

# Consolidated Financial Review

## for the Third Quarter Ended December 31, 2001

Company name:	 TOKYO ELECTRON LIMITED
Headquarters address:	3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481 Japan
Telephone number:	(03) 5561-7000
Stock exchange listing:	Tokyo Stock Exchange 1st Section
Code number:	8035
Inquiries:	Yukio Saeki, Vice President, Accounting Department
Board of Directors Meeting:	February 1, 2002
Application of U.S. GAAP:	None

For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

### 1. Financial highlights for nine months ended December 31, 2001 (4/1/01 - 12/31/01)

Note: All figures are rounded down to the nearest million yen.

#### (1) Operating results

	Net sales		Operating income		Ordinary income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
Nine months ended 12/31/01	316,859	(-37.9%)	(2,931)	( - )	(3,796)	( - )
Nine months ended 12/31/00	510,128	( - )	89,426	( - )	88,074	( - )
Year ended 3/31/01	723,880		121,086		119,223	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	(%)	Yen	Yen
Nine months ended 12/31/01	(8,095)	( - )	-46.22	-
Nine months ended 12/31/00	49,385	( - )	281.73	274.50
Year ended 3/31/01	62,011		353.76	344.75

#### Notes:

##### 1. Profit / loss on equity method:

Three months ended 12/31/01:	None
Three months ended 12/31/00:	None
Year ended 3/31/01:	None

##### 2. Average number of shares of common stock (consolidated) issued:

Three months ended 12/31/01:	175,140,491 shares
Three months ended 12/31/00:	175,296,580 shares
Year ended 3/31/01:	175,292,610 shares

##### 3. Changes in accounting methods:

None

##### 4. Percentages for net sales, operating income, ordinary income and net income indicated total changes from the same period of the previous year.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of 12/31/01	594,594	317,856	53.5%	1,815.61
As of 3/31/01	729,511	333,281	45.7%	1,901.38
As of 12/31/00	651,758	319,091	49.0%	1,820.48

Note:

Number of shares of common stock (consolidated) issued as of:

December 31, 2001	175,068,483 shares
March 31, 2001	175,283,713 shares
December 31, 2000	175,278,293 shares

(3) Scope of consolidation and application of equity method

Consolidated subsidiaries:	29 companies
Unconsolidated subsidiaries:	0 companies
Affiliates using the equity method:	0 companies

(4) Changes in scope of consolidation and application of equity method

Consolidated companies:	Additions: 0 companies	Deletions: 1 company
Companies using the equity method:	Additions: 0 companies	Deletions: 0 companies

2. Corporate estimates for the year ending March 31, 2002 (4/1/01 - 3/31/02)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending 3/31/02	410,000	(28,000)	(25,000)

For reference: Estimate of net income per share for the year ending March 31, 2002: -142.80 yen

Note: Figures other than those for the year ended March 31, 2001 have not been audited.

## Operating Results

### 1. Summary of Results

#### a. Nine Months Ended December 31, 2001

In the electronics industry during the period under review, the effects of the collapse of the IT bubble in the United States, which started at the end of 2000, were felt around the world. Rapid market penetration of key products driving the IT revolution, such as personal computers, cellular phones, Internet-related devices and digital home appliances, leveled off. This in turn resulted in a sudden deterioration in the market for semiconductors, the basic components of these products. In response to the unprecedented slump in the semiconductor market, as well as in reaction to aggressive capital investment in 2000, semiconductor manufacturers drastically curtailed new investment.

Under these severe conditions, Tokyo Electron carried out measures to cut costs, including fixed expenses, and raise business efficiency. However, reflecting the large impact of the weakening business environment and a steep decline in sales of the core Semiconductor Production Equipment (SPE) division, consolidated net sales decreased 37.9 percent from the same period in 2000 to ¥316,859 million. Tokyo Electron posted an ordinary loss of ¥3,796 million and a net loss of ¥8,095 million.

Looking at consolidated net sales by division, SPE sales were heavily impacted by the large cutbacks in investment among semiconductor manufacturers, and declined 42.8 percent to ¥248,819 million.

