

# Consolidated Interim Financial Review for the Six Months Ended September 30, 2002

Company name: **TOKYO ELECTRON LIMITED**  
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 URL: <http://www.tel.co.jp>  
 Stock exchange listing: Tokyo Stock Exchange 1st Section  
 Code number: 8035  
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 Interim Board of Directors Meeting: November 8, 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 the six months ended September 30, 2002 (4/1/02- 9/30/02)

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	(%)
Six months ended 9/30/02	223,388	(-11.7%)	501	(-95.8%)	(701)	( - %)
Six months ended 9/30/01	253,121	(-22.8%)	11,933	(-78.3%)	10,974	(-79.6%)
Year ended 3/31/02	417,825		(18,310)		(19,464)	

	Net income		Net income per share		Fully diluted net income per share	
	Millions of yen	(%)	Yen	Yen	Yen	Yen
Six months ended 9/30/02	(2,537)	( - %)	(14.52)		-	
Six months ended 9/30/01	2,585	(-91.2%)	14.76		-	
Year ended 3/31/02	(19,938)		(113.85)		-	

### Notes:

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

Six months ended 9/30/02: None  
 Six months ended 9/30/01: None  
 Year ended 3/31/02: None

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

Six months ended 9/30/02: 174,788,823 shares  
 Six months ended 9/30/01: 175,176,508 shares  
 Year ended 3/31/02: 175,123,740 shares

#### 3. Changes in accounting methods:

None

#### 4. Percentages for net sales, operating income, ordinary income and net income indicated changes from the previous term.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of 9/30/02	548,988	293,240	53.4%	1,688.35
As of 9/30/01	642,472	326,411	50.8%	1,864.47
Year ended 3/31/02	556,915	307,578	55.2%	1,756.73

Note:

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

September 30, 2002	173,684,000 shares
September 30, 2001	175,068,825 shares
March 31, 2002	175,086,036 shares

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ended 9/30/02	21,963	(3,371)	(19,005)	47,733
Six months ended 9/30/01	15,204	(21,547)	2,114	59,778
Year ended 3/31/02	77,558	(35,789)	(57,213)	48,409

(4) Scope of consolidation and application of equity method

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

(5) 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, 2003 (4/1/02 - 3/31/03)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending 3/31/03	450,000	2,000	500

For reference: Estimate of net income per share for the year ending March 31, 2003: 2.88yen

## **Management Policies**

### **Basic Management Policies**

Improving shareholder satisfaction is a core management policy for Tokyo Electron.

Management views strong global competitiveness and high growth and earnings capabilities as essential for building a powerful, dynamic company that is an attractive equity investment.

Based on this viewpoint, management has implemented four fundamental management initiatives: a policy of placing customers first; continuous global technology leadership; conducting business with an entrepreneurial spirit; and profit oriented operations.

### **Corporate Governance Policy**

In Japan, increasing attention is being focused on management transparency and effective functioning of corporate governance. In order to be a truly globally excellent company, Tokyo Electron instituted a sweeping reform of its management structure in April 1998.

First, we made the Board of Directors into a body that represents the interests of shareholders and is responsible for setting basic policies and strategies to maximize the value of the Company and ensure its continual success and development. The Board monitors business execution, evaluates and approves management results, reviews and appoints candidates for the Board, and ensures adherence to the requirements of the Japanese Commercial Code. In addition, the Board sets basic policies for Group companies worldwide and monitors the status of the Group's business execution.

Second, we created a Corporate Senior Staff system (C.S.S.). Corporate Senior Staff are executives responsible for producing results by proposing, setting and executing business strategies to realize the basic policies established by the Board of Directors.

Moreover, we have further strengthened our commitment to the fundamental organizational policies we have pursued up to now—namely, quick decision-making, small operations, and a flat organization—by launching a system of product-specific business units (B.U.), which serves as a measure of profit management and extends to all TEL group companies worldwide to create a truly vertical management organization. We also created a Business Development & Account Management Group and Corporate Marketing to facilitate cooperation across different units. Furthermore, in June 2002, in order to optimize deployment of Tokyo Electron Group's resources and thus achieve both strategic differentiation and operational efficiency, we shifted to a new organizational structure that clarifies the

responsibilities and authority of BUs and group companies and facilitates swift decision-making and execution.

