

Consolidated Financial Review for the Year Ended March 31, 2003

Company name:	TOKYO ELECTRON LIMITED
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Stock exchange listing:	Tokyo Stock Exchange 1st Section
Code number:	8035
Representative:	Tetsuro Higashi, President & CEO
Inquiries:	Kenji Hotta, Director, Accounting Department
Board of Directors Meeting:	April 30, 2003
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 year ended March 31, 2003 (4/1/02 - 3/31/03)

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	%
Year ended 3/31/03	460,580	10.2	1,118	-	(230)	-
Year ended 3/31/02	417,825	(42.3)	(18,310)	-	(19,464)	-

	Net income		Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 3/31/03	(41,554)	-	(238.57)	-	(14.8)	(0.0)	(0.0)
Year ended 3/31/02	(19,938)	-	(113.85)	-	(6.2)	(3.0)	(4.7)

Notes:

1. Profit/loss on equity method:

Year ended 3/31/03:	(43) million yen
Year ended 3/31/02:	None

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

Year ended 3/31/03:	174,228,135 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 3/31/03	524,901	252,904	48.2	1,456.23
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:

March 31, 2003	173,663,175 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
Year ended 3/31/03	21,393	(7,269)	(9,883)	52,982
Year ended 3/31/02	77,558	(35,789)	(57,213)	48,409

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries:	28 companies
Unconsolidated subsidiaries:	0 company
Affiliates using the equity method:	1 company

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

Consolidated companies:	Additions: 0 company	Deletions: 2 companies
Companies using the equity method:	Additions: 1 company	Deletions: 0 company

2. Corporate estimates for the year ending March 31, 2004 (4/1/03 - 3/31/04)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending 9/30/03	209,000	(13,000)	(17,500)
Year ending 3/31/04	465,000	5,000	(6,000)

For reference: Estimate of net income per share for the year ending March 31, 2004: - 34.55 yen

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.

Measures concerning Enhancement of Corporate Governance

Management that is focused on shareholder value and globalization is becoming increasingly important. In this context, in order to achieve greater transparency and objectivity in management as part of our drive to become an excellent global company, Tokyo Electron implemented the following measures: separation of the functions of the board of directors and those of the corporate senior staff (CSS), the Company's executive body; establishment of a remuneration committee that decides the remuneration of the president; establishment of a nomination committee that nominates candidates for the posts of directors to be elected at the general meeting of shareholders and candidates for the post of the president to be elected at the meeting of the board of directors; and disclosure of the remuneration of the president and the three other directors who also serve as members of the CSS. Moreover, 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 swiftly to changes in the business environment and clarify management responsibilities. Furthermore, the Company appointed a director responsible for corporate ethics.

As the pace of change in the business environment and technological innovation are expected to accelerate, we are convinced that, in order to respond flexibly and ensure dynamic decision-making, promotion of youthful human resources working at the forefront of the market is required. Accordingly, in March 2003, the Company made a preliminary decision concerning the person to be appointed president upon conclusion of the 40th general meeting of shareholders. Also, in order to further clarify the role of the board of directors and that of the executive body, the Company introduced the executive officer system, which replaced the CSS system in April 2003, enabling quicker formulation and implementation of strategies. In accordance with this change, in order to maximize the enterprise value and thus fully representing the shareholders' interests, the main functions of the board of directors will be as follows: 1) decision on basic management policies, 2) deliberation and decision on basic

business strategies formulated by the executive officers, and 3) supervision and evaluation of group management.

With the objective of enhancing corporate governance, we are committed to implementing measures designed to ensure and maintain transparency and objectivity.

Management Tasks

Although the armed conflict in Iraq was brief, the outlook for the world economy remains uncertain and the severe business environment is likely to persist. In the semiconductor-related industry consolidation of semiconductor manufacturers and the trend toward selection and focus in business area are becoming more pronounced, and so semiconductor equipment manufacturers have to tackle two principal tasks: achievement of technological superiority and a low-cost global business model.

We expect a recovery of semiconductor-related capital investment to get under way in the second half of fiscal 2003, but prospects for the world economy remain uncertain. Based on this recognition, we think there is a pressing need for us to implement measures to establish a business structure that would be more profitable even if net sales remained at the current level. To this end, as a part of the restructuring measures already decided, we intend to consolidate manufacturing and development operations worldwide, thereby cutting fixed costs by reducing the workforce group-wide by approximately one thousand, and at the same time we will take action to optimize the organizational structure, including the reshaping of group companies.

