

Consolidated Interim Financial Review for the Six Months Ended September 30, 2003

Company name: **TOKYO ELECTRON LIMITED**
 Headquarters address: 3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481 Japan
 Telephone number: (03) 5561-7000
 URL: <http://www.tel.com/eng/>
 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
 Interim Board of Directors Meeting: October 31, 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 six months ended September 30, 2003 (4/1/03- 9/30/03)

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	%
Six months ended 9/30/03	221,416	(0.9%)	(4,794)	-	(5,624)	-
Six months ended 9/30/02	223,388	(11.7%)	501	(95.8%)	(701)	-
Year ended 3/31/03	460,580		1,118		(230)	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	(%)	Yen	Yen
Six months ended 9/30/03	(9,806)	-	(56.14)	-
Six months ended 9/30/02	(2,537)	-	(14.52)	-
Year ended 3/31/03	(41,554)		(238.57)	-

Notes:

1. Profit/loss on equity method:

Six months ended 9/30/03: -58,000,000 yen
 Six months ended 9/30/02: None
 Year ended 3/31/03: -43,000,000 yen

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

Six months ended 9/30/03: 174,669,000 shares
 Six months ended 9/30/02: 174,788,823 shares
 Year ended 3/31/03: 174,228,135 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 9/30/03	506,459	257,807	50.9%	1,443.57
As of 9/30/02	548,988	293,240	53.4%	1,688.35
Year ended 3/31/03	524,901	252,904	48.2%	1,456.23

Note:

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

September 30, 2003	178,590,118 shares
September 30, 2002	173,684,000 shares
March 31, 2003	173,663,175 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 9/30/03	(4,630)	(4,819)	(1,622)	42,307
Six months ended 9/30/02	21,963	(3,371)	(19,005)	47,733
Year ended 3/31/03	21,393	(7,269)	(9,883)	52,982

(4) Scope of consolidation and application of equity method

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

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

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

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
Year ending 3/31/04	495,000	8,000	1,000

For reference: Estimate of net income per share for the year ending March 31, 2004: 5.6 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.

Basic Policies for Allocation of Earnings

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.

Basic Policy concerning Corporate Governance and its Implementation

1. Basic Policy concerning Corporate Governance

Management that is focused on shareholder value and globalization is becoming increasingly important. In this context, Tokyo Electron designs achieving greater transparency and objectivity in management as basic policy and target to become an excellent global company.

2. Implementation of measures of Corporate Governance

(1) Organizational structure for management decision-making, execution and supervision and other corporate governance systems

Tokyo Electron employs an auditing system with a board of directors consisting of eight directors of whom two are external directors and a board of auditors consisting of four auditors of whom two are external auditors. At Tokyo Electron the functions of the board of directors and those of the executive body have been separated. Also, with the aim of

enhancing corporate governance, the Company has established within the board of directors a compensation committee that decides the remuneration of the chairman and the president and a nomination committee consisting of three directors other than the president that nominates candidates for the posts of directors to be elected at the general meeting of shareholders and candidates for the post of president to be elected at the meeting of the board of directors.

Moreover, in accordance with management focused on the enhancement of shareholder value, from the viewpoint that a company belongs to its shareholders, the Company is also active in disclosure of the remuneration of the president and the three other senior directors.

At the annual shareholders meeting 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.

(2) Overview of the personal relationship, capital relationship or business relationship between the Company and its external directors and external auditors or any other interests: Not applicable

(3) Recent Engagement to Enhance Corporate Governance

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, the Company has changed its president after the 40th annual shareholders meeting in June 2003. 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 Corporate Senior Staff (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 clarified 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.

Management Task

From a short-term perspective, the greatest challenge for Tokyo Electron is to achieve a highly profitable business structure and speedy management through structural reform. Also, having laid the foundation for the next round of growth, we intend to introduce new products and innovative ways of doing business in order to achieve further development of the Company as the market leader, thereby increasing shareholder value and delivering satisfaction to all our stakeholders.

During the first six months of the fiscal year ending March 31, 2004, in order to adjust the assets and costs, which rose in line with the growth of the market until 2000, to a level appropriate for the current business environment, the Company reduced the workforce and inventories and shifted to a more efficient business structure. To increase profitability by a rate that exceeds the market growth rate, management considers expansion of the product line-up to be necessary in addition to differentiation of existing products and further reduction of costs, and accordingly, the Company is stepping up product development. Furthermore, we intend to quicken the pace of our operations so that we can swiftly respond to the rapidly changing business environment, including shortening of product lifecycles, and strengthen the Company's competitive advantage.