Within the Board of Directors, the Company established a Compensation Committee, which determines the salary of the C.E.O., president and discloses the compensation of the four directors who serve concurrently as CSS, including the C.E.O., president. We have also appointed a director in charge of corporate ethics to deal thoroughly with this issue. Furthermore, in November 2000 we established a Nomination Committee within the Board of Directors, whose purpose is to select candidates for directors elected at the shareholders' meeting and the C.E.O., president appointed by the Board of Directors. Furthermore, at the general meeting of shareholders held in June 2002, a resolution to reduce the term of office of directors from two years to one year was adopted so as to enable the Company to respond quickly to changes in the management environment and clarify management responsibilities.

Tokyo Electron will continue to emphasize effective corporate governance in order to secure and maintain management transparency and objectivity.

### **Management Tasks**

Curtailed capital investment is continuing among semiconductor manufacturers, reflecting the unprecedented recession they have experienced over the past two years and the fact that a decisive recovery is not in prospect until at least early 2003. While changes in the market, notably the emergence of the Chinese market, and consolidation of semiconductor manufacturers' businesses are expected to gain momentum, demand for semiconductor devices for electronics equipment is expected to rise steeply over the medium to long term, as mobile and broadband applications come into their own, despite fluctuations along the way. In the current market, semiconductor production equipment manufacturers have to tackle two principal tasks: achievement of the highest technology standards in the world and efficient operations. To accomplish these goals globally, Tokyo Electron continues to focus on timely introduction of highly differentiated products and development of next-generation core technology. Recognizing that it is vital to supply equipment and technology that satisfies customer requirements as early as possible, we will collaborate with leading semiconductor manufacturers worldwide from the initial stage of development while vigorously promoting strategic alliances with partners in the equipment manufacturing industry. Moreover, we will continue our group-wide effort to reduce costs across the board, including fixed costs, and enhance efficiency of business processes so as to establish a business structure capable of generating profits even in a tough environment.

By implementing these measures, Tokyo Electron aims to become an excellent global

company - a vigorous and powerful enterprise characterized by strong international competitiveness, high growth potential and high profitability.

### **Basic Policies for Allocation of Earnings**

Enhancement of shareholders' satisfaction is one of Tokyo Electron's principal policies and we recognize the necessity of making the Company's stock attractive to investors by striving to become a vigorous and powerful enterprise characterized by strong international competitiveness, high growth potential and high profitability.

Tokyo Electron's dividend policy is to link dividends to overall results and earnings in providing returns to shareholders. As a rule, in setting dividends the Company takes into account both consolidated results and a payout ratio of approximately 20 percent of parent company earnings. In addition, directors' bonuses are also linked to overall results as part of an overall policy of linking compensation to results and earnings.

Tokyo Electron works to maintain the continued support of shareholders by making effective use of internal capital resources to continue expanding the scope of business through research and development, capital investment and global expansion, together with placing priority on sound cash flow management and earnings growth.

### **Policy Concerning the Reduction in Size of the Stock Trading Unit**

As part of its efforts to study and implement measures to offer individual stockholders greater convenience, Tokyo Electron reduced its size of the stock trading unit from 1,000 shares to 100 shares on August 1, 2000. It also worked hard to improve its home page, financial reports and the running of shareholders' meetings.

The Company believes that it has currently achieved greater liquidity for its shares as a result.

Tokyo Electron intends to adopt a careful approach toward making further reductions in the size of the stock trading unit, taking into consideration trends in the stock market, financial performance and other factors.

As of March 31, 2001, the number of unit shareholders had reached 42,319, a massive 11.7 - fold increase over the figure as of March 31, 2000. In October 2001, the Tokyo Stock Exchange commended Tokyo Electron as one of the companies that had done most to increase the liquidity of its shares.

## Operating Results

### 1. Overview of the results for the first six months

#### Analysis of results for the first six months

At the start of the first six-month period of the current fiscal year, the global economy remained on the moderate recovery track that had emerged in early 2002. However, concerns about the economic outlook mounted, notably as skepticism concerning accounting practice in the United States triggered a decline in stock prices worldwide. The Japanese economy remained sluggish and uncertainty persisted in view of such negative factors as weak capital investment and a deteriorating labor market.