The semiconductor and semiconductor manufacturing equipment industries will continue to grow over the medium to long term while experiencing periodic fluctuations due to the so-called silicon cycle. However, there is certain to be a global shakeout among the contenders in those industries. For the time being, by ensuring implementation of these measures, Tokyo Electron aims to strengthen the business structure and become an excellent global company—a vigorous and powerful enterprise characterized by strong international competitiveness and high growth potential.

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.

Operating Results

1. Summary of Results for the Year Ended March 31, 2003

Overview

During the fiscal year under review, the world economy resumed a recovery track, but this proved to be temporary. The U.S. economy and the European economies slowed down, buffeted by skepticism concerning accounting practices in the United States, a decline in stock prices worldwide and heightened tension concerning Iraq. In Asia, China achieved high economic growth, but South Korea and Taiwan shifted to moderate economic growth. The Japanese economy deteriorated further as private-sector capital investment and personal consumption continued to decline.

In the electronics industry, while demand for certain digital consumer electronics, such as DVD players and digital cameras, recovered somewhat, sluggish demand persisted for cellular phones, personal computers and communications equipment. Against this background, since last summer, semiconductor manufacturers are once again tending to postpone or reduce capital investment, and thus, the semiconductor-related industry operated in a tough environment. Also, consolidation among semiconductor manufacturers has accelerated and strong contenders have become stronger at the expense of the weak.

In these circumstances, we continued our group-wide effort to greatly reduce labor costs and expenses and enhance efficiency of business processes, including rationalizing of manufacturing and development operations. However, the business environment became tougher toward the end of the fiscal year due to growing pressure from semiconductor manufacturers to postpone deliveries and reduce prices, and concern about the building up of inventories because the market for second-hand equipment has grown remarkably in Asia.

Consolidated results for the year ended March 31, 2003, were as follows: although net sales increased 10.2% from the previous year to ¥460,580 million, ordinary loss of ¥230 million was recorded due to an increase in loss on revaluation of inventories. Moreover, based on our recognition that the current semiconductor recession is not just caused by the silicon cycle but has a structural dimension, we decided to dispose of assets and reduce the workforce by consolidating our operations worldwide as part of our ongoing restructuring. Accordingly, extraordinary loss of ¥20,632 million was recorded for restructuring costs. Also, due to the write-down of securities as a result of a sharp fall in stock prices at the fiscal year-end, loss before income taxes amounted to ¥23,010 million. As a result of our judgment concerning

recoverability of deferred tax assets, we decided to reduce them and income taxes of ¥18,532 million were recorded. As a result, net loss was ¥41,554 million. On a non-consolidated basis, net sales were ¥369,384 million, an increase of 11.1% from the previous year, ordinary loss was ¥11,313 million and net loss was ¥43,161 million.

Review of Operations by Division

The breakdown of consolidated net sales by division is as follows. The Semiconductor Production Equipment Division, the Company's principal business, stepped up sales & marketing efforts in a semiconductor market that remained sluggish. Also, sales of flat panel display (FPD) manufacturing equipment were brisk. As a result, sales of the Semiconductor Production Equipment Division amounted to ¥364,689 million, an increase of 12.0% from the previous year.

Sales of the Computer Network Division were ¥17,192 million, an increase of 0.9% from the previous year, reflecting the division's efforts to expand sales of servers and high-speed network technology products.

Sales of the Electronic Components Division were ¥77,380 million, an increase of 5.1% from the previous year, resulting from expanded sales of cutting-edge devices for personal computers, communications and network equipment.

Capital Expenditures and Financing

Consolidated investment in property, plant and equipment during the fiscal year under review was ¥12.3 billion. Non-consolidated investment in property, plant and equipment was ¥4.2 billion.

Tokyo Electron Device Ltd., a consolidated subsidiary engaged in sales of electronic components of Tokyo Electron Group, listed on the Second Section of the Tokyo Stock Exchange on March 7, 2003, and raised ¥3,750 million by a public offering of 7,000 shares.