Continued growth of the semiconductor and semiconductor production equipment industries is expected over the med and long term, despite periodic fluctuations due to the silicon cycle. By ensuring implementation of the above-mentioned measures, the Company aims to strengthen the fundamentals of its business and become an excellent global company—a vigorous and powerful enterprise characterized by strong international competitiveness and excellent growth potential.

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. Overview of the Results for the First Six Months

Analysis of Results for the First Six Months

During the first six-month period of the current fiscal year, the US economy remained on a recovery track supported by the recovery of private-sector capital investment and rising personal consumption. Economies elsewhere in Asia achieved high growth centering on growing exports to the US despite concern about a possible slowdown due to SARS. The Japanese economy showed some signs of recovery. Although the appreciation of the yen is a concern, the improved financial performance of companies in export-oriented industries along with the recovery of the US economy and upbeat capital investment plans led to a recovery of stock prices.

The resurgence of the electronics industry, of which Tokyo Electron is a part, has become evident thanks to semiconductor manufacturers' resumption of capital investment spurred by rising demand for semiconductor devices applied in digital consumer electronics, such as DVD players and digital cameras, and high-growth products such as camera-equipped cellular phones.

Reflecting these positive developments, the Company's order-taking for semiconductor production equipment, its mainstay products, recovered in the second quarter. Also as a result of structural reform measures including reduction of the workforce, cost cutting and enhancement of efficiency through consolidation of manufacturing and development operations, consolidated results for the first six months were as follows: net sales of 221,416 million yen, a decline of 0.9% compared with the same period of the previous year, ordinary loss of 5,624 million yen and net loss of 9,806 million yen. These results were superior to the forecasts announced on April 30, 2003. On a non-consolidated basis, net sales were 175,163 million yen, a decline of 2.8% compared with the same period of the previous year, ordinary loss was 4,437 million yen and net loss was 4,362 million yen. The results on a non-consolidated basis were also superior to the forecasts.

Analysis of Results of Divisions

The breakdown of consolidated net sales by division is as follows.

Sales of the Semiconductor Production Equipment Division, the Company's principal business, were 172,232 million yen, a decrease of 2.8% compared with the same period of the previous year, although customers' capital investment showed a tendency to recover.

Sales of the Computer Network Division were 8,642 million yen, an increase of 6.4% 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 39,910 million yen, an increase of 6.8% 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 0.44 billion yen. Non-consolidated investment in property, plant and equipment was 0.32 billion yen.

The Company issued unsecured bonds (ranking pari passu solely with other series of debentures or bonds) in the sum of 20 billion yen due 2006 and unsecured bonds (ranking pari passu solely with other series of debentures or bonds) in the sum of 30 billion yen due 2008 whose payment dates were August 15, 2003. The Company redeemed unsecured bonds in the sum of 20 billion yen on August 18, 2003, upon maturity.

Analysis of Cash Flows

Net cash used in operating activities amounted to 4,630 million. The main factors included loss before income taxes and depreciation and amortization totaling 3,744 million yen, an increase in trade notes and accounts receivable, payment of special retirement benefits going with structural reform and an increase in accounts payable.

Net cash used in investing activities was 4,819 million yen, mainly due to the purchase of property, plant and equipment for production and R&D.

Net cash used in financing activities was 1,622 million yen as a result of redemption of unsecured bonds, redemption of commercial paper, repayment of debts and payment of cash dividends despite issuance of unsecured bonds.

As a result, cash and cash equivalents at the end of the first six-month period of the current fiscal year amounted to 42,307 million yen.

The trend of cash flow indices is as follows.

	Year ended March 31, 2003	Interim of Year ended March 31, 2004
Equity ratio (%)	48.2	50.9
Equity ratio at market value (%)	153.5	261.6
Debt redemption paid (number of years)	7.1	-
Interest coverage ratio	1,281.1	-

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.
- When the figures of cash flow from operational activities of debt redemption paid(number of years) and Interest coverage ratio are negative, they are indicated as " - "

Trends in the second quarter

Looking at consolidated results for the second quarter, net sales came to 133,637 million yen, up by 2.0% compared with the same period of the preceding year and up by 52.2% compared with the preceding quarter. Ordinary income came to 3,115 million yen (down 48.4% year-on-year) and the net income for the year to 559 million yen (down 65.7% year-on-year)

By division, consolidated sales came to 106,912 million yen (up 0.9% year-on-year) in the Semiconductor Production Equipment division, 5,244 million yen (up 9.5% year-on-year) in the Computer Network division and 21,141 million yen (up 5.8% year-on-year) in the Electronic Components division.