Although the situation for the electronics industry remained tough as companies trimmed or postponed IT investment, there were signs of recovery. For example, demand for certain digital consumer electronics, such as DVD players and digital cameras, rose. The semiconductor-related industry, having bottomed out at the end of 2001, resumed a moderate recovery track, as indicated by the ongoing inventory adjustment and rising demand for semiconductor chips for consumer products.

In these circumstances, we continued our group-wide effort, initiated in the previous year, to cut all costs and enhance efficiency of business processes, including rationalizing of manufacturing and development operations, and strove to establish a business structure capable of responding to rapid changes in the business environment. However, a decisive recovery of sales did not materialize. Consolidated results for the first six months were as follows: net sales were ¥223,388 million, a decline of 11.7% from the same period of the previous year, ordinary loss was ¥701 million and net loss was ¥2,537 million. On a non-consolidated basis, net sales were ¥180,193 million, a decline of 14.0% from the same period of the previous year, ordinary loss was ¥4,176 million and net loss was ¥1,930 million.

#### Analysis of results of divisions

The breakdown of consolidated net sales by division is as follows. The Semiconductor Production Equipment division, the Company's principal business, was on a recovery track. Orders received on a non-consolidated basis amounted to ¥126.9 billion in the first quarter, a surge of 96% from the previous quarter, after hitting bottom in the third quarter of the previous year at ¥25.6 billion. However, orders received in the second quarter declined to ¥89.3 billion,

reflecting the weakening of the market due to the uncertain outlook. As a result, sales of the Semiconductor Production Equipment division increased from ¥121,833 million in the second half of the previous year to ¥177,226 million in the first half of the current fiscal year, but decreased by 13.1% compared with the same period of the previous year.

Sales of the Computer Network division, mainly consisting of broadband-related products, were ¥8,126 million, a decrease of 3.3% from the previous period.

Sales of the Electronic Components division, mainly consisting of cutting-edge devices for personal computers, communications and network equipment, were ¥37,359 million, a decrease of 6.7% from the previous period.

### **Capital expenditures and financing**

Consolidated investment in property, plant and equipment during the first six months of the current fiscal year was ¥4.5 billion. Non-consolidated investment in property, plant and equipment was ¥0.9 billion.

The Company procured ¥10 billion by issuing commercial paper and redeemed unsecured bonds worth ¥20 billion in August 2002. Funds procured were used for Tokyo Electron Group's working capital and capital investment.

### **Analysis of cash flows**

Net cash provided by operating activities amounted to ¥21,963 million. The main factors included loss before income taxes and depreciation and amortization totaling ¥12,681 million and decreases in accounts payable and trade notes and accounts receivable and increase in prepaid consumption tax.

Net cash used in investing activities was ¥3,371 million, mainly due to the purchase of tangible fixed assets and R&D.

Net cash used in financing activities was ¥19,005 million as a result of redemption of unsecured bonds and increase in treasury stock despite an increase in commercial paper.

As a result, cash and cash equivalents at the end of the first six-month period of the current fiscal year amounted to ¥47,733 million.

## Trends in the second quarter

Consolidated results for the second quarter of the current fiscal year were as follows. Net sales were ¥131,080 million, ordinary income was ¥6,043 million and net income was ¥1,633 million. The profitability improved because of the increase in sales compared with the first quarter.

The breakdown of consolidated net sales by division was as follows. Sales of the Semiconductor Production Equipment division were ¥105,950 million, a decline of 5.4% from the same period of the previous year. Sales of the Computer Network division were ¥4,791 million, an increase of 19.1% from the same period of the previous year. Sales of the Electronic Components division were ¥19,989 million, a decrease of 0.2% from the same period of the previous year.