Allocation of Earnings

Although the Company posted losses as a result of the rapid deterioration in business conditions during the fiscal year, it intends to adhere to its policy of providing returns to shareholders and plans to pay a dividend for the year of ¥ 8 per share, including an interim dividend of ¥ 4.

In light of the Company's performance during this term, Tokyo Electron does not plan to pay

bonuses to directors.

Analysis of Cash Flows

Net cash provided by operating activities amounted to ¥21,393 million. The main factors included loss before income taxes amounting to ¥23,010 million, depreciation and amortization totaling ¥27,373 million, restructuring costs amounting to ¥20,632 million, and increases in trade notes and accounts receivable and trade payable.

Net cash used in investing activities was ¥7,269 million, mainly due to the purchase of property, plant and equipment for production and R&D.

Net cash used in financing activities was ¥9,883 million as a result of redemption of unsecured bonds, repayment of debts, increase in treasury stock and payment of dividends despite an issuance of commercial paper and a public offering associated with the listing of Tokyo Electron Device Ltd., a consolidated subsidiary.

As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥52,982 million.

The trend of cash flow indices is as follows.

	Year ended March 31, 2002	Year ended March 31 2003
Equity ratio (%)	55.2	48.2
Equity ratio at market value (%)	283.3	153.5
Debt redemption paid (number of years)	2.0	7.1
Interest coverage ratio	3936.8	1281.1

Equity ratio : Shareholders' equity / Total assets x 100

Equity ratio at market value : Market capitalization / Total assets x 100

Debt redemption period: Interest-bearing liabilities / Cash flow from operating activities

Interest coverage ration: Cash flow from operating activities / Interest expenses x 100

- All indices are calculated using figures on a consolidated basis.
- Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end x Number of shares outstanding at fiscal year-end.
- Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest paid in the consolidated statement of cash flows.

Trends in the Fourth Quarter

Looking at consolidated results for the fourth quarter, net sales came to ¥140,198 million, up by 38.9% compared with the same period of the preceding year and up by 44.5% compared with the preceding quarter. Ordinary income came to ¥2,325 million and the net loss for the year to ¥38,850 million.

By division, consolidated sales came to ¥112,071 million (up 45.7% year-on-year) in the Semiconductor Production Equipment division, ¥5,971 million (up 12.2% year-on-year) in the Computer Network division and ¥21,813 million (up 18.4% year-on-year) in the Electronic Components division.

(For reference)

Consolidated

			(Millions of yen)				
			1Q	2Q	3Q	4Q	Full year
Net sales	Semiconductor Production Equip.	Japan	21,052	21,906	24,121	30,348	97,428
		U.S.	9,264	24,445	18,859	21,725	74,294
		Europe	5,731	7,384	4,093	10,768	27,978
		Korea	8,356	11,274	11,774	25,897	57,304
		Taiwan	16,078	23,532	12,978	14,408	66,998
		China	3,139	10,213	908	5,854	20,115
		South East Asia	7,653	7,193	2,654	3,067	20,568
		Total	71,275	105,950	75,391	112,071	364,689
	Computer Network	3,334	4,791	3,094	5,971	17,192	
	Electronic Components	17,369	19,989	18,207	21,813	77,380	
Other	327	348	299	342	1,317		
Total			92,307	131,080	96,993	140,198	460,580
Ordinary income (loss)			(6,744)	6,043	(1,853)	2,325	(230)
Net income (loss)			(4,171)	1,633	(166)	(38,850)	(41,554)

Non-consolidated

			(Millions of yen)				
			1Q	2Q	3Q	4Q	Full year
Net Sales	Semiconductor Production Equip.		68,315	103,739	72,827	107,268	352,150
	Computer Network		3,337	4,801	3,099	5,995	17,234
	Total		71,652	108,540	75,927	113,264	369,384
Ordinary income (loss)			(5,127)	951	(943)	(6,193)	(11,313)
Net income (loss)			(2,420)	490	(235)	(40,994)	(43,161)

2. Forecast for the Year Ending March 31, 2004

Projected Operating Results for the Next Fiscal Year

Despite expectations that a recovery of semiconductor-related capital investment will get

under way in the second half of fiscal 2003, the state of the world economy remains a source of uncertainty. In these circumstances, we are implementing restructuring measures to thoroughly reduce costs, and we expect to signal restoration of profitability by reporting income before income taxes on a consolidated basis. However, we forecast a net loss attributable to income taxes and income tax adjustments.

