

Consolidated Six-Year Summary

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2003, 2002, 2001, 2000, 1999 and 1998

	Thousands of U.S. dollars		Millions of yen				
	2003	2003	2002	2001	2000	1999	1998
Net sales	\$ 3,831,782	¥460,580	¥417,825	¥723,880	¥440,729	¥313,820	¥455,585
Semiconductor production equipment ¹	3,034,022	364,689	325,715	619,001	355,103	242,240	380,184
Computer network ¹	143,035	17,193	17,031	14,054	12,357	12,878	15,262
Electronic components	643,762	77,380	73,658	89,211	72,051	57,734	60,139
Other	10,963	1,318	1,421	1,614	1,218	968	–
Operating income (loss)	9,308	1,119	(18,310)	121,086	35,816	6,383	63,296
Income (loss) before income taxes	(191,435)	(23,010)	(22,919)	99,132	29,689	6,038	62,834
Net income (loss)	(345,715)	(41,554)	(19,938)	62,012	19,848	1,866	30,009
Domestic sales	1,584,968	190,513	186,516	299,272	183,987	149,838	230,550
Overseas sales	2,246,814	270,067	231,309	424,608	256,742	163,982	225,035
Depreciation and amortization	227,736	27,374	26,294	21,679	19,446	17,921	12,652
Capital expenditures ²	102,824	12,359	30,946	49,403	18,999	23,478	33,302
R&D expenses	416,993	50,123	53,827	52,911	37,135	26,842	26,813
Total assets	4,366,899	524,901	556,915	729,511	499,499	414,903	493,600
Total shareholders' equity	2,104,029	252,904	307,579	333,281	273,603	257,716	261,009
Number of employees		10,053	10,171	10,236	8,946	7,835	7,287
	U.S. dollars		Yen				
Net income (loss) per share of common stock: ³							
Basic	\$ (1.98)	¥ (238.57)	¥ (113.85)	¥ 353.76	¥ 113.53	¥ 10.70	¥ 174.68
Diluted ⁴	–	–	–	344.75	110.64	–	168.43
Cash dividends per share of common stock:							
Actual	0.07	8.00	8.00	38.00	14.00	12.00	30.00
Adjusted ³	0.07	8.00	8.00	38.00	14.00	12.00	30.00
Number of shares outstanding (thousands)		175,698	175,691	175,691	175,660	174,624	174,569
Number of shareholders		49,259	37,116	42,781	7,147	8,576	9,562
		Percent					
ROE		(14.8)	(6.2)	20.4	7.5	0.7	12.8
Operating income margin		0.2	(4.4)	16.7	8.1	2.0	13.9
Shareholders' equity ratio		48.2	55.2	45.7	54.8	62.1	52.9
Asset turnover (times)		0.85	0.65	1.18	0.96	0.69	1.03
	U.S. dollars		Thousands of yen				
Net sales per employee	\$ 381,158	¥ 45,815	¥ 41,080	¥ 70,719	¥ 49,265	¥ 40,054	¥ 62,520

1 The FPD, Flat Panel Display, Department has been included in Semiconductor Production Equipment. The Computer Systems division was renamed the Computer Network division as of April 1, 2000.

2 Capital expenditures before 1999 represent the gross increase in property, plant and equipment, intangible assets and other depreciable assets. Capital expenditures from 2000 only represent the gross increase in property, plant and equipment.

3 From 2003, the Company began applying "Accounting Standards regarding Net Income per Share (Business Accounting Standards No.2)" and "Practical Guidelines for Applying Accounting Standards regarding Net Income per Share (Practical Guidelines for Applying Accounting Standards No.4)" released by the Accounting Standards Board of Japan (ASBJ).

4 Dilution is not assumed for the years ended March 2003, 2002 and 1999.

Consolidated Balance Sheets

Tokyo Electron Limited and its Subsidiaries
March 31, 2003 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current assets:			
Cash and cash equivalents (Note 3).....	¥ 52,982	¥ 48,409	\$ 440,784
Marketable securities (Note 4).....	–	10	–
Trade notes and accounts receivable.....	182,218	167,982	1,515,953
Allowance for doubtful accounts.....	(342)	(620)	(2,844)
Inventories (Note 5).....	111,810	127,352	930,201
Deferred tax assets (Note 9).....	4,152	3,402	34,539
Prepaid expenses and other current assets.....	5,619	6,888	46,746
Total current assets.....	356,439	353,423	2,965,379
Investments and other assets:			
Investments in securities (Note 4).....	7,216	9,535	60,036
Deferred tax assets (Note 9).....	9,362	22,591	77,890
Intangible and other assets.....	32,273	36,855	268,493
Total investments and other assets.....	48,851	68,981	406,419
Property, plant and equipment:			
Land.....	19,718	19,908	164,047
Buildings.....	110,950	114,586	923,046
Machinery and equipment.....	97,937	95,615	814,781
Construction in progress.....	2,480	5,139	20,632
Total property, plant and equipment.....	231,085	235,248	1,922,506
Less: Accumulated depreciation.....	111,474	100,737	927,405
Net property, plant and equipment.....	119,611	134,511	995,101
Total assets.....	¥524,901	¥556,915	\$4,366,899