**(For reference)**

### **Consolidated**

			(Millions of yen)					
			1Q/FY02	2Q/FY02	1 <sup>st</sup> Half/ FY02	1Q/FY03	2Q/FY03	1 <sup>st</sup> Half/ FY03
Net sales	Semiconductor Production Equip.	Japan	31,405	38,219	69,625	21,052	21,906	42,958
		U.S.	20,401	27,362	47,763	9,264	24,445	33,709
		Europe	9,413	10,272	19,685	5,731	7,384	13,116
		Korea	9,216	7,170	16,386	8,356	11,274	19,631
		Taiwan	18,516	18,369	36,886	16,078	23,532	39,610
		Other Asia	2,970	10,564	13,534	10,792	17,407	28,199
		Total	91,923	111,958	203,881	71,275	105,950	177,226
	Computer Network	4,384	4,023	8,407	3,334	4,791	8,126	
	Electronic Components	20,095	19,949	40,045	17,369	19,989	37,359	
	Other	417	369	787	327	348	676	
Total			116,821	136,300	253,121	92,307	131,080	223,388
Ordinary income (loss)			200	10,773	10,974	(6,744)	6,043	(701)
Net income (loss)			(3,513)	6,099	2,585	(4,171)	1,633	(2,537)

### **Non-consolidated**

			(Millions of yen)					
			1Q/FY02	2Q/FY02	1 <sup>st</sup> Half/ FY02	1Q/FY03	2Q/FY03	1 <sup>st</sup> Half/ FY03
Net sales	Semiconductor Production Equipment		91,333	109,759	201,093	68,315	103,739	172,054
	Computer Network		4,398	4,030	8,428	3,337	4,801	8,139
	Total			95,732	113,789	209,522	71,652	108,540
Ordinary income (loss)			4,387	7,036	11,423	(5,127)	951	(4,176)
Net income (loss)			3,172	4,590	7,762	(2,420)	490	(1,930)

## 2. Forecast for the Year Ending March 31, 2003

### Projected Operating Results

Although the results for the first six months exceeded the forecasts announced in August, the outlook is increasingly uncertain due to the weakening of the market since the summer. In view of these circumstances, the forecasts for the year ending March 31, 2003, at this time, are revised as indicated in the table below.

#### **Consolidated forecast**

		Billions of yen : Y/Y change	
		Full year	
Net sales		450.0	7.7%
	Semiconductor Production Equipment	355.0	9.0%
	Computer Network	16.0	(6.1%)
	Electronic Components	77.5	5.2%
	Other	1.5	5.5%
Ordinary income (loss)		2.0	-
Net income (loss)		0.5	-

#### **Non-consolidated forecast**

		Billions of yen : Y/Y change	
		Full year	
Net sales		361.0	8.5%
	Semiconductor Production Equipment	345.0	9.3%
	Computer Network	16.0	(6.2%)
Ordinary income (loss)		(10.0)	-
Net income (loss)		(7.0)	-

### Projected Allocation of Profit

Tokyo Electron continues to operate in the severe business environment that set in during the previous year. Nevertheless, since the Company remains determined to return profit to shareholders, it will pay an interim cash dividend of ¥4 per share and also plans to pay a year-end dividend of ¥4 per share, making a total dividend of ¥8 per share for the full year.

Note: The performance forecasts and estimates stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in exchange rates and other factors that may have an impact on performance.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products and their success or failure, and global conditions in the semiconductor production equipment business. Consequently, actual sales and profits may differ substantially from the projections stated in this Financial Review.

# Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2002		As of September 30, 2001		Increase (decrease)	As of March 31, 2002	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
<b>(Assets)</b>	548,988	100.0	642,472	100.0	(93,483)	556,915	100.0
<b>Current Assets</b>	353,781	64.4	459,042	71.4	(105,260)	353,423	63.5
Cash and time deposits	47,733		59,788			48,409	
Trade notes and accounts receivable	155,719		231,869			157,414	
Inventories	133,097		146,177			127,352	
Others	17,646		22,085			20,867	
Allowance for doubtful accounts	(415)		(879)			(620)	
<b>Long-term Assets</b>	195,206	35.6	183,430	28.6	11,776	203,491	36.5
<b>Tangible fixed assets</b>	125,346		129,925		(4,579)	134,510	
<b>Intangible fixed assets</b>	27,136		28,070		(933)	28,753	
<b>Investments and other assets</b>	43,059		25,683		17,376	40,513	
<b>Allowance for doubtful accounts</b>	(335)		(248)		(86)	(285)	
<b>Total Assets</b>	548,988	100.0	642,472	100.0	(93,483)	556,915	100.0

# Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2002		As of September 30, 2001		Increase (decrease)	As of March 31, 2002	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
<b>(Liabilities)</b>	255,688	46.6	316,008	49.2	(60,319)	249,278	44.8
<b>Current liabilities</b>	149,967	27.3	172,521	26.9	(22,553)	109,501	19.7
Trade notes and accounts payable	40,750		27,193			26,625	
Short-term borrowings	21,603		28,467			20,311	
Commercial paper	20,000		55,000			10,000	
Bonds due within 1 year	20,000		20,000			20,000	
Convertible bonds due within 1 year	15,495		-			-	
Accrued income taxes	3,202		6,889			1,663	
Allowance for employees' bonuses	2,416		3,695			2,463	
Stock purchase warrant	1,295		699			694	
Others	25,204		30,575			27,744	
<b>Long-term liabilities</b>	105,720	19.3	143,487	22.3	(37,766)	139,776	25.1
Straight bonds	60,000		80,000			80,000	
Convertible bonds	-		15,500			15,500	
Long-term loans	8,164		15,077			9,951	
Allowance for retirement and severance benefits	33,197		30,297			31,714	
Allowance for retirement and severance benefits for directors	987		1,174			1,269	
Stock purchase warrant	-		630			624	
Others	3,371		807			716	
<b>(Minority interest)</b>	60	0.0	53	0.0	6	58	0.0
<b>(Shareholders' equity)</b>	293,240	53.4	326,411	50.8	(33,171)	307,578	55.2
<b>Common stock</b>	-	-	47,213	7.3	(47,213)	47,213	8.5
<b>Additional paid in capital</b>	-	-	70,275	11.0	(70,275)	70,275	12.6
<b>Consolidated retained earnings</b>	-	-	213,419	33.2	(213,419)	190,195	34.1
<b>Revaluation of investment in securities</b>	-	-	43	0.0	(43)	1,170	0.2
<b>Foreign currency translation</b>	-	-	541	0.1	(541)	3,737	0.7
<b>Treasury stock, at cost</b>	-	-	(5,082)	(0.8)	5,082	(5,014)	(0.9)
<b>Common stock</b>	47,216	8.6	-	-	47,216	-	-
<b>Capital surplus</b>	70,278	12.8	-	-	70,278	-	-
<b>Retained earnings</b>	186,956	34.1	-	-	186,956	-	-
<b>Revaluation of investment in securities</b>	(22)	(0.0)	-	-	(22)	-	-
<b>Foreign currency translation</b>	1,915	0.3	-	-	1,915	-	-
<b>Treasury stock, at cost</b>	(13,104)	(2.4)	-	-	(13,104)	-	-
<b>Total liabilities, minority interest and shareholders' equity</b>	548,988	100.0	642,472	100.0	(93,483)	556,915	100.0

# Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2002		Six months ended September 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	223,388	100.0	253,121	100.0	(29,733)	(11.7)	417,825	100.0
Cost of sales	155,165	69.5	172,947	68.3	(17,781)	(10.3)	302,270	72.3
<b>Gross profit</b>	68,222	30.5	80,174	31.7	(11,952)	(14.9)	115,555	27.7
Selling, general & administrative expenses	67,720	30.3	68,241	27.0	(521)	(0.8)	133,865	32.1
<b>Operating income (loss)</b>	501	0.2	11,933	4.7	(11,431)	(95.8)	(18,310)	(4.4)
Non-operating income								
Interest income	67		196				294	
Rent revenue	488		347				797	
Miscellaneous income	564		339				704	
Non-operating expenses								
Interest expenses	878		1,066				1,959	
Rent expenses	267		209				501	
Foreign currency translation loss	552		476				340	
Miscellaneous expenses	625		90				147	
<b>Ordinary income (loss)</b>	(701)	(0.3)	10,974	4.3	(11,675)	-	(19,464)	(4.7)
Unusual or infrequent profit								
Prior term adjustment	29		-				152	
Reversal of allowance for doubtful accounts	170		819				1,138	
Gain on sale of fixed assets	41		97				180	
Revenue from government subsidies	250		-				-	
Unusual or infrequent loss								
Loss on proceeds or disposal of fixed assets	320		88				851	
Provision for possible loan loss reserve	88		28				54	
Devaluation of marketable securities	68		-				1,235	
Devaluation of golf memberships	11		25				75	
Others	-		-				2,709	
<b>Income (loss) before income taxes</b>	(699)	(0.3)	11,748	4.6	(12,448)	-	(22,919)	(5.5)
Provision for income taxes and enterprise taxes	1,831	0.8	9,158	3.6			2,612	0.6
Deferred income taxes	-	-	-	-			(5,602)	(1.3)
Minority interest	6	0.0	5	0.0			8	0.0
<b>Net income (loss)</b>	(2,537)	(1.1)	2,585	1.0	(5,123)	-	(19,938)	(4.8)