In the Computer Network (CN) division, efforts to expand sales of servers and high-speed network technology products resulted in a 23.9 percent increase in net sales to ¥11,711 million.

In the Electronic Components (EC) division, despite efforts to increase sales of terminal devices for communications and network-related equipment, net sales declined 13.6 percent to ¥55,229 million.

#### b. Third Quarter (Three Months Ended December 31, 2001)

For the third quarter, Tokyo Electron posted consolidated net sales of ¥63,738 million (a decrease of 65.0 percent compared with the same period of the previous year), an ordinary loss of ¥14,770 million, and a net loss of ¥10,680 million.

By division, consolidated net sales were ¥44,937 million (a year-on-year decrease of 71.2 percent) for the SPE division, ¥3,304 million (a year-on-year decrease of 0.1 percent) for the CN division and ¥15,184 million (a year-on-year decrease of 31.6 percent) for the EC division.

**(For reference)  
Consolidated**

(Millions of yen)

		1Q	2Q	3Q	1Q-3Q Total	Full year (E)	
Net sales	Semiconductor Production Equip.	Japan	31,405	38,219	13,361	82,986	99,000
		U.S.	20,401	27,362	15,592	63,356	87,000
		Europe	9,413	10,272	3,140	22,826	26,000
		Korea	9,216	7,170	3,514	19,900	23,000
		Taiwan	18,516	18,369	7,968	44,854	61,000
		Other	2,970	10,564	1,360	14,895	22,000
		Total	91,923	111,958	44,937	248,819	318,000
	Computer Network	4,384	4,023	3,304	11,711	17,000	
	Electronic Components	20,095	19,949	15,184	55,229	73,500	
	Other	417	369	312	1,099	1,500	
Total		116,821	136,300	63,738	316,859	410,000	
Ordinary income (loss)		200	10,773	-14,770	-3,796	-28,000	
Income before income taxes (loss)		890	10,858	-14,613	-2,864	-30,000	
Net income (loss)		-3,513	6,099	-10,680	-8,095	-25,000	

**Non-consolidated**

(Millions of yen)

		1Q	2Q	3Q	1Q-3Q Total	Full year (E)
Net sales	Semiconductor Production Equip.	91,333	109,759	42,428	243,522	314,000
	Computer Network	4,398	4,030	3,309	11,738	17,000
Total		95,732	113,789	45,738	255,260	331,000
Ordinary income (loss)		4,387	7,036	-8,014	3,408	-11,500
Income before income taxes (loss)		5,228	7,063	-7,839	4,452	-11,500
Net income (loss)		3,172	4,590	-4,699	3,063	-7,000

## 2. Forecast for the Year Ending March 31, 2002

### Projected Operating Results

Although personal consumption in the United States has shown signs of bottoming out since the end of last year, the world economy remains even more sluggish than anticipated, and recovery in the semiconductor market is also expected to take time.

Under these conditions, net sales for the full fiscal year are forecast to fall below November 2001 projections. Furthermore, anticipated earnings results will be revised due to a projected increase in expenses such as disposal of inventory and a loss on evaluation of products (inventory), in addition to the effect of lower net sales. With this in mind, the current projected results are as follows. Tokyo Electron will work to promote measures for operational restructuring in each division and facility and improve profitability.

<b>Consolidated forecast</b>		Billions of yen (Y/Y change)	
		Full year	
Net sales		410.0	(-43.4%)
	Semiconductor Production Equipment	318.0	(-48.6%)
	Computer Network	17.0	(+21.0%)
	Electronic Components	73.5	(-17.6%)
	Other	1.5	(-7.1%)
Ordinary income (loss)		-28.0	-
Income before income taxes (loss)		-30.0	-
Net income (loss)		-25.0	-

<b>Non-consolidated forecast</b>		Billions of yen (Y/Y change)	
		Full year	
Net sales		331.0	(-47.2%)
	Semiconductor Production Equipment	314.0	(-48.7%)
	Computer Network	17.0	(+19.2%)
Ordinary income (loss)		-11.5	-
Income before income taxes (loss)		-11.5	-
Net income (loss)		-7.0	-

(Note: The projected results above are based on certain assumptions that the Company's management judges to be reasonable at the present time. Actual results could differ materially from these projections.)

## Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2001		As of March 31, 2001		Increase (decrease)	As of December 31, 2000	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
<b>(Assets)</b>	594,594	100.0	729,511	100.0	(134,916)	651,758	100.0
<b>Current Assets</b>	412,301	69.3	548,241	75.2	(135,939)	500,085	76.7
Cash and time deposits	51,333		65,320			61,538	
Trade notes and accounts receivable	174,924		287,968			237,750	
Inventories	160,292		161,980			174,076	
Others	26,597		34,691			28,103	
Allowance for doubtful accounts	(846)		(1,720)			(1,383)	
<b>Long-term Assets</b>	182,293	30.7	181,270	24.8	1,023	151,673	23.3
<b>Tangible fixed assets</b>	129,372		124,720		4,651	118,176	
<b>Intangible fixed assets</b>	28,681		27,524		1,157	8,822	
<b>Investments and other assets</b>	24,484		29,268		(4,783)	24,890	
<b>Allowance for doubtful accounts</b>	(245)		(242)		(2)	(216)	
<b>Total Assets</b>	594,594	100.0	729,511	100.0	(134,916)	651,758	100.0

# Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2001		As of March 31, 2001		Increase (decrease)	As of December 31, 2000	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
<b>(Liabilities)</b>	276,680	46.5	396,171	54.3	(119,491)	332,618	51.0
<b>Current liabilities</b>	133,148	22.4	238,441	32.7	(105,292)	188,908	29.0
Trade notes and accounts payable	24,139		60,541			65,644	
Short-term borrowings	24,274		51,431			58,964	
Commercial paper	35,000		30,000			-	
Bonds due within 1 year	20,000		-			-	
Accrued income taxes	1,537		41,440			24,886	
Allowance for employees' bonuses	2,112		10,948			8,880	
Stock purchase warrant	699		-			-	
Others	25,385		44,079			30,532	
<b>Long-term liabilities</b>	143,532	24.1	157,730	21.6	(14,198)	143,710	22.0
Straight bonds	80,000		94,500			94,500	
Convertible bonds	15,500		15,502			15,507	
Long-term loans	14,379		16,345			12,007	
Allowance for retirement and severance benefits	31,001		28,698			18,567	
Allowance for retirement and severance benefits for directors	1,217		1,108			1,072	
Stock purchase warrant	630		705			713	
Others	803		870			1,341	
<b>(Minority interest)</b>	58	0.0	58	0.0	0	49	0.0
<b>(Shareholders' equity)</b>	317,856	53.5	333,281	45.7	(15,425)	319,091	49.0
<b>Common stock</b>	47,213	8.0	47,212	6.5	0	47,210	7.3
<b>Additional paid in capital</b>	70,275	11.8	70,274	9.6	0	70,272	10.8
<b>Consolidated retained earnings</b>	202,038	34.0	214,920	29.5	(12,882)	202,294	31.0
<b>Revaluation of investment in securities</b>	(344)	(0.1)	1,658	0.2	(2,002)	1,376	0.2
<b>Foreign currency translation adjustment</b>	3,762	0.6	2,734	0.4	1,028	1,513	0.2
<b>Treasury stock, at cost</b>	(5,089)	(0.8)	(3,519)	(0.5)	(1,570)	(3,575)	(0.5)
<b>Total liabilities, minority interest and shareholders' equity</b>	594,594	100.0	729,511	100.0	(134,916)	651,758	100.0

## Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2001		Nine months ended December 31, 2000		Increase (decrease)		Year ended March 31, 2001	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	316,859	100.0	510,128	100.0	(193,268)	(37.9)	723,880	100.0
Cost of sales	219,906	69.4	321,187	63.0	(101,281)	(31.5)	458,902	63.4
<b>Gross profit</b>	96,953	30.6	188,940	37.0	(91,987)	(48.7)	264,978	36.6
Selling, general & administrative expenses	99,884	31.5	99,514	19.5	370	0.4	143,891	19.9
<b>Operating income (loss)</b>	(2,931)	(0.9)	89,426	17.5	(92,357)	-	121,086	16.7
Non-operating income	1,355		1,180				1,628	
Non-operating expenses	2,220		2,532				3,491	
<b>Ordinary income (loss)</b>	(3,796)	(1.2)	88,074	17.3	(91,870)	-	119,223	16.5
Unusual or infrequent profit	1,091		58				184	
Unusual or infrequent loss	160		7,308				20,275	
<b>Income (loss) before income taxes</b>	(2,864)	(0.9)	80,824	15.8	(83,689)	-	99,131	13.7
Provision for income taxes and enterprise taxes	5,224		31,424				50,588	
Deferred income taxes	-		-				(13,489)	
Minority interest	6		14				20	
<b>Net income (loss)</b>	(8,095)	(2.6)	49,385	9.7	(57,480)	-	62,011	8.6

# Net Sales Outside Japan

(Millions of yen)

Nine months ended December 31, 2001				
	U.S.	Taiwan	Others	Total
Net sales outside Japan	63,385	44,862	59,092	167,340
Consolidated net sales				316,859
Ratio to consolidated net sales (%)	20.0	14.2	18.6	52.8

Notes:

1. Classifications of countries and regions are based on geographical proximity.
2. Principal countries included in others: Korea, Germany, Singapore, China
3. Net sales outside Japan represent net sales of Tokyo Electron Limited and its consolidated subsidiaries to countries and regions outside Japan.

(Millions of yen)

Nine months ended December 31, 2000					
	Taiwan	U.S.	Korea	Others	Total
Net sales outside Japan	110,368	94,695	43,243	68,102	316,410
Consolidated net sales					510,128
Ratio to consolidated net sales (%)	21.6	18.6	8.5	13.3	62.0

Notes:

1. Classifications of countries and regions are based on geographical proximity.
2. Principal countries included in others: U.K. , France, Germany, Singapore
3. Net sales outside Japan represent net sales of Tokyo Electron Limited and its consolidated subsidiaries to countries and regions outside Japan.

(Millions of yen)

Year ended March 31, 2001				
	U.S.	Taiwan	Others	Total
Net sales outside Japan	140,228	131,152	153,226	424,608
Consolidated net sales				723,880
Ratio to consolidated net sales (%)	19.4	18.1	21.2	58.7

Notes:

1. Classifications of countries and regions are based on geographical proximity.
2. Principal countries included in others: Korea, U.K. , France, Germany, Singapore
3. Net sales outside Japan represent net sales of Tokyo Electron Limited and its consolidated subsidiaries to countries and regions outside Japan.

# Production, Orders and Sales

## (1) Production

(Millions of yen)

Division	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
	Amount	Amount	Amount
Semiconductor Production Equipment	271,503	482,390	672,312
Total	271,503	482,390	672,312

Notes:

1. Amounts are based on selling prices.
2. The above amounts do not include consumption taxes.

## (2) Orders

(Millions of yen)

Division	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
	Orders	Orders	Orders
Semiconductor Production Equipment	127,135	569,189	627,573
Computer Network	10,933	9,663	15,476
Electronic Components	51,018	67,990	89,178
Others	1,099	1,367	1,614
Total	190,187	648,210	733,843

Division	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
	Backlog	Backlog	Backlog
Semiconductor Production Equipment	136,433	383,374	258,117
Computer Network	4,412	3,981	5,190
Electronic Components	7,726	16,007	11,937
Total	148,572	403,363	275,244

Note: The above amounts do not include consumption taxes.

## (3) Sales

(Millions of yen)

Division	Nine months ended December 31, 2001	Nine months ended December 31, 2000	Year ended March 31, 2001
	Amount	Amount	Amount
Semiconductor Production Equipment	248,819	435,360	619,001
Computer Network	11,711	9,449	14,053
Electronic Components	55,229	63,951	89,210
Others	1,099	1,367	1,614
Total	316,859	510,128	723,880

Note: The above amounts do not include consumption taxes.