Consolidated forecast

Billions of yen : Y/Y change

	Interim		Full year	
Net sales	209.0	(6.4%)	465.0	1.0%
Semiconductor Production Equipment	160.0	(9.7%)	365.0	0.1%
Computer Network	8.5	4.6%	17.0	(1.1%)
Electronic Components	40.0	7.1%	82.0	6.0%
Other	0.5	(26.0%)	1.0	(24.1%)
Ordinary income (loss)	(13.0)	-	5.0	-
Income (loss) before income tax	(15.0)	-	3.0	-
Net income (loss)	(17.5)	-	(6.0)	-

Non-consolidated forecast

Billions of yen : Y/Y change

	Interim		Full year	
Net sales	163.5	(9.3%)	372.0	0.7%
Semiconductor Production Equipment	155.0	(9.9%)	355.0	0.8%
Computer Network	8.5	4.4%	17.0	(1.4%)
Ordinary income (loss)	(14.0)	-	(12.0)	-
Income (loss) before income tax	(14.0)	-	(12.0)	-
Net income (loss)	(14.0)	-	(12.0)	-

Projected Allocation of Profit for the Next Fiscal Year

Taking into account the Company's consolidated performance outlook, Tokyo Electron plans to pay total cash dividends of ¥ 8 per share for the year ending March 31, 2004, comprising interim and year-end dividend of ¥ 4 per share each.

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 March 31, 2003		As of March 31, 2002		Increase (Decrease)	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	(%)
(Assets)	524,901	100.0	556,915	100.0	(32,014)	(5.7)
Current Assets	356,438	67.9	353,423	63.5	3,015	0.9
Cash and time deposits	52,982		48,409			
Trade notes and accounts receivable	170,286		157,414			
Inventories	111,810		127,352			
Deferred taxes	4,151		3,401			
Others	17,549		17,465			
Allowance for doubtful accounts	(341)		(620)			
Long-term Assets	168,462	32.1	203,491	36.5	(35,029)	(17.2)
Tangible fixed assets	119,611	22.8	134,510	24.1	(14,899)	(11.1)
Buildings & structures	59,655		68,498			
Machinery & carriers	28,510		29,643			
Tools, furniture & fixtures	9,246		11,322			
Land	19,718		19,907			
Construction in progress	2,479		5,138			
Intangible fixed assets	25,342	4.8	28,753	5.2	(3,410)	(11.9)
Consolidating adjustments	15,031		16,929			
Others	10,310		11,823			
Investments and other assets	23,509	4.5	40,227	7.2	(16,718)	(41.6)
Investment securities	7,216		9,535			
Long-term loans	85		83			
Deferred taxes	9,362		22,591			
Others	7,277		8,303			
Allowance for doubtful accounts	(431)		(285)			
Total Assets	524,901	100.0	556,915	100.0	(32,014)	(5.7)

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2003		As of March 31, 2002		Increase (Decrease)	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	(%)
(Liabilities)	268,401	51.1	249,278	44.8	19,123	7.7
Current liabilities	160,705	30.6	109,501	19.7	51,204	46.8
Trade notes and accounts payable	36,676		26,625			
Short-term borrowings	10,651		20,311			
Commercial paper	35,000		10,000			
Bonds due within 1 year	20,000		20,000			
Convertible bonds due within 1 year	15,481		-			
Accrued income taxes	3,645		1,663			
Allowance for employees' bonuses	3,629		2,463			
Provision for loss on restructuring	8,577		-			
Stock purchase warrant	1,273		694			
Others	25,771		27,744			
Long-term liabilities	107,695	20.5	139,776	25.1	(32,080)	(23.0)
Straight bonds	60,000		80,000			
Convertible bonds	-		15,500			
Long-term loans	10,229		9,951			
Allowance for retirement and severance benefits	35,317		31,714			
Allowance for retirement and severance benefits for directors	1,074		1,269			
Stock purchase warrant	-		624			
Others	1,074		716			
(Minority interest)	3,595	0.7	58	0.0	3,536	-
(Shareholders' equity)	252,904	48.2	307,578	55.2	(54,674)	(17.8)
Common stock	-	-	47,213	8.5	(47,213)	
Additional paid in capital	-	-	70,275	12.6	(70,275)	
Consolidated retained earnings	-	-	190,195	34.1	(190,195)	
Revaluation of investment in securities	-	-	1,170	0.2	(1,170)	
Foreign currency translation adjustment	-	-	3,737	0.7	(3,737)	
Treasury stock, at cost	-	-	(5,014)	(0.9)	5,014	
Common stock	47,223	9.0	-	-	47,223	
Capital surplus	70,285	13.4	-	-	70,285	
Retained earnings	147,464	28.1	-	-	147,464	
Revaluation of investment in securities	(58)	(0.0)	-	-	(58)	
Foreign currency translation adjustment	1,228	0.2	-	-	1,228	
Treasury stock, at cost	(13,238)	(2.5)	-	-	(13,238)	
Total liabilities, minority interest and shareholders' equity	524,901	100.0	556,915	100.0	(32,014)	(5.7)