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current liabilities:			
Short-term borrowings (Note 7).....	¥ 8,729	¥ 13,924	\$ 72,623
Current portion of long-term debt (Note 7).....	37,404	26,387	311,177
Commercial paper.....	35,000	10,000	291,181
Trade notes and accounts payable.....	48,279	41,053	401,656
Accrued income taxes.....	3,645	1,663	30,325
Allowance for employees' bonuses.....	3,629	2,463	30,193
Provision for loss on restructuring.....	8,577	–	71,358
Accrued expenses and other current liabilities.....	15,443	14,012	128,475
Total current liabilities.....	160,706	109,502	1,336,988
Long-term debt, less current portion (Note 7).....	70,230	105,452	584,271
Allowance for retirement and severance benefits (Note 8).....	36,392	32,984	302,762
Other non-current liabilities.....	1,074	1,340	8,937
Total liabilities.....	268,402	249,278	2,232,958
Minority interest.....	3,595	58	29,912
Shareholders' equity:			
Common stock (Note 10).....	47,223	47,214	392,872
Authorized: 300,000,000 shares			
Issued: 175,697,930 at March 31, 2003			
175,691,903 at March 31, 2002			
Additional paid-in capital (Note 10).....	70,285	70,276	584,736
Retained earnings.....	147,465	190,195	1,226,828
Unrealized gains on securities.....	(59)	1,171	(490)
Foreign currency translation adjustments.....	1,229	3,738	10,220
Treasury stock at cost (Note 11).....	(13,239)	(5,015)	(110,137)
2,034,755 at March 31, 2003			
605,867 at March 31, 2002			
Total shareholders' equity.....	252,904	307,579	2,104,029
Total liabilities and shareholders' equity.....	¥524,901	¥556,915	\$4,366,899

Consolidated Statements of Operation

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Net sales	¥460,580	¥417,825	¥723,880	\$3,831,782
Cost of sales.....	326,540	302,270	458,902	2,716,637
Gross profit	134,040	115,555	264,978	1,115,145
Selling, general and administrative expenses.....	132,921	133,865	143,892	1,105,837
Operating income (loss)	1,119	(18,310)	121,086	9,308
Other income (expenses):				
Interest and dividend income	191	351	669	1,591
Interest expenses	(1,601)	(1,960)	(2,378)	(13,321)
Restructuring costs (Note 12)	(12,055)	-	-	(100,295)
Amount transferred to provision for loss on restructuring (Note 13)	(8,577)	-	-	(71,358)
Devaluation of investments in securities	(739)	(1,236)	(1,552)	(6,147)
Amortization of discrepancy arising from adoption of retirement benefit accounting standards (Note 8)	-	-	(15,975)	-
Other, net	(1,348)	(1,764)	(2,718)	(11,213)
Income (loss) before income taxes	(23,010)	(22,919)	99,132	(191,435)
Provision for income taxes (Note 9):				
Current	4,806	2,612	50,589	39,982
Deferred	13,726	(5,602)	(13,490)	114,198
Minority interest	12	8	21	100
Net income (loss)	¥ (41,554)	¥ (19,938)	¥ 62,012	\$ (345,715)
Per share of common stock:				
		Yen		U.S. dollars
Net income (loss) — basic	¥ (238.57)	¥ (113.85)	¥ 353.76	\$ (1.98)
Net income — diluted	-	-	344.75	-
Cash dividends	8.00	8.00	38.00	0.07

