

Consolidated Financial Review

for the First Quarter Ended June 30, 2002



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 Stock exchange listing: Tokyo Stock Exchange 1st Section
 Code number: 8035
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For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

1. Matters relating to prepare quarterly consolidated financial statements

- 1) Accounting principles: Basically in accordance with those for the preparation of the interim consolidated financial statements.
 - * Changes in accounting method: None
 - * Accounting methods different from those adopted for the preparation of the interim financial statements: None
- 2) Changes in scope of consolidation and application of the equity method: Yes (Deletion: 1)
- 3) Involvement of independent certified public accountants or auditors: None

2. Financial highlights for the first quarter ended June 30, 2002 (4/1/02 - 6/30/02)

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

(1) Operating results

	Net sales		Operating income		Ordinary income		Net Income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
Three months ended 6/30/02	92,307	(-21.0%)	(6,141)	-	(6,744)	-	(4,171)	-
Three months ended 6/30/01	116,821	(-22.5%)	586	(-97.9%)	200	(-99.3%)	(3,513)	-
Year ended 3/31/02	417,825		(18,310)		(19,464)		(19,938)	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended 6/30/02	(23.83)	-
Three months ended 6/30/01	(20.04)	-
Year ended 3/31/02	(113.85)	-

Notes:

1. Profit/loss on equity method:

Three months ended 6/30/02:	None
Three months ended 6/30/01:	None
Year ended 3/31/02:	None
2. Average number of shares of common stock (consolidated) issued:

Three months ended 6/30/02:	175,085,825 shares
Three months ended 6/30/01:	175,284,219 shares
Year ended 3/31/02:	175,123,740 shares
3. Percentages for net sales, operating income, ordinary income and net income indicated changes from the 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 6/30/02	541,264	300,081	55.4%	1,713.91
As of 6/30/01	661,201	323,730	49.0%	1,846.89
As of 3/31/02	556,915	307,578	55.2%	1,756.73

Note:

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

June 30, 2002	175,085,635 shares
June 30, 2001	175,284,410 shares
March 31, 2002	175,086,036 shares

3. Corporate estimates for the year ending March 31, 2003 (4/1/02 - 3/31/03)

	Net sales	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Six months ending 9/30/02	215,500	(5,000)	(3,000)	(17.13)
Year ending 3/31/03	453,000	3,000	2,000	11.42

Operating Results

1. Overview of the results for the first quarter (April 1, 2002, to June 30, 2002)

During the first quarter, the US economy and Asian economies staged a modest recovery. The Japanese economy, however, remained lackluster as private-sector capital investment and personal consumption continued to be sluggish despite a resurgence of exports. Following an unprecedented decline, the semiconductor market bottomed out at the end of 2001, and inventory adjustment is proceeding. As indicated by the increase in DRAM prices and the rise in the plant utilization rate of foundries (plants that manufacture on a contract basis) in Asia, the semiconductor market is on a modest recovery track although a decisive recovery has yet to materialize.

In these circumstances, consolidated financial results of Tokyo Electron for the first quarter showed a modest recovery, even though the performance was still lower than for the same period of the previous fiscal year. Consolidated net sales were ¥92,370 million, a decline of 21.0% compared with the same period of the previous year, ordinary loss amounted to ¥6,744 million and net loss was ¥4,171 million. On a non-consolidated basis, net sales were ¥71,652 million, a decline of 25.2% compared with the same period of the previous year, ordinary loss was ¥5,127 million and net loss was ¥2,420 million.

Regarding the breakdown of consolidated net sales by division, although sales of the Semiconductor Production Equipment division, that is, sales of the Company's principal business, have yet to fully recover, they steadily increased sales for Asia, with brisk sales of LCD production equipment making an important contribution. Sales of the Semiconductor Production Equipment division for the first quarter amounted to ¥71,275 million, a decline of 22.5% compared with the same period of the previous year. Orders for semiconductor production equipment capable of handling 300mm wafers was upbeat and orders for equipment for Taiwan, South Korea, China and elsewhere in Asia were favorable. As a result, orders received exceeded ¥100 billion for the first time in six quarters.

