

# Consolidated Financial Review for the First Quarter Ended June 30, 2003

Company name:  TOKYO ELECTRON LIMITED  
 URL: <http://www.tel.com>  
 Headquarters address: 3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481 Japan  
 Telephone number: (03) 5561-7000  
 Stock exchange listing: Tokyo Stock Exchange 1st Section  
 Code number: 8035  
 Company representative: Kiyoshi Sato, President & CEO  
 Person-in-charge: Kenji Hotta, Director, Accounting Department

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 prepared in accordance with those for the preparation of the interim consolidated financial statements.
- 2) Changes in the accounting method from the most recent fiscal year: None
- 3) Changes in scope of consolidation and application of the equity method: Yes (Addition: 1)
- 4) Involvement of independent certified public accountants or auditors: None

## 2. Financial highlights for the first quarter ended June 30, 2003 (4/1/03 - 6/30/03)

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 6/30/03	87,778	(-4.9%)	(8,294)	-	(8,740)	-	(10,366)	-
Three months ended 6/30/02	92,307	(-21%)	(6,141)	-	(6,744)	-	(4,171)	-
Year ended 3/31/03	460,580		1,118		(230)		(41,554)	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended 6/30/03	(59.69)	-
Three months ended 6/30/02	(23.83)	-
Year ended 3/31/03	(238.57)	-

### Notes:

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

Three months ended 6/30/03: -24 Millions of Yen  
 Three months ended 6/30/02: - Millions of Yen  
 Year ended 3/31/03: -43 Millions of Yen

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

Three months ended 6/30/03: 173,663,614 shares  
 Three months ended 6/30/02: 175,085,825 shares  
 Year ended 3/31/03: 174,228,135 shares

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

Please refer to attached materials for qualitative information regarding consolidated financial results.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of 6/30/03	505,251	242,515	48.0%	1,396.47
As of 6/30/02	541,264	300,081	55.4%	1,713.91
As of 3/31/03	524,901	252,904	48.2%	1,456.23

Note:

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

June 30, 2003	173,663,532 shares
June 30, 2002	175,085,635 shares
March 31, 2003	173,663,175 shares

[Consolidated cash flow position]

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of 6/30/03	9,056	(2,556)	(4,388)	55,241
As of 6/30/02	-	-	-	-
As of 3/31/03	21,393	(7,269)	(9,883)	52,982

Notes:

1. Regarding consolidated cash flow position, the same period of the previous year is not shown due to disclosure starting from this quarter.

2. Cash and cash equivalents are consisted of cash on hand, time deposits possible to withdraw anytime, and short-term investments which mature within 3 months after acquisition with low risk in value fluctuation.

\*Please refer to attached materials for qualitative information regarding changes in consolidated financial position.

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

	Net sales	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Six months ending 9/30/03	209,000	(13,000)	(17,500)	(100.77)
Year ending 3/31/04	465,000	5,000	(6,000)	(34.55)

Note:

Corporate estimates have not changed from the estimate made on April 30, 2003, as for six months ending 9/30/03 and year ending 3/31/04.

\*Please refer to attached materials for qualitative information regarding corporate estimates.

## Operating Results

### 1. Summary of Results for the First Quarter Ended June 30, 2003

In the electronics industry, bright signs such as capital investment by semiconductor manufacturers involving increase in semiconductor demand are indicated, due to growth products such as digital consumer electronics typified by DVD players and digital cameras and cellular phones with cameras, and moving on to a modest recovery.

Under these circumstances, we have been aiming for highly profitable business structure and working on restructuring including downsizing and consolidation of manufacturing and development bases.

As a result, consolidated results for the first quarter ended June 30, 2003, were as follows: net sales decreased 4.9% from the previous year to ¥87,778 million, ordinary loss of ¥8,740 million. Net loss was ¥10,366 million. On a non-consolidated basis, net sales were ¥65,490 million, a decrease of 8.6% from the previous year, ordinary loss was ¥2,191 million and net loss was ¥1,792 million.

The breakdown of consolidated net sales by division is as follows. Sales of the Semiconductor Production Equipment Division amounted to ¥65,320 million, a decrease of 8.4% from the previous year. Sales of the Computer Network Division were ¥3,397 million, an increase of 1.9% from the previous year. Sales of the Electronic Components Division were ¥18,768 million, an increase of 8.1% from the previous year.

(For reference 1)

**Consolidated**

(Millions of yen)

		1Q	2Q	3Q	4Q	Full Year	FY41 1Q	
Net sales	Semiconductor Production Equip.	Japan	21,052	21,906	24,121	30,348	97,428	22,254
		U.S.	9,264	24,445	18,859	21,725	74,294	9,519
		Europe	5,731	7,384	4,093	10,768	27,978	7,281
		Korea	8,356	11,274	11,774	25,897	57,304	10,671
		Taiwan	16,078	23,532	12,978	14,408	66,998	13,039
		China	3,139	10,213	908	5,584	20,115	1,261
		South East Asia and others	7,653	7,193	2,654	3,067	20,568	1,292
		Total	71,275	105,950	75,391	112,071	364,689	65,320
	Computer Network	3,334	4,791	3,094	5,971	17,192	3,397	
	Electronic Components	17,369	19,989	18,207	21,813	77,380	18,768	
Other	327	348	299	342	1,317	291		
Total	92,307	131,080	96,993	140,198	460,580	87,778		
Ordinary income (loss)		(6,744)	6,043	(1,853)	2,325	(230)	(8,740)	
Net income (loss)		(4,171)	1,633	(166)	(38,850)	(41,554)	(10,366)	

**2. Analysis of Cash Flows for the First Quarter Ended June 30, 2003**

Net cash provided by operating activities amounted to ¥9,056 million. The main factors included loss before income taxes amounting to ¥9,001 million, depreciation and amortization totaling ¥6,019 million, decreases in trade notes and increases in inventories.