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2002		Increase (decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)
Net sales	460,580	100.0	417,825	100.0	42,754	10.2
Cost of sales	326,539	70.9	302,270	72.3	24,269	8.0
Gross profit	134,040	29.1	115,555	27.7	18,484	16.0
Selling, general & administrative expenses	132,921	28.9	133,865	32.1	(944)	(0.7)
Operating income (loss)	1,118	0.2	(18,310)	(4.4)	19,429	-
Non-operating income						
Interest income	133		294			
Dividend income	57		56			
Rent revenue	867		797			
Miscellaneous income	1,149		647			
Non-operating expenses						
Interest expenses	1,601		1,959			
Rent expenses	516		501			
Foreign currency translation loss	503		340			
Miscellaneous expenses	936		147			
Ordinary income (loss)	(230)	(0.0)	(19,464)	(4.7)	19,234	-
Unusual or infrequent profit						
Prior term adjustment	29		152			
Reversal of allowance for doubtful accounts	244		1,138			
Gain on sale of fixed assets	100		180			
Revenue from government subsidies	250		-			
Unusual or infrequent loss						
Loss on proceeds or disposal of fixed assets	1,746		851			
Provision for possible loan loss reserve	185		54			
Restructuring costs	12,055		-			
Amount transferred to provision for loss on restructuring	8,577		-			
Devaluation of marketable securities	738		1,235			
Business structure improvement costs	-		2,671			
Others	102		114			
Income (loss) before income taxes	(23,010)	(5.0)	(22,919)	(5.5)	(90)	-
Provision for income taxes and enterprise taxes	4,805	1.0	2,612	0.6	2,193	84.0
Deferred income taxes	13,726	3.0	(5,602)	(1.3)	19,328	-
Minority interest	12	0.0	8	0.0	3	44.4
Net income (loss)	(41,554)	(9.0)	(19,938)	(4.8)	(21,616)	-

Consolidated Statement of Retained Earnings

(Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2002	Increase (Decrease)
	Amount	Amount	Amount
Consolidated retained earnings at the beginning of the period	-	214,920	(214,920)
Decrease in consolidated retained earnings			
Cash dividends	-	4,030	(4,030)
Bonuses to directors	-	756	(756)
Net income (loss)	-	(19,938)	19,938
Consolidated retained earnings at the end of the period	-	190,195	(190,195)
(Capital surplus)			
Capital surplus at the beginning of the period	70,275	-	70,275
Additional paid-in capital at the beginning of the period	70,275	-	70,275
Increase in capital surplus	9	-	9
Conversion of convertible bonds	9	-	9
Capital surplus at the end of the period	70,285	-	70,285
(Retained earnings)			
Retained earnings at the beginning of the period	190,195	-	190,195
Consolidated retained earnings at the beginning of the period	190,195	-	190,195
Increase in retained earnings	219	-	219
Increase due to the change in the equity holding as a result of a public offering by a consolidated subsidiary	219	-	219
Decrease in retained earnings	42,949	-	42,949
Net loss	41,554	-	41,554
Cash dividends	1,395	-	1,395
Retained earnings at the end of the period	147,464	-	147,464