The Computer Network division strove to expand sales of servers and high-speed network technology products. Affected by sluggish demand in the domestic market, however, sales of the division decreased 23.9% compared with the same period of the previous year to ¥3,334 million.

Sales of the Electronic Components division were ¥17,369 million, a decrease of 13.6% compared with the same period of the previous year, due to lackluster demand in Japan, despite the division's efforts to increase sales of cutting-edge devices for personal computers, communications and network equipment.

(For reference 1)

Consolidated

(Millions of yen)

			1Q/FY02	2Q/FY02	3Q/FY02	4Q/FY02	Full/FY02	1Q/FY03
Net sales	Semiconductor Production Equip.	Japan	31,405	38,219	13,361	13,738	96,724	21,052
		U.S.	20,401	27,362	15,592	31,376	94,732	9,264
		Europe	9,413	10,272	3,140	5,492	28,318	5,731
		Korea	9,216	7,170	3,514	3,295	23,195	8,356
		Taiwan	18,516	18,369	7,968	15,619	60,473	16,078
		Others	2,970	10,564	1,360	7,373	22,268	10,792
		Total	91,923	111,958	44,937	76,895	325,715	71,275
	Computer Network	4,384	4,023	3,304	5,320	17,031	3,334	
	Electronic Components	20,095	19,949	15,184	18,428	73,657	17,369	
	Others	417	369	312	322	1,421	327	
Total			116,821	136,300	63,738	100,966	417,825	92,307
Ordinary income (loss)			200	10,773	(14,770)	(15,667)	(19,464)	(6,744)
Net income (loss)			(3,513)	6,099	(10,680)	(11,842)	(19,938)	(4,171)

2. Forecast for the fiscal year ending March 31, 2003

Although the semiconductor market is on a modest recovery track, the outlook for the economy is becoming increasingly uncertain. The negative factors at work include weak stock prices, depreciation of the dollar and declines in consumer and investor confidence rooted in widespread misgivings concerning US corporate accounting practices, including allegations of illegality, and the health of the US economy.

Regarding the forecast of the business performance for the fiscal year ending March 31, 2003, the results for the first six months are expected to exceed the initial forecast announced in May 2002. However, management has revised the forecast for the year as follows, taking into account the risk factors for the second half of the year.

Consolidated forecast

(Billions of yen)

Note: Figures in the brackets [] were announced on May 10, 2002.

	Interim	Full year
Net sales	215.5 [210.5]	453.0 [463.0]
Semiconductor Production Equipment	170.0 [165.0]	355.0 [365.0]
Computer Network	8.5 [8.5]	20.0 [20.0]
Electronic Components	36.0 [36.0]	76.0 [76.0]
Others	1.0 [1.0]	2.0 [2.0]
Ordinary income (loss)	(5.0) [(8.0)]	3.0 [5.0]
Net income (loss)	(3.0) [(4.8)]	2.0 [3.0]

Non-consolidated forecast

(Billions of yen)

Note: Figures in the brackets [] were announced on May 10, 2002.

	Interim	Full year
Net sales	173.5 [168.5]	365.0 [375.0]
Semiconductor Production Equipment	165.0 [160.0]	345.0 [355.0]
Computer Network	8.5 [8.5]	20.0 [20.0]
Ordinary income (loss)	(7.0) [(7.0)]	(9.0) [(7.0)]
Net income (loss)	(4.2) [(4.2)]	(5.4) [(4.2)]

(Note)

Statements regarding the forecast of business performance contained in this financial report are based on certain assumptions that the Company deems reasonable in the light of information currently available, including, but not limited to, economic circumstances in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on the Company's future performance.

These forward-looking statements involve many uncertainties, including, but not limited to, market conditions, the competitive situation, introduction of new products and whether they are commercially successful, and the situation of the semiconductor industry worldwide. Accordingly, actual sales and profit figures may differ materially from the forecasts in this financial report.

Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2002		As of March 31, 2002		Increase (decrease)		As of June 30, 2001	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	(%)	Amount	Compo- sition (%)
(Assets)	541,264	100.0	556,915	100.0	(15,650)	(2.8)	661,201	100.0
Current Assets	341,720	63.1	353,423	63.5	(11,703)	(3.3)	474,579	71.8
Cash and time deposits	50,231		48,409				43,664	
Trade notes and accounts receivable	139,842		157,414				238,245	
Inventories	133,738		127,352				169,004	
Others	18,275		20,867				24,712	
Allowance for doubtful accounts	(368)		(620)				(1,047)	
Long-term Assets	199,544	36.9	203,491	36.5	(3,947)	(1.9)	186,622	28.2
Tangible fixed assets	129,498	23.9	134,510	24.1	(5,012)	(3.7)	130,659	19.7
Intangible fixed assets	27,779	5.2	28,753	5.2	(973)	(3.4)	26,973	4.1
Investments and other assets	42,266	7.8	40,227	7.2	2,038	5.1	28,989	4.4
Total Assets	541,264	100.0	556,915	100.0	(15,650)	(2.8)	661,201	100.0

Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2002		As of March 31, 2002		Increase (decrease)		As of June 30, 2001	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	(%)	Amount	Compo- sition (%)
(Liabilities)	241,128	44.6	249,278	44.8	(8,150)	(3.3)	337,417	51.0
Current liabilities	102,816	19.0	109,501	19.7	(6,685)	(6.1)	172,923	26.1
Trade notes and accounts payable	36,092		26,625				35,630	
Short-term borrowings	20,556		20,311				46,773	
Commercial paper	-		10,000				45,000	
Bonds due within 1 year	20,000		20,000				-	
Accrued income taxes	1,393		1,663				4,777	
Allowance for employees' bonuses	1,256		2,463				4,996	
Others	23,517		28,438				35,744	
Long-term liabilities	138,311	25.6	139,776	25.1	(1,465)	(1.0)	164,494	24.9
Straight bonds	80,000		80,000				100,000	
Convertible bonds	15,497		15,500				15,500	
Long-term loans	8,674		9,951				15,734	
Allowance for retirement and severance benefits	32,011		31,714				29,812	
Allowance for retirement and severance benefits for directors	930		1,269				1,121	
Others	1,197		1,341				2,326	
(Minority interest)	55	0.0	58	0.0	(3)	(5.9)	53	0.0
(Shareholders' equity)	300,081	55.4	307,578	55.2	(7,496)	(2.4)	323,730	49.0
Common stock	47,215	8.7	47,213	8.5	1	0.0	47,213	7.1
Additional paid in capital	70,277	13.0	70,275	12.6	1	0.0	70,275	10.6
Consolidated retained earnings	185,323	34.2	190,195	34.1	(4,871)	(2.6)	207,320	31.4
Revaluation of investment in securities	1,196	0.2	1,170	0.2	25	2.2	831	0.1
Foreign currency translation	1,096	0.2	3,737	0.7	(2,641)	(70.7)	1,607	0.3
Treasury stock, at cost	(5,026)	(0.9)	(5,014)	(0.9)	(12)	-	(3,517)	(0.5)
Total liabilities, minority interest and shareholders' equity	541,264	100.0	556,915	100.0	(15,650)	(2.8)	661,201	100.0

Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2002		Three months ended June 30, 2001		Increase (decrease)		Year ended March 31, 2002	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	92,307	100.0	116,821	100.0	(24,513)	(21.0)	417,825	100.0
Cost of sales	66,272	71.8	78,574	67.3	(12,301)	(15.7)	302,270	72.3
Gross profit	26,034	28.2	38,246	32.7	(12,211)	(31.9)	115,555	27.7
Selling, general & administrative expenses	32,176	34.9	37,659	32.2	(5,483)	(14.6)	133,865	32.1
Operating income (loss)	(6,141)	(6.7)	586	0.5	(6,728)	-	(18,310)	(4.4)
Non-operating income	535		419				1,796	
Non-operating expenses	1,139		805				2,950	
Ordinary income (loss)	(6,744)	(7.3)	200	0.2	(6,945)	-	(19,464)	(4.7)
Unusual or infrequent profit	512		714				1,471	
Unusual or infrequent loss	31		25				4,927	
Income (Loss) before income taxes	(6,264)	(6.8)	890	0.8	(7,154)	-	(22,919)	(5.5)
Provision for income taxes and enterprise taxes	(2,096)	(2.3)	4,400	3.8	(6,496)	-	2,612	0.6
Deferred income taxes	-	-	-	-			(5,602)	(1.3)
Minority interest	3	0.0	3	0.0	(0)	(5.3)	8	0.0
Net income (loss)	(4,171)	(4.5)	(3,513)	(3.0)	(657)	-	(19,938)	(4.8)

Note:
For tax expenses in the first quarter, because the Company applies tax effect accounting using simplified procedures, "Deferred income taxes" is included in "Provision for income taxes and enterprise taxes".

Segment Information

1. Segment information by business type

Tokyo Electron Limited and its consolidated subsidiaries are primarily engaged in manufacturing and marketing industrial electronic equipment, and are deemed to operate in a single segment.

2. Segment information by country

Segment information by country is abbreviated, as both net sales and the assets of the consolidated subsidiaries situated outside Japan are less than 10% of consolidated net sales or assets.

3. Net Sales Outside Japan

(Millions of yen)

Three months ended June 30, 2002				
	Taiwan	U.S.	Others	Total
Net sales outside Japan	16,081	9,287	25,723	51,092
Consolidated net sales				92,307
Ratio to consolidated net sales (%)	17.4	10.1	27.8	55.3

Notes:

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

(Millions of yen)

Three months ended June 30, 2001				
	U.S	Taiwan	Others	Total
Net sales outside Japan	20,401	18,518	22,015	60,935
Consolidated net sales				116,821
Ratio to consolidated net sales (%)	17.5	15.9	18.8	52.2

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 region outside Japan.

(Millions of yen)

Year ended March 31, 2002				
	U.S.	Taiwan	Others	Total
Net sales outside Japan	94,773	60,488	76,046	231,309
Consolidated net sales				417,825
Ratio to consolidated net sales (%)	22.7	14.5	18.2	55.4

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 region outside Japan.

Production, Orders and Sales

1. Production

(Millions of yen)

Division	Three months ended June 30, 2002	Three months ended June 30, 2001	Year ended March 31, 2002
	Amount	Amount	Amount
Semiconductor Production Equipment	76,757	117,811	343,240
Total	76,757	117,811	343,240

Notes:

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

2. Orders

(Millions of yen)

Division	Three months ended June 30, 2002	Three months ended June 30, 2001	Year ended March 31, 2002
	Orders	Orders	Orders
Semiconductor Production Equipment	130,697	66,694	207,188
Computer Network	2,576	3,299	16,408
Electronic Components	17,171	17,667	70,322
Others	327	417	1,421
Total	150,773	88,079	295,340

Division	As of June 30, 2002	As of June 30, 2001	As of March 31, 2002
	Backlog	Backlog	Backlog
Semiconductor Production Equipment	199,012	232,887	139,590
Computer Network	3,808	4,105	4,566
Electronic Components	8,403	9,509	8,601
Total	211,225	246,502	152,759

Note: The above amounts do not include consumption taxes.

3. Sales

(Millions of yen)

Division	Three months ended June 30, 2002	Three months ended June 30, 2001	Year ended March 31, 2002
	Amount	Amount	Amount
Semiconductor Production Equipment	71,275	91,923	325,715
Computer Network	3,334	4,384	17,031
Electronic Components	17,369	20,095	73,657
Others	327	417	1,421
Total	92,307	116,821	417,825

Note: The above amounts do not include consumption taxes.