Net cash used in investing activities was ¥2,556 million, mainly due to the purchase of property, plant and equipment for production and R&D and purchase of software.

Net cash used in financing activities was ¥4,388 million mainly due to redemption of commercial paper.

As a result, cash and cash equivalents at the end of the first quarter ended June 30, 2003 amounted to ¥55,241 million.

### 3. Forecast for the Year Ending March 31, 2004

There has been no change from the forecast announced on April 30, 2003, for forecast for the year ending March 31, 2004.

#### (For Reference 2)

##### 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)	-

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 June 30, 2003		As of March 31, 2003		Increase (Decrease)	As of June 30, 2002	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
<b>(Assets)</b>	505,251	100.0	524,901	100.0	(19,650)	541,264	100.0
<b>Current Assets</b>	338,709	67.0	356,438	67.9	(17,729)	341,720	63.1
Cash and time deposits	55,642		52,982			50,231	
Trade notes and accounts receivable	143,480		170,286			139,842	
Inventories	123,312		111,810			133,738	
Others	16,401		21,701			18,275	
Allowance for doubtful accounts	(127)		(341)			(368)	
<b>Long-term Assets</b>	166,541	33.0	168,462	32.1	(1,921)	199,544	36.9
Tangible fixed assets	117,894		119,611		(1,716)	129,498	
Intangible fixed assets	25,298		25,342		(43)	27,779	
Investments and other assets	23,757		23,940		(183)	42,539	
Allowance for doubtful accounts	(408)		(431)		23	(272)	
<b>Total Assets</b>	505,251	100.0	524,901	100.0	(19,650)	541,264	100.0

# Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2003		As of March 31, 2003		Increase (Decrease)	As of June 30, 2002	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
<b>(Liabilities)</b>	259,165	51.3	268,401	51.1	(9,235)	241,128	44.6
<b>Current liabilities</b>	150,324	29.8	160,705	30.6	(10,381)	102,816	19.0
Trade notes and accounts payable	34,798		36,676			36,092	
Short-term borrowings	12,441		10,651			20,556	
Commercial paper	30,000		35,000			-	
Bonds due within 1 year	20,000		20,000			20,000	
Convertible bonds due within 1 year	15,478		15,481			-	
Accrued income taxes	1,790		3,645			1,393	
Allowance for employees' bonuses	2,458		3,629			1,256	
Provision for loss on restructuring	7,787		8,577			-	
Stock purchase warrant	1,252		1,273			687	
Others	24,318		25,771			22,830	
<b>Long-term liabilities</b>	108,840	21.5	107,695	20.5	1,145	138,311	25.6
Straight bonds	60,000		60,000			80,000	
Convertible bonds	-		-			15,497	
Long-term loans	9,835		10,229			8,674	
Allowance for retirement and severance	37,142		35,317			32,011	
Allowance for retirement and severance benefits for directors	625		1,074			930	
Others	1,237		1,074			1,197	
<b>(Minority interest)</b>	3,569	0.7	3,595	0.7	(26)	55	0.0
<b>(Shareholders' equity)</b>	242,515	48.0	252,904	48.2	(10,388)	300,081	55.4
<b>Common stock</b>	47,224	9.3	47,223	9.0	1	47,215	8.7
<b>Additional paid in capital</b>	70,286	13.9	70,285	13.4	1	70,277	13.0
<b>Consolidated retained earnings</b>	136,393	27.0	147,464	28.1	(11,071)	185,323	34.2
<b>Revaluation of investment in securities</b>	226	0.1	(58)	(0.0)	285	1,196	0.2
<b>Foreign currency translation adjustment</b>	1,625	0.3	1,228	0.2	397	1,096	0.2
<b>Treasury stock, at cost</b>	(13,241)	(2.6)	(13,238)	(2.5)	(2)	(5,026)	(0.9)
<b>Total liabilities, minority interest and shareholders' equity</b>	505,251	100.0	524,901	100.0	(19,650)	541,264	100.0

# Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2003		Three months ended June 30, 2002		Increase (decrease)		Year ended March 31, 2003	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	87,778	100.0	92,307	100.0	(4,528)	(4.9)	460,580	100.0
Cost of sales	66,607	75.9	66,272	71.8	334	0.5	326,539	70.9
<b>Gross profit</b>	21,171	24.1	26,034	28.2	(4,863)	(18.7)	134,040	29.1
Selling, general & administrative expenses	29,465	33.5	32,176	34.9	(2,710)	(8.4)	132,921	28.9
<b>Operating income (loss)</b>	(8,294)	(9.4)	(6,141)	(6.7)	(2,153)	-	1,118	0.2
Non-operating income	390		535				2,208	
Non-operating expenses	836		1,139				3,557	
<b>Ordinary income (loss)</b>	(8,740)	(10.0)	(6,744)	(7.3)	(1,995)	-	(230)	(0.0)
Unusual or infrequent profit	264		512				624	
Unusual or infrequent loss	525		31				23,405	
<b>Income (Loss) before income taxes</b>	(9,001)	(10.3)	(6,264)	(6.8)	(2,737)	-	(23,010)	(5.0)
Provision for income taxes and enterprise	1,294	1.4	(2,096)	(2.3)			4,805	1.0
Deferred income taxes	-	-	-	-			13,726	3.0
Minority interest	70	0.1	3	0.0			12	0.0
<b>Net income (loss)</b>	(10,366)	(11.8)	(4,171)	(4.5)	(6,194)	-	(41,554)	(9.0)