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2002	Increase (Decrease)
	Amount	Amount	Amount
I Cash flow from operating activities			
Income (loss) before income taxes	(23,010)	(22,919)	(90)
Depreciation and amortization	27,373	26,294	1,079
Amortization of consolidating adjustments	1,897	1,897	-
Increase in allowance for retirement and severance benefits	3,611	3,002	608
	(195)	161	(356)
Decrease in allowance for doubtful accounts	(123)	(1,072)	948
Increase in allowance for employees' bonuses (decrease)	1,166	(8,500)	9,666
Interest and dividend revenue	(191)	(350)	159
Interest expenses	1,605	1,979	(374)
Foreign currency translation loss (income)	287	(187)	474
Prior term adjustment	(29)	(152)	122
Loss (gain) on sale of fixed assets	(61)	(180)	118
Loss on disposal of fixed assets	1,706	850	855
Restructuring costs	12,055	-	12,055
Amount transferred to provision for loss on restructuring	8,577	-	8,577
Devaluation of investment securities	738	1,235	(496)
Devaluation of golf memberships	-	75	(75)
Decrease in trade notes and accounts receivable (increase)	(13,661)	131,251	(144,913)
Decrease in inventories (increase)	(3,890)	28,359	(32,249)
Increase in accounts payable (decrease)	10,351	(34,166)	44,518
Decrease in prepaid consumption tax (increase)	(926)	3,901	(4,827)
Bonuses to directors	-	(756)	756
Others	(3,881)	(7,698)	3,817
Subtotal	23,400	123,025	(99,625)
Receipts from interest and dividends	190	350	(160)
Interest paid	(1,670)	(1,970)	300
Income taxes paid	(527)	(43,848)	43,320
Net cash generated by (used in) operating activities	21,393	77,558	(56,164)
II Cash flow from investing activities			
Proceeds from repayment of time deposits	-	30	(30)
Payment for purchase of tangible fixed assets	(7,028)	(31,006)	23,977
Proceeds from sale of tangible fixed assets	2,732	1,605	1,127
Payment for acquisition of intangible fixed assets	(2,779)	(5,390)	2,610
Proceeds from sale of intangible fixed assets	61	20	41
Payment for acquisition of investment securities	(606)	(21)	(585)
Loans to third parties	(38)	(29)	(8)
Collection of loans	39	73	(33)
Others	348	(1,070)	1,419
Net cash used in investing activities	(7,269)	(35,789)	28,519
III Cash flow from financing activities			
Net increase in short-term borrowings (decrease)	(4,828)	(34,795)	29,967
Net increase in commercial paper (decrease)	25,000	(20,000)	45,000
Proceeds from long-term debt	3,000	37	2,962
Repayment of long-term debt	(7,183)	(3,017)	(4,165)
Proceeds from issuance of bonds	-	6,094	(6,094)
Redemption of straight bonds	(20,000)	-	(20,000)
Net increase in treasury stock	(8,223)	(1,495)	(6,728)
Dividends paid	(1,395)	(4,030)	2,635
Income from a public offering by a consolidated subsidiary	3,750	-	3,750
Others	(3)	(5)	2
Net cash generated by financing activities	(9,883)	(57,213)	47,329
IV Foreign currency translation difference in cash and cash equivalents	332	(1,436)	1,769
V Net increase in cash and cash equivalents (decrease)	4,573	(16,881)	21,454
VI Cash and cash equivalents at the beginning of the period	48,409	65,290	(16,881)
VII Cash and cash equivalents at the end of the period	52,982	48,409	4,573

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)

Year ended March 31, 2003					
	U.S.	Taiwan	Korea	Others	Total
Net sales outside Japan	74,343	67,011	57,305	71,406	270,067
Consolidated net sales					460,580
Ratio to consolidated net sales (%)	16.1	14.6	12.4	15.5	58.6

Notes:

1. Classifications of countries and regions are based on geographical proximity.

2. Principal countries included in others:

China
Singapore
Germany

3. Net sales outside Japan represent net sales of Tokyo Electron Limited and its consolidated subsidiaries

(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

Securities

Year ended 3/31/03 (As of March 31, 2003)

1. Trading securities
No items applicable

2. Held-to-maturity marketable securities
No items applicable

3. Other marketable securities

(Millions of yen)

	Type	Acquisition cost	Value at March 31, 2003	Difference
Value over acquisition cost	1. Shares	4,933	5,056	123
	2. Other	113	117	3
	Subtotal	5,047	5,174	127
Value below acquisition cost	Shares	915	652	(262)
	Subtotal	915	652	(262)
Total		5,962	5,826	(135)

4. Other marketable securities sold during the fiscal year
Total profit/loss on marketable securities is omitted because the amount is insignificant.