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Common stock				
Balance at beginning of year.....	¥ 47,214	¥ 47,213	¥ 47,163	\$ 392,793
Conversion of convertible bonds (Note 10).....	9	1	50	79
Balance at end of year	47,223	47,214	47,213	392,872
Additional paid-in capital				
Balance at beginning of year.....	70,276	70,275	70,225	584,657
Conversion of convertible bonds (Note 10).....	9	1	50	79
Balance at end of year	70,285	70,276	70,275	584,736
Retained earnings				
Balance at beginning of year.....	190,195	214,920	157,876	1,582,323
Increase due to the change in the equity holding as a result of a public offering by a consolidated subsidiary	219	-	-	1,826
Net income (loss) for year	(41,554)	(19,938)	62,012	(345,715)
Cash dividends	(1,395)	(4,031)	(4,734)	(11,606)
Bonuses to directors	-	(756)	(234)	-
Balance at end of year	147,465	190,195	214,920	1,226,828
Unrealized gains on securities				
Unrealized holding gains arising during the period	(59)	1,171	1,658	(490)
Foreign currency translation adjustments				
	1,229	3,738	2,734	10,220
Treasury stock, at cost (Note 11)				
	(13,239)	(5,015)	(3,519)	(110,137)
(2001: 407,556 shares; 2002: 605,867 shares 2003: 2,034,755 shares)				
Total shareholders' equity	¥252,904	¥307,579	¥333,281	\$2,104,029

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Tokyo Electron Limited and its Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash flow from operating activities:			
(Loss) before income taxes.....	¥(23,010)	¥(22,919)	\$(191,435)
Depreciation and amortization	27,374	26,294	227,736
Increase in allowance for retirement and severance benefits.....	3,416	3,164	28,422
Increase (decrease) in allowance for employees' bonuses	1,166	(8,501)	9,700
Interest expenses	1,605	1,980	13,354
Loss on disposal of fixed assets	1,707	851	14,197
Devaluation of investments in securities	739	1,236	6,147
Restructuring costs (Note 12)	12,055	-	100,295
Amount transferred to provision for loss on restructuring (Note 13).....	8,577	-	71,358
(Increase) decrease in trade notes and accounts receivable	(13,662)	131,251	(113,658)
(Increase) decrease in inventories.....	(3,890)	28,359	(32,363)
Increase (decrease) in accounts payable	10,352	(34,166)	86,122
(Increase) decrease in prepaid consumption tax	(926)	3,901	(7,705)
Others.....	(2,103)	(8,425)	(17,490)
Subtotal	23,400	123,025	194,680
Receipts from interest and dividends	191	351	1,586
Interest paid.....	(1,670)	(1,970)	(13,893)
Income taxes paid	(527)	(43,848)	(4,386)
Net cash provided by operating activities	21,394	77,558	177,987
Cash flow from investing activities:			
Payment for purchase of property, plant and equipment.....	(7,028)	(31,006)	(58,472)
Payment for acquisition of intangible assets	(2,780)	(5,390)	(23,125)
Others.....	2,538	607	21,115
Net cash (used in) investing activities	(7,270)	(35,789)	(60,482)
Cash flow from financing activities:			
(Decrease) in short-term borrowings	(4,829)	(34,796)	(40,172)
Increase (decrease) in commercial paper.....	25,000	(20,000)	207,987
Proceeds from long-term debt.....	3,000	37	24,958
Repayment of long-term debt.....	(7,183)	(3,018)	(59,762)
Proceeds from issuance of bonds.....	-	6,095	-
Redemption of unsecured bonds	(20,000)	-	(166,389)
Purchase of treasury stock.....	(8,224)	(1,496)	(68,416)
Dividends paid.....	(1,395)	(4,030)	(11,606)
Proceeds from a public offering of a subsidiary	3,751	-	31,203
Others.....	(4)	(6)	(32)
Net cash (used in) financing activities	(9,884)	(57,214)	(82,229)
Effect of exchange rate changes on cash and cash equivalents	333	(1,437)	2,769
Net increase (decrease) in cash and cash equivalents	4,573	(16,882)	38,045
Cash and cash equivalents at beginning of year.....	48,409	65,291	402,739
Cash and cash equivalents at end of year (Note 3)	¥ 52,982	¥ 48,409	\$ 440,784

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Tokyo Electron Limited and its Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited (hereinafter "the Company") and its subsidiaries have been prepared from those that have been filed with the Ministry of Finance of Japan as required by the Securities and Exchange Law and that conform with accounting principles generally accepted in Japan.

Foreign subsidiaries maintain their books in conformity with financial standards of the countries of their domicile.

For the convenience of readers outside Japan, the presentation of the consolidated financial statements and the information contained therein have been modified in some respects.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its 28 subsidiaries.

The investments in affiliates in which the Company's ownership is 20% to 50% are accounted for by the equity method.

All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated in consolidation.

The fiscal year of all entities ends on March 31, except for one foreign subsidiary, which uses December 31 year end, and no significant transactions were noted between the different fiscal year ends.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥120.20 to \$1.00, the approximate rate at March 31, 2003. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rate prevailing at the balance sheet date, except for those hedged by forward exchange contracts, which are translated at the contracted rates.

Income and expense items are translated at the rates that approximate those rates prevailing at the time of the transactions.