For reference

## Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of December 31, 2001		As of September 30, 2001		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
<b>(Assets)</b>	594,594	100.0	642,472	100.0	(47,877)
<b>Current Assets</b>	412,301	69.3	459,042	71.4	(46,740)
Cash and time deposits	51,333		59,788		
Trade notes and accounts receivable	174,924		231,869		
Inventories	160,292		146,177		
Others	26,597		22,085		
Allowance for doubtful accounts	(846)		(879)		
<b>Long-term Assets</b>	182,293	30.7	183,430	28.6	(1,137)
<b>Tangible fixed assets</b>	129,372		129,925		(553)
<b>Intangible fixed assets</b>	28,681		28,070		611
<b>Investments and other assets</b>	24,484		25,683		(1,198)
<b>Allowance for doubtful accounts</b>	(245)		(248)		2
<b>Total Assets</b>	594,594	100.0	642,472	100.0	(47,877)

For reference

## Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of December 31, 2001		As of September 30, 2001		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
<b>(Liabilities)</b>	276,680	46.5	316,008	49.2	(39,327)
<b>Current liabilities</b>	133,148	22.4	172,521	26.9	(39,372)
Trade notes and accounts payable	24,139		27,193		
Short-term borrowings	24,274		28,467		
Commercial paper	35,000		55,000		
Bonds due within 1 year	20,000		20,000		
Accrued income taxes	1,537		6,889		
Allowance for employees' bonuses	2,112		3,695		
Stock purchase warrant	699		699		
Others	25,385		30,575		
<b>Long-term liabilities</b>	143,532	24.1	143,487	22.3	44
Straight bonds	80,000		80,000		
Convertible bonds	15,500		15,500		
Long-term loans	14,379		15,077		
Allowance for retirement and severance benefits	31,001		30,297		
Allowance for retirement and severance benefits for directors	1,217		1,174		
Stock purchase warrant	630		630		
Others	803		807		
<b>(Minority interest)</b>	58	0.0	53	0.0	5
<b>(Shareholders' equity)</b>	317,856	53.5	326,411	50.8	(8,554)
<b>Common stock</b>	47,213	8.0	47,213	7.3	-
<b>Additional paid in capital</b>	70,275	11.8	70,275	11.0	-
<b>Consolidated retained earnings</b>	202,038	34.0	213,419	33.2	(11,381)
<b>Revaluation of investment in securities</b>	(344)	(0.1)	43	0.0	(387)
<b>Foreign currency translation adjustment</b>	3,762	0.6	541	0.1	3,220
<b>Treasury stock, at cost</b>	(5,089)	(0.8)	(5,082)	(0.8)	(6)
<b>Total liabilities, minority interest and shareholders' equity</b>	594,594	100.0	642,472	100.0	(47,877)

For reference

## Consolidated Statement of Income (Quarterly comparison)

(Millions of yen)

	Three months ended December 31, 2001		Three months ended September 30, 2001		Three months ended June 30, 2001		Three months ended December 31, 2000	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	63,738	100.0	136,300	100.0	116,821	100.0	182,045	100.0
Cost of sales	46,959	73.7	94,372	69.2	78,574	67.3	110,975	61.0
<b>Gross profit</b>	16,778	26.3	41,927	30.8	38,246	32.7	71,069	39.0
Selling, general & administrative expenses	31,643	49.6	30,581	22.5	37,659	32.2	36,699	20.1
<b>Operating income (loss)</b>	(14,864)	(23.3)	11,346	8.3	586	0.5	34,370	18.9
Non-operating income	472		463		419		417	
Non-operating expenses	378		1,037		805		579	
<b>Ordinary income (loss)</b>	(14,770)	(23.2)	10,773	7.9	200	0.2	34,207	18.8
Unusual or infrequent profit	175		201		714		19	
Unusual or infrequent loss	18		116		25		2,156	
<b>Income (loss) before income taxes</b>	(14,613)	(22.9)	10,858	8.0	890	0.8	32,070	17.6
Provision for income taxes and enterprise taxes	(3,933)		4,757		4,400		12,097	
Minority interest	0		1		3		6	
<b>Net income (loss)</b>	(10,680)	(16.8)	6,099	4.5	(3,513)	(3.0)	19,966	11.0