5. Non-marketable securities

(Millions of yen)

	Value at March 31, 2003
Other securities	
Non-listed stock (Excluding over-the-counter shares)	1,252

6. Planned redemptions of securities with maturities and held-to-maturity bonds included in other marketable securities

(Millions of yen)

	Within 1 year	1-5 years
Other	-	13
Total	-	13

Securities

Year ended 3/31/02 (As of March 31, 2002)

1. Trading securities
No items applicable

2. Held-to-maturity marketable securities
No items applicable

3. Other marketable securities

(Millions of yen)

	Type	Acquisition cost	Value at March 31, 2002	Difference
Value over acquisition cost	1. Shares	5,978	8,092	2,114
	2. Bonds			
	Corporate bonds	5	5	0
	3. Other	113	115	1
	Subtotal	6,096	8,213	2,116
Value below acquisition cost	1. Shares	561	452	(109)
	2. Bonds			
	Corporate bonds	5	4	(0)
	Subtotal	566	457	(109)
Total		6,663	8,670	2,006

4. Other marketable securities sold during the fiscal year
Total profit/loss on marketable securities is omitted because the amount is insignificant.

5. Non-marketable securities

(Millions of yen)

	Value at March 31, 2002
Other securities	
Non-listed stock (Excluding over-the-counter shares)	872

6. Planned redemptions of securities with maturities and held-to-maturity bonds included in other marketable securities

(Millions of yen)

	Within 1 year	1-5 years	5-10 years
1. Bonds			
Corporate bonds	10	-	-
2. Other	-	-	13
Total	10	-	13

Retirement benefits

1. Applied retirement benefit plan

The Company and its domestic consolidated subsidiaries have a defined benefit plan consisting of a welfare pension plan and lump-sum severance payments. Certain overseas subsidiaries also have defined benefit plans.

(Millions of Yen)

2. Retirement benefit obligation

	As of March 31, 2003	As of March 31, 2002
a. Retirement benefit obligation	(67,713)	(59,124)
b. Plan assets	20,631	18,020
c. Unreserved benefit obligation (a+b)	(47,082)	(41,104)
d. Unrecognized increase of benefit	13,622	9,389
e. Unrecognized decrease of benefit	(1,856)	-
f. Net amount stated on consolidated balance sheets (c+d+e+f)	(35,317)	(31,714)
g. Prepaid pension cost	-	-
h. Allowance for retirement and severance benefits (g-h)	(35,317)	(31,714)

Note:

Includes public portion of welfare pension fund.

3. Retirement benefit expenses

	As of March 31, 2003	As of March 31, 2002
a. Service cost #	5,164	4,368
b. Interest cost	1,687	1,621
c. Expected return on plan assets	(540)	(467)
d. Amortization of increase of benefit	2,456	544
e. Amortization of decrease of benefit	(618)	-
f. Retirement benefit expenses (a+b+c+d+e+f)	8,148	6,066

Note:

Calculated excluding employee contributions to the welfare pension fund.

4. Basis of calculation for retirement benefit obligation, etc.

	As of March 31, 2003	As of March 31, 2002
a. Method of allocation of estimated retirement benefit expenses	Straight line method	Straight line method
b. Discount rate	2.50%	3.00%
c. Expected rate of return	3.00%	3.00%
d. Amortized period of decrease of benefit	4 years	-
e. Amortized period of increase of benefit	4 years	4 years

Production, Orders and Sales

1. Production

(Millions of yen)

Division	Year ended March 31, 2003	Year ended March 31, 2002
	Amount	Amount
Semiconductor Production Equipment	378,327	343,240
Total	378,327	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	Year ended March 31, 2003		Year ended March 31, 2002	
	Orders	Backlog	Orders	Backlog
Semiconductor Production Equipment	363,412	138,314	207,188	139,590
Computer Network	18,253	5,627	16,408	4,566
Electronic Components	75,544	6,765	70,322	8,601
Others	1,317	-	1,421	-
Total	458,527	150,707	295,340	152,759

Note: The above amounts do not include consumption taxes.