# Consolidated Statement of Retained Earnings

(Millions of yen)

	Six months ended September 30, 2002	Six months ended September 30, 2001	Increase (decrease)	Year ended March 31, 2002
	Amount	Amount	Amount	Amount
<b>Consolidated retained earnings at the beginning of the period</b>	-	214,920	(214,920)	214,920
<b>Decrease in consolidated retained earnings</b>				
Cash dividends	-	3,330	(3,330)	4,030
Bonuses to directors	-	756	(756)	756
<b>Net income (loss)</b>	-	2,585	(2,585)	(19,938)
<b>Consolidated retained earnings at the end of the period</b>	-	213,419	(213,419)	190,195
<b>(Capital surplus)</b>				
<b>Capital surplus at the beginning of the period</b>	70,275	-	70,275	-
Additional paid-in capital at the beginning of the period	70,275	-	70,275	-
<b>Increase in capital surplus</b>	2	-	2	-
Conversion of convertible bonds	2	-	2	-
<b>Capital surplus at the end of the period</b>	70,278	-	70,278	-
<b>(Retained earnings)</b>				
<b>Retained earnings at the beginning of the period</b>	190,195	-	190,195	-
Consolidated retained earnings at the beginning of the period	190,195	-	190,195	-
<b>Decrease in retained earnings</b>	3,238	-	3,238	-
Net loss	2,537	-	2,537	-
Cash dividends	700	-	700	-
<b>Retained earnings at the end of the period</b>	186,956	-	186,956	-

# Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2002	Six months ended September 30, 2001	Increase (Decrease)	Year ended March 31, 2002
	Amount	Amount	Amount	Amount
<b>I Cash flow from operating activities</b>				
Income (loss) before income taxes	(699)	11,748		(22,919)
Depreciation and amortization	13,381	12,287		26,294
Amortization of consolidating adjustments	948	948		1,897
Increase in allowance for retirement and severance benefits	1,484	1,606		3,002
Increase (decrease) in allowance for retirement and severance benefits for directors	(282)	66		161
Decrease in allowance for doubtful accounts	(149)	(830)		(1,072)
Decrease in allowance for employees' bonuses	(45)	(7,233)		(8,500)
Interest and dividend revenue	(108)	(238)		(350)
Interest expenses	879	1,077		1,979
Foreign currency translation loss (income)	236	398		(187)
Prior term adjustment	(29)	-		(152)
Loss (gain) on sale of fixed assets	(27)	(91)		(180)
Loss on disposal of fixed assets	306	83		850
Devaluation of investment securities	68	-		1,235
Decrease in trade notes and accounts receivable	1,136	55,680		131,251
Increase (decrease) in inventories	(9,138)	14,140		28,359
Increase (decrease) in accounts payable	14,373	(33,154)		(34,166)
Decrease in prepaid consumption tax	2,846	8,079		3,901
Bonuses to directors	-	(756)		(756)
Others	(3,074)	(7,274)		(7,623)
Subtotal	22,105	56,537	(34,431)	123,025
Receipts from interest and dividends	108	239		350
Interest paid	(933)	(1,058)		(1,970)
Income taxes paid	683	(40,512)		(43,848)
Net cash generated by (used in) operating activities	21,963	15,204	6,759	77,558
<b>II Cash flow from investing activities</b>				
Payment for purchase of tangible fixed assets	(4,239)	(18,767)		(31,006)
Proceeds from sale of tangible fixed assets	2,246	362		1,605
Payment for acquisition of intangible fixed assets	(989)	(2,578)		(5,390)
Others	(388)	(563)		(998)
Net cash used in investing activities	(3,371)	(21,547)	18,175	(35,789)
<b>III Cash flow from financing activities</b>				
Net Increase (decrease) in short-term borrowings	1,048	(22,648)		(34,795)
Net increase (decrease) in commercial paper	10,000	25,000		(20,000)
Repayment of long-term debt	(1,261)	(1,429)		(3,017)
Proceeds from issuance of bonds	-	6,094		6,094
Redemption of straight bonds	(20,000)	-		-
Net decrease/increase in treasury stock	(8,089)	(1,564)		(1,495)
Dividends paid	(700)	(3,330)		(4,030)
Others	(3)	(5)		31
Net cash generated by financing activities	(19,005)	2,114	(21,120)	(57,213)
<b>IV Foreign currency translation difference in cash and cash equivalents</b>	(262)	(1,284)	1,021	(1,436)
<b>V Net increase in cash and cash equivalents</b>	(675)	(5,511)	4,836	(16,881)
<b>VI Cash and cash equivalents at the beginning of the year</b>	48,409	65,290	(16,881)	65,290
<b>VII Cash and cash equivalents at the end of the period</b>	47,733	59,778	(12,045)	48,409