(For reference)

Consolidated

			(Millions of yen)					
			1Q/FY03	2Q/FY03	1 st Half/ FY03	1Q/FY04	2Q/FY04	1 st Half/ FY04
Net sales	Semiconductor Production Equipment	Japan	21,052	21,906	42,958	22,254	50,911	73,166
		U.S.	9,264	24,445	33,709	9,519	13,464	22,984
		Europe	5,731	7,384	13,116	7,281	9,227	16,508
		Korea	8,356	11,274	19,631	10,671	10,444	21,115
		Taiwan	16,078	23,532	39,610	13,039	15,816	28,855
		China	3,139	10,213	13,353	1,261	3,697	4,959
		S.E. Asia	7,653	7,193	14,846	1,292	3,350	4,642
	Total	71,275	105,950	177,226	65,320	106,912	172,232	
	Computer Network	3,334	4,791	8,126	3,397	5,244	8,642	
	Electronic Components	17,369	19,989	37,359	18,768	21,141	39,910	
Other	327	348	676	291	338	630		
Total	92,307	131,080	223,388	87,778	133,637	221,416		
Ordinary income (loss)			(6,744)	6,043	(701)	(8,740)	3,115	(5,624)
Net income (loss)			(4,171)	1,633	(2,537)	(10,366)	559	(9,806)

Non-consolidated

			(Millions of yen)					
			1Q/FY03	2Q/FY03	1 st Half/ FY03	1Q/FY04	2Q/FY04	1 st Half/ FY04
Net sales	Semiconductor Equipment	Production	68,315	103,739	172,054	62,088	104,422	166,510
	Computer Network		3,337	4,801	8,139	3,402	5,250	8,652
Total			71,652	108,540	180,193	65,490	109,672	175,163
Ordinary income (loss)			(5,127)	951	(4,176)	(2,191)	(2,245)	(4,437)
Net income (loss)			(2,420)	490	(1,930)	(1,792)	(2,569)	(4,362)

2. Forecast for the Year Ending March 31, 2004

Projected Operating Results

For the forecast for the year ending March 31, 2004, earning increase due to recovery of semiconductor-related capital investment is expected. In addition, 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. In these circumstances, we have overcome the financial forecast for the Year ending March 31, 2004 announced on April 30, 2003 as follow.

Consolidated forecast

		Billions of yen : Y/Y change	
		Full year	
Net sales		495.0	7.5%
	Semiconductor Production Equipment	394.0	8.0%
	Computer Network	18.0	4.7%
	Electronic Components	82.0	6.0%
	Other	1.0	(24.1%)
Ordinary income (loss)		8.0	-
Net income (loss)		1.0	-

Non-consolidated forecast

		Billions of yen : Y/Y change	
		Full year	
Net sales		402.0	8.8%
	Semiconductor Production Equipment	384.0	9.0%
	Computer Network	18.0	4.4%
Ordinary income (loss)		(3.0)	-
Net income (loss)		(2.0)	-

Projected Allocation of Profit

Tokyo Electron determines to continue 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, 2003		As of September 30, 2002		Increase (decrease)	As of March 31, 2003	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Amount	Compo- sition (%)
(Assets)	506,459	100.0	548,988	100.0	(42,529)	524,901	100.0
Current Assets	341,165	67.4	353,781	64.4	(12,616)	356,438	67.9
Cash and time deposits	42,987		47,733			52,982	
Trade notes and accounts receivable	174,370		155,719			170,286	
Inventories	105,244		133,097			111,810	
Others	18,653		17,646			21,701	
Allowance for doubtful accounts	(89)		(415)			(341)	
Long-term Assets	165,293	32.6	195,206	35.6	(29,913)	168,462	32.1
Tangible fixed assets	114,554		125,346		(10,791)	119,611	
Intangible fixed assets	24,649		27,136		(2,487)	25,342	
Investments and other assets	26,502		43,059		(16,557)	23,940	
Allowance for doubtful accounts	(412)		(335)		(77)	(431)	
Total Assets	506,459	100.0	548,988	100.0	(42,529)	524,901	100.0

Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2003		As of September 30, 2002		Increase (decrease) Amount	As of March 31, 2003	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)		Amount	Compo- sition (%)
(Liabilities)	244,946	48.4	255,688	46.6	(10,741)	268,401	51.1
Current liabilities	108,624	21.5	149,967	27.3	(41,342)	160,705	30.6
Trade notes and accounts payable	37,844		40,750			36,676	
Short-term borrowings	10,672		21,603			10,651	
Commercial paper	5,000		20,000			35,000	
Bonds due within 1 year	20,000		20,000			20,000	
Convertible bonds due within 1 year	-		15,495			15,481	
Accrued income taxes	1,724		3,202			3,645	
Allowance for employees' bonuses	5,443		2,416			3,629	
Provision for loss on restructuring	1,195		-			8,577	
Stock purchase warrant	1,109		1,295			1,273	
Others	25,634		25,204			25,771	
Long-term liabilities	136,322	26.9	105,720	19.3	30,601	107,695	20.5
Straight bonds	90,000		60,000			60,000	
Long-term loans	9,441		8,164			10,229	
Allowance for retirement and severance benefits	33,697		33,197			35,317	
Allowance for retirement and severance benefits for directors	668		987			1,074	
Others	2,514		3,371			1,074	
(Minority interest)	3,704	0.7	60	0.0	3,644	3,595	0.7
(Shareholders' equity)	257,807	50.9	293,240	53.4	(35,432)	252,904	48.2
Common stock	54,961	10.9	47,216	8.6	7,744	47,223	9.0
Capital surplus	78,023	15.4	70,278	12.8	7,744	70,285	13.4
Retained earnings	136,953	27.0	186,956	34.1	(50,003)	147,464	28.1
Revaluation of investment in securities	993	0.2	(22)	(0.0)	1,015	(58)	(0.0)
Foreign currency translation	62	0.0	1,915	0.3	(1,852)	1,228	0.2
Treasury stock, at cost	(13,185)	(2.6)	(13,104)	(2.4)	(81)	(13,238)	(2.5)
Total liabilities, minority interest and shareholders' equity	506,459	100.0	548,988	100.0	(42,529)	524,901	100.0

Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2003		Six months ended September 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	221,416	100.0	223,388	100.0	(1,971)	(0.9)	460,580	100.0
Cost of sales	165,147	74.6	155,165	69.5	9,981	6.4	326,539	70.9
Gross profit	56,269	25.4	68,222	30.5	(11,952)	(17.5)	134,040	29.1
Selling, general & administrative expenses	61,064	27.6	67,720	30.3	(6,656)	(9.8)	132,921	28.9
Operating income (loss)	(4,794)	(2.2)	501	0.2	(5,296)	-	1,118	0.2
Non-operating income								
Interest income	90		67				133	
Rent revenue	386		488				867	
Miscellaneous income	696		564				1,206	
Non-operating expenses								
Interest expenses	645		878				1,601	
Bond issue expenses	232		-				-	
Rent expenses	187		267				516	
Foreign currency translation loss	187		552				503	
Miscellaneous expenses	750		625				936	
Ordinary income (loss)	(5,624)	(2.5)	(701)	(0.3)	(4,923)	-	(230)	(0.0)
Unusual or infrequent profit								
Prior term adjustment	-		29				29	
Reversal of allowance for doubtful accounts	250		170				244	
Gain on sale of fixed assets	50		41				100	
Revenue from government subsidies	-		250				250	
Others	0		-				-	
Unusual or infrequent loss								
Loss on proceeds or disposal of fixed assets	510		320				1,746	
Provision for possible loan loss reserve	4		88				185	
Restructuring costs	2,755		-				12,055	
Transfer to allowance for restructuring costs	-		-				8,577	
Devaluation of marketable securities	-		68				-	
Devaluation of golf memberships	-		11				-	
Others	-		-				841	
Income (loss) before income taxes	(8,593)	(3.9)	(699)	(0.3)	(7,894)	-	(23,010)	(5.0)
Provision for income taxes and enterprise taxes	1,003	0.4	1,831	0.8			4,805	1.0
Deferred income taxes	-	-	-	-			13,726	3.0
Minority interest	208	0.1	6	0.0			12	0.0
Net income (loss)	(9,806)	(4.4)	(2,537)	(1.1)	(7,268)	-	(41,554)	(9.0)