3. Sales

(Millions of yen)

Division	Year ended March 31, 2003	Year ended March 31, 2002
	Amount	Amount
Semiconductor Production Equipment	364,689	325,715
Computer Network	17,192	17,031
Electronic Components	77,380	73,657
Others	1,317	1,421
Total	460,580	417,825

Note: The above amounts do not include consumption taxes.

For reference

Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of March 31, 2003		As of December 31, 2002		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
(Assets)	524,901	100.0	546,195	100.0	(21,294)
Current Assets	356,438	67.9	354,548	64.9	1,890
Cash and time deposits	52,982		47,190		
Trade notes and accounts receivable	170,286		139,778		
Inventories	111,810		147,177		
Others	21,701		20,758		
Allowance for doubtful accounts	(341)		(358)		
Long-term Assets	168,462	32.1	191,647	35.1	(23,184)
Tangible fixed assets	119,611		122,200		(2,588)
Intangible fixed assets	25,342		27,126		(1,784)
Investments and other assets	23,509		42,321		(18,811)
Total Assets	524,901	100.0	546,195	100.0	(21,294)

For reference

Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of March 31, 2003		As of December 31, 2002		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
(Liabilities)	268,401	51.1	255,038	46.7	13,363
Current liabilities	160,705	30.6	151,055	27.7	9,650
Trade notes and accounts payable	36,676		34,940		
Short-term borrowings	10,651		21,771		
Commercial paper	35,000		30,000		
Bonds due within 1 year	20,000		20,000		
Convertible bonds due within 1 year	15,481		15,493		
Accrued income taxes	3,645		2,810		
Allowance for employees' bonuses	3,629		1,152		
Provision for loss on restructuring	8,577		-		
Stock purchase warrant	1,273		1,288		
Others	25,771		23,599		
Long-term liabilities	107,695	20.5	103,982	19.0	3,712
Straight bonds	60,000		60,000		
Long-term debt	10,229		7,623		
Allowance for retirement and severance benefits	35,317		34,207		
Allowance for retirement and severance benefits for directors	1,074		1,031		
Others	1,074		1,120		
(Minority interest)	3,595	0.7	61	0.0	3,533
(Shareholders' equity)	252,904	48.2	291,095	53.3	(38,191)
Common stock	47,223	9.0	47,217	8.6	5
Capital Surplus	70,285	13.4	70,279	12.9	5
Retained earnings	147,464	28.1	186,095	34.1	(38,631)
Revaluation of investment in securities	(58)	(0.0)	(802)	(0.2)	743
Foreign currency translation	1,228	0.2	1,540	0.3	(312)
Treasury stock, at cost	(13,238)	(2.5)	(13,234)	(2.4)	(3)
Total liabilities, minority interest and shareholders' equity	524,901	100.0	546,195	100.0	(21,294)

For reference

Consolidated Statement of Income (Quarterly comparison)

(Millions of yen)

	Three months ended March 31, 2003		Three months ended December 31, 2002		Three months ended September 30, 2002		Three months ended June 30, 2002	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	140,198	100.0	96,993	100.0	131,080	100.0	92,307	100.0
Cost of sales	104,458	74.5	66,914	69.0	88,893	67.8	66,272	71.8
Gross profit	35,740	25.5	30,078	31.0	42,187	32.2	26,034	28.2
Selling, general & administrative expenses	33,600	24.0	31,600	32.6	35,543	27.1	32,176	34.9
Operating income (loss)	2,139	1.5	(1,522)	(1.6)	6,643	5.1	(6,141)	(6.7)
Non-operating income	676		410		584		535	
Non-operating expenses	490		742		1,185		1,139	
Ordinary income (loss)	2,325	1.7	(1,853)	(1.9)	6,043	4.6	(6,744)	(7.3)
Unusual or infrequent profit	81		53		(21)		512	
Unusual or infrequent loss	22,796		120		456		31	
Income (loss) before income taxes	(20,389)	(14.5)	(1,921)	(2.0)	5,564	4.2	(6,264)	(6.8)
Provision for income taxes and enterprise taxes	18,458	13.2	(1,757)	(1.8)	3,928	3.0	(2,096)	(2.3)
Minority interest	2	0.0	2	0.0	3	0.0	3	0.0
Net income (loss)	(38,850)	(27.7)	(166)	(0.2)	1,633	1.2	(4,171)	(4.5)

Note:

Income tax adjustment includes Provision for income taxes and enterprise taxes.