Note: Figures in parentheses in the consolidated statement of cash flows represent outflows of cash and cash equivalents.

# 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. Segment information has therefore been omitted.

## 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)

Six months ended September 30, 2002				
	Taiwan	U.S.	Others	Total
Net sales outside Japan	39,621	33,744	62,538	135,903
Consolidated net sales				223,388
Ratio to consolidated net sales (%)	17.7	15.1	28.0	60.8

### Notes:

1. Classifications of countries and regions are based on geographical proximity.
2. Principal countries included in others: Korea, China, Shingapore, Germany
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)

Six months ended September 30, 2001				
	U.S.	Taiwan	Others	Total
Net sales outside Japan	47,792	36,893	50,532	135,219
Consolidated net sales				253,121
Ratio to consolidated net sales (%)	18.9	14.6	19.9	53.4

### 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.

(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.

# Securities

## 1. Marketable securities

(Millions of yen)

Classification	September 30, 2002			September 30, 2001			March 31, 2002		
	Acquisition cost	Value at September 30, 2002	Difference	Acquisition cost	Value at September 30, 2001	Difference	Acquisition cost	Value at March 31, 2002	Difference
Stock	6,471	6,425	(45)	7,730	7,797	67	6,539	8,544	2,004
Bond									
Straight bond	10	10	0	10	10	0	10	10	0
Others	113	114	1	113	113	(0)	113	115	1
<b>Total</b>	<b>6,595</b>	<b>6,550</b>	<b>(44)</b>	<b>7,854</b>	<b>7,921</b>	<b>67</b>	<b>6,663</b>	<b>8,670</b>	<b>2,006</b>

## 2. Non-marketable securities

(Millions of yen)

Classification	September 30, 2002	September 30, 2001	March 31, 2002
Securities	Value at September 30, 2002	Value at September 30, 2001	Value at March 31, 2002
Non-listed stock (Excluding over-the-counter shares)	1,477	917	872
<b>Total</b>	<b>1,477</b>	<b>917</b>	<b>872</b>

# Derivatives transactions

**Six months ended 9/30/02 (As of September 30, 2002):** No items applicable

**Six months ended 9/30/01 (As of September 30, 2001):** No items applicable

**Year ended 3/31/02 (As of March 31, 2002):** No items applicable

# Production, Orders and Sales

## 1. Production

(Millions of yen)

Division	Six months ended September 30, 2002	Six months ended September 30, 2001	Year ended March 31, 2002
	Amount	Amount	Amount
Semiconductor Production Equipment	185,554	218,149	343,240
Total	185,554	218,149	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	Six months ended September 30, 2002	Six months ended September 30, 2001	Year ended March 31, 2002
	Orders	Orders	Orders
Semiconductor Production Equipment	222,182	97,183	207,188
Computer Network	7,171	6,810	16,408
Electronic Components	36,427	34,593	70,322
Others	676	787	1,421
Total	266,456	139,374	295,340

Division	As of September 30, 2002	As of September 30, 2001	As of March 31, 2002
	Backlog	Backlog	Backlog
Semiconductor Production Equipment	184,546	151,418	139,590
Computer Network	3,611	3,593	4,566
Electronic Components	7,669	6,485	8,601
Total	195,828	161,497	152,759

Note: The above amounts do not include consumption taxes.