Consolidated Statement of Retained Earnings

(Millions of yen)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Increase (decrease)	Year ended March 31, 2003
	Amount	Amount	Amount	Amount
(Capital surplus)				
Capital surplus at the beginning of the period	70,285	70,275	9	70,275
Additional paid-in capital at the beginning of the period	-	70,275	(70,275)	70,275
Increase in capital surplus	7,737	2	7,735	9
Conversion of convertible bonds	7,737	2	7,735	9
Capital surplus at the end of the period	78,023	70,278	7,744	70,285
(Retained earnings)				
Retained earnings at the beginning of the period	147,464	190,195	(42,730)	190,195
Consolidated retained earnings at the beginning of the period	-	190,195	(190,195)	190,195
Increase in retained earnings	-	-		219
Increase from fluctuations in equity accompanying subsidiaries' public subscription capital increases	-	-		219
Decrease in retained earnings	10,511	3,238	7,273	42,949
Net loss	9,806	2,537	7,268	41,554
Cash dividends	694	700	(5)	1,395
Bonuses to directors and statutory auditors	10	-	10	-
Loss on disposal of treasury stocks	0	-	0	-
Retained earnings at the end of the period	136,953	186,956	(50,003)	147,464

Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Increase (Decrease)	Year ended March 31, 2003
	Amount	Amount	Amount	Amount
I Cash flow from operating activities				
Income (loss) before income taxes	(8,593)	(699)	(7,894)	(23,010)
Depreciation and amortization	12,338	13,381	(1,042)	27,373
Amortization of consolidating adjustments	948	948	-	1,897
Increase in allowance for retirement and severance benefits	(1,622)	1,484	(3,106)	3,611
Increase (decrease) in allowance for retirement and severance benefits for directors	(405)	(282)	(122)	(195)
Decrease in allowance for doubtful accounts	(269)	(149)	(120)	(123)
Increase in allowance for employees' bonuses (decrease)	1,814	(45)	1,860	1,166
Interest and dividend revenue	(114)	(108)	(5)	(191)
Interest expenses	650	879	(228)	1,605
Foreign currency translation loss	106	236	(129)	287
Prior term adjustment	-	(29)	29	(29)
Loss (gain) on sale of fixed assets	(43)	(27)	(16)	(61)
Loss on disposal of fixed assets	502	306	196	1,706
Restructuring costs	2,755	-	2,755	12,055
Devaluation of investment securities	0	68	(68)	-
Decrease in trade notes and accounts receivable	(4,571)	1,136	(5,707)	(13,661)
Increase in inventories	(507)	(9,138)	8,630	(3,890)
Increase in accounts payable	1,333	14,373	(13,039)	10,351
Decrease in prepaid consumption tax (increase)	6,169	2,846	3,323	(926)
Others	(3,199)	(3,074)	(124)	5,434
Subtotal	7,294	22,105	(14,811)	23,400
Receipts from interest and dividends	109	108	0	190
Interest paid	(623)	(933)	310	(1,670)
Payment for special retirement benefits	(6,504)	-	(6,504)	-
Income taxes paid	(4,905)	683	(5,588)	(527)
Net cash generated by (used in) operating activities	(4,630)	21,963	(26,594)	21,393
II Cash flow from investing activities				
Payment for time deposit	(693)	-	(693)	-
Payment for purchase of tangible fixed assets	(3,035)	(4,239)	1,204	(7,028)
Proceeds from sale of tangible fixed assets	489	2,246	(1,756)	2,732
Payment for acquisition of intangible fixed assets	(1,698)	(989)	(708)	(2,779)
Others	117	(388)	506	(194)
Net cash used in investing activities	(4,819)	(3,371)	(1,448)	(7,269)
III Cash flow from financing activities				
Net increase (decrease) in short-term borrowings	424	1,048	(624)	(4,828)
Net increase (decrease) in commercial paper	(30,000)	10,000	(40,000)	25,000
Repayment of long-term debt	(958)	(1,261)	303	(7,183)
Proceeds from issuance of bonds	49,767	-	49,767	-
Redemption of straight bonds	(20,005)	(20,000)	(5)	(20,000)
Net decrease/increase in treasury stock	52	(8,089)	8,141	(8,223)
Dividends paid	(694)	(700)	5	(1,395)
Income from a public offering by a consolidated subsidiary	-	-	-	3,750
Others	(208)	(3)	(205)	2,996
Net cash generated by financing activities	(1,622)	(19,005)	17,383	(9,883)
IV Foreign currency translation difference in cash and cash equivalents	397	(262)	659	332
V Net increase in cash and cash equivalents	(10,674)	(675)	(9,999)	4,573
VI Cash and cash equivalents at the beginning of the year	52,982	48,409	4,573	48,409
VII Cash and cash equivalents at the end of the period	42,307	47,733	(5,426)	52,982

