manager, Test & Integrated Process Control Group

Ryuichi Komatsubara
General Manager, Thin Film & Cleaning Group

Masao Kubodera
General Manager, Technology Development Group

Takaaki Matsuoka
General Manager, Corporate Marketing

Takashi Nakamura
Corporate Staff, Personnel, General Affairs

Hideyuki Takamori
General Manager, Clean Track B.U.

Yoshinori Inoue
General Manager, Test Systems B.U.

Yasuyuki Kuriki
General Manager, Diffusion Systems B.U.

Haruo Iwatsu
General Manager, Cleaning Systems B.U.

Hiroshi Tomita
General Manager, LCD Systems B.U.

Takayoshi Ida
General Manager, Business Development &
Account Management Group, Japan

Kiyoshi Sunohara
General Manager, Business Development &
Account Management Group, North America/Europe

Hironobu Sato
General Manager, Business Development &
Account Management Group, Asia

Kengo Kuroiwa
President, Tokyo Electron Tohoku Limited

Yasuo Inoue
President, Tokyo Electron AT Limited

Megumi Yamashiro
President, Tokyo Electron Kyushu Limited

Mamoru Hara
President, Tokyo Electron EE Limited

Keiichi Furugaki
President, Tokyo Electron FE Limited

Toshiaki Sunagawa
President, Tokyo Electron Device Limited

Barry R. Rapozo
President, Tokyo Electron America, Inc.

Gerald Thurgood
President, Tokyo Electron Europe Limited

T.K. Kwak
President, Tokyo Electron Korea Limited

Archie Hwang
President, Tokyo Electron Taiwan Limited

"B.U." indicates Tokyo Electron's product-specific business unit.

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

	U.S. dollars	Yen					
Net income per share of common stock:[3]							
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:							
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

	Percent					
ROE	**20.4**	7.5	0.7	12.8	15.4	18.5
Operating income margin	**16.7**	8.1	2.0	13.9	14.0	16.9
Shareholders' equity ratio	**45.7**	54.8	62.1	52.9	53.6	45.2
Asset turnover (times)	**1.18**	0.96	0.69	1.03	1.10	1.12

	U.S. dollars	Thousands of yen					
Net sales per employee	**$ 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**
	Yen			U.S. dollars
Per share of common stock:				
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:

	Millions of yen	Thousands of 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:

	Millions of yen	Thousands of 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 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	Eiji Miyashita	Fumihiko Sugiura
Certified Public Accountant	Certified Public Accountant	Certified Public Accountant

Corporate Directory

(as of June 27, 2001)

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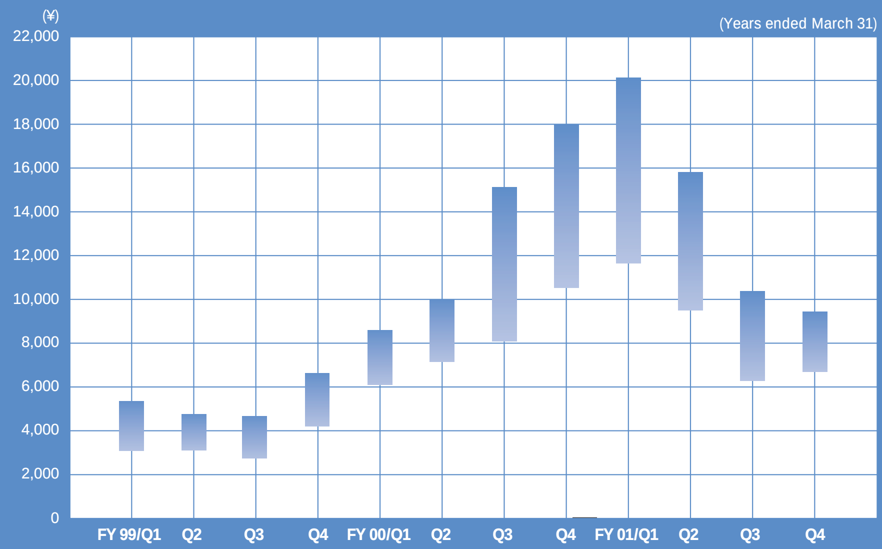
* The new name of the company formed by the merger of Tokyo Electron Yamanashi Limited and Tokyo Electron Miyagi Limited on April 1, 2001.

Investor Information

(as of March 31, 2001)

Corporate Name:	Tokyo Electron Limited
Established:	November 11, 1963
Common Stock:	Par value ¥50 Authorized 300,000,000 shares Issued and outstanding 175,691,269 shares
Number of Shareholders:	42,781
Transfer Agent for Common Stock:	Chuo Mitsui Trust and Banking Co., Ltd. 33-1 Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
Common Stock Listed on:	The Tokyo Stock Exchange 1st Section (#8035)

Quarterly Stock Price Range



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