## 3. Sales

(Millions of yen)

Division	Six months ended September 30, 2002	Six months ended September 30, 2001	Year ended March 31, 2002
	Amount	Amount	Amount
Semiconductor Production Equipment	177,226	203,881	325,715
Computer Network	8,126	8,407	17,031
Electronic Components	37,359	40,045	73,657
Others	676	787	1,421
Total	223,388	253,121	417,825

Note: The above amounts do not include consumption taxes.

For reference

## Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of September 30, 2002		As of June 30, 2002		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
<b>(Assets)</b>	548,988	100.0	541,264	100.0	7,723
<b>Current Assets</b>	353,781	64.4	341,720	63.1	12,061
Cash and time deposits	47,733		50,231		
Trade notes and accounts receivable	155,719		139,842		
Inventories	133,097		133,738		
Others	17,646		18,275		
Allowance for doubtful accounts	(415)		(368)		
<b>Long-term Assets</b>	195,206	35.6	199,544	36.9	(4,337)
<b>Tangible fixed assets</b>	125,346		129,498		(4,152)
<b>Intangible fixed assets</b>	27,136		27,779		(642)
<b>Investments and other assets</b>	42,724		42,266		457
<b>Total Assets</b>	548,988	100.0	541,264	100.0	7,723

For reference

## Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of September 30, 2002		As of June 30, 2002		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
<b>(Liabilities)</b>	255,688	46.6	241,128	44.6	14,560
<b>Current liabilities</b>	149,967	27.3	102,816	19.0	47,151
Trade notes and accounts payable	40,750		36,092		
Short-term borrowings	21,603		20,556		
Commercial paper	20,000		-		
Bonds due within 1 year	20,000		20,000		
Convertible bonds due within 1 year	15,495		-		
Accrued income taxes	3,202		1,393		
Allowance for employees' bonuses	2,416		1,256		
Others	26,500		23,517		
<b>Long-term liabilities</b>	105,720	19.3	138,311	25.6	(32,590)
Straight bonds	60,000		80,000		
Convertible bonds	-		15,497		
Long-term debt	8,164		8,674		
Allowance for retirement and severance benefits	33,197		32,011		
Allowance for retirement and severance benefits for directors	987		930		
Others	3,371		1,197		
<b>(Minority interest)</b>	60	0.0	55	0.0	4
<b>(Shareholders' equity)</b>	293,240	53.4	300,081	55.4	(6,841)
<b>Common stock</b>	47,216	8.6	47,215	8.7	0
<b>Capital surplus</b>	70,278	12.8	70,277	13.0	0
<b>Retained earnings</b>	186,956	34.1	185,323	34.2	1,633
<b>Revaluation of investment in securities</b>	(22)	(0.0)	1,196	0.2	(1,218)
<b>Foreign currency translation</b>	1,915	0.3	1,096	0.2	818
<b>Treasury stock, at cost</b>	(13,104)	(2.4)	(5,026)	(0.9)	(8,077)
<b>Total liabilities, minority interest and shareholders' equity</b>	548,988	100.0	541,264	100.0	7,723

For reference

## Consolidated Statement of Income (Quarterly comparison)

(Millions of yen)

	Three months ended September 30, 2002		Three months ended June 30, 2002		Increase (decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)
Net sales	131,080	100.0	92,307	100.0	38,773	42.0
Cost of sales	88,893	67.8	66,272	71.8	22,620	34.1
<b>Gross profit</b>	42,187	32.2	26,034	28.2	16,152	62.0
Selling, general & administrative expenses	35,543	27.1	32,176	34.9	3,367	10.5
<b>Operating income (loss)</b>	6,643	5.1	(6,141)	(6.7)	12,784	-
Non-operating income	584		535			
Non-operating expenses	1,185		1,139			
<b>Ordinary income (loss)</b>	6,043	4.6	(6,744)	(7.3)	12,787	-
Unusual or infrequent profit	(21)		512			
Unusual or infrequent loss	456		31			
<b>Income (loss) before income taxes</b>	5,564	4.2	(6,264)	(6.8)	11,828	-
Provision for income taxes and enterprise taxes	3,928	3.0	(2,096)	(2.3)	6,024	
Minority interest	3	0.0	3	0.0	(0)	
<b>Net income (loss)</b>	1,633	1.2	(4,171)	(4.5)	5,805	-