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

For reference

Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of September 30, 2003		As of June 30, 2003		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
(Assets)	506,459	100.0	505,251	100.0	1,208
Current Assets	341,165	67.4	338,709	67.0	2,456
Cash and time deposits	42,987		55,642		
Trade notes and accounts receivable	174,370		143,480		
Inventories	105,244		123,312		
Others	18,653		16,401		
Allowance for doubtful accounts	(89)		(127)		
Long-term Assets	165,293	32.6	166,541	33.0	(1,247)
Tangible fixed assets	114,554		117,894		(3,339)
Intangible fixed assets	24,649		25,298		(648)
Investments and other assets	26,089		23,349		2,740
Total Assets	506,459	100.0	505,251	100.0	1,208

For reference

Consolidated Balance Sheet (Quarterly comparison)

(Millions of yen)

	As of September 30, 2003		As of June 30, 2003		Increase (decrease)
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount
(Liabilities)	244,946	48.4	259,165	51.3	(14,218)
Current liabilities	108,624	21.5	150,324	29.8	(41,700)
Trade notes and accounts payable	37,844		34,798		
Short-term borrowings	10,672		12,441		
Commercial paper	5,000		30,000		
Bonds due within 1 year	20,000		20,000		
Convertible bonds due within 1 year	-		15,478		
Accrued income taxes	1,724		1,790		
Allowance for employees' bonuses	5,443		2,458		
Provision for loss on restructuring	1,195		7,787		
Others	26,743		25,570		
Long-term liabilities	136,322	26.9	108,840	21.5	27,481
Straight bonds	90,000		60,000		
Long-term debt	9,441		9,835		
Allowance for retirement and severance benefits	33,697		37,142		
Allowance for retirement and severance benefits for directors	668		625		
Others	2,514		1,237		
(Minority interest)	3,704	0.7	3,569	0.7	135
(Shareholders' equity)	257,807	50.9	242,515	48.0	15,291
Common stock	54,961	10.9	47,224	9.3	7,736
Capital surplus	78,023	15.4	70,286	13.9	7,736
Retained earnings	136,953	27.0	136,393	27.0	559
Revaluation of investment in securities	993	0.2	226	0.1	766
Foreign currency translation	62	0.0	1,625	0.3	(1,562)
Treasury stock, at cost	(13,185)	(2.6)	(13,241)	(2.6)	55
Total liabilities, minority interest and shareholders' equity	506,459	100.0	505,251	100.0	1,208

For reference

Consolidated Statement of Income (Quarterly comparison)

(Millions of yen)

	Three months ended September 30, 2003		Three months ended June 30, 2003		Increase (decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)
Net sales	133,637	100.0	87,778	100.0	45,859	52.2
Cost of sales	98,539	73.7	66,607	75.9	31,932	47.9
Gross profit	35,097	26.3	21,171	24.1	13,926	65.8
Selling, general & administrative expenses	31,598	23.7	29,465	33.5	2,132	7.2
Operating income (loss)	3,499	2.6	(8,294)	(9.4)	11,794	-
Non-operating income	783		390			
Non-operating expenses	1,167		836			
Ordinary income (loss)	3,115	2.3	(8,740)	(10.0)	11,856	-
Unusual or infrequent profit	36		264			
Unusual or infrequent loss	2,744		525			
Income (loss) before income taxes	407	0.3	(9,001)	(10.3)	9,409	-
Provision for income taxes and enterprise taxes	(290)	(0.2)	1,294	1.4		
Minority interest	138	0.1	70	0.1		
Net income (loss)	559	0.4	(10,366)	(11.8)	10,925	-