The financial statements of foreign subsidiaries have been translated in accordance with the accounting standards in Japan.

(c) Marketable securities and investments in securities

Securities with market prices are valued at market based on market prices on the fiscal year-end. Other securities are valued at cost using the weighted average method.

The differences between the book and market prices of marketable securities are charged to shareholders' equity. The cost of sold securities is calculated using the weighted average method.

(d) Inventories

Inventories other than raw materials are stated principally at cost, cost being determined principally by the individual method. Raw materials are stated principally at cost, cost being determined principally by the moving-average method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment is computed on the declining balance method for the Company and its consolidated domestic subsidiaries at rates based on the estimated useful lives of assets, while the straight-line method is mainly applied for its consolidated foreign subsidiaries over the estimated useful lives of their assets.

(f) Retirement and severance benefits

The Company and its consolidated domestic subsidiaries provide a reserve for employees' retirement benefits based on the projected benefit obligation and pension assets on the consolidated account settlement date. Prior year employment benefit obligations are charged to income on a straight-line basis, beginning from the consolidated fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur. Actuarial differences are charged to income on a straight-line basis, beginning from the year after they are recognized, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

The annual provision for accrued retirement benefits for directors and corporate auditors of the Company and its consolidated domestic subsidiaries is also calculated to state the liability at the amount that would be required if all directors and corporate auditors retired at the end of the consolidated fiscal year according to internal regulation.

(g) Provision for loss on restructuring

The Company and its consolidated domestic subsidiaries have booked provision for loss on restructuring in the year ended March 31, 2003 in preparation for losses that the companies expect to incur in future due to the implementation of their business restructuring plan.

(h) Leases

Finance lease transactions, unless the lessee practically acquires legal title to the leased asset, are treated as operating lease transactions.

(i) Income taxes

The Company and its consolidated subsidiaries record deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(j) Derivatives

The Company makes use of derivatives only to reduce exchange risk of foreign currencies. The amount of derivatives is limited to the extent of foreign currency assets, debt and actual orders, and the Company does not trade in derivatives for speculative purposes.

Derivatives are valued at market based on market prices on the fiscal year-end.

(k) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full mark-to-market method.

(l) Amortization of consolidated goodwill

Consolidated goodwill is evaluated on an individual basis and amortized not exceeding 20 years, and the balance is included in the Intangible and other assets.

(m) Per share information

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

From 2003, the Company began applying "Accounting Standards regarding Net Income per Share (Business Accounting Standards No.2)" and "Practical Guidelines for Applying Accounting Standards regarding Net Income per Share (Practical Guidelines for Applying Accounting Standards No.4)" released by the Accounting Standards Board of Japan (ASBJ)

Dividends per share have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved or to be approved after such March 31 but applicable to the year then ended.

3. Cash and cash equivalents

Cash and cash equivalents at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Cash and deposits.....	¥52,982	¥48,409	\$440,784
Time deposits due over 3 month.....	-	-	-
Total.....	¥52,982	¥48,409	\$440,784

4. Marketable Securities and Investments in Securities

Marketable securities at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Mutual funds.....	¥ -	¥10	\$ -

Investments in securities at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Listed stock.....	¥5,710	¥8,545	\$47,502
Mutual funds.....	117	115	975
Other.....	1,389	875	11,559
Total.....	¥7,216	¥9,535	\$60,036

5. Inventories

Inventories at March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Finished products.....	¥63,206	¥ 63,730	\$525,844
Work in process, raw materials and supplies.....	48,604	63,622	404,357
Total.....	¥111,810	¥127,352	\$930,201

6. Pledged Assets

The Company and its consolidated subsidiaries did not hold any assets pledged as collateral at March 31, 2003 and 2002.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings are represented by 365-day notes issued by the Company and its consolidated subsidiaries to banks and bore interest at the average annual rate of 1.15% at March 31, 2003 and 1.12% 2002, Long-term debt at March 31, 2003 and 2002 is as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
0.90% unsecured convertible bonds due 2003.....	¥15,481	¥ 15,500	\$128,794
2.00% unsecured bonds due 2002.....	-	20,000	-
1.39% unsecured bonds due 2004.....	20,000	20,000	166,389
0.85% unsecured bonds due 2003.....	20,000	20,000	166,389
1.30% unsecured bonds due 2005.....	30,000	30,000	249,584
1.59% unsecured bonds with warrants due 2006.....	4,500	4,500	37,438
0.86% unsecured bonds with warrants due 2007.....	5,500	5,500	45,757
Other loans from banks.....	12,153	16,339	101,097
Current portion.....	(37,404)	(26,387)	(311,177)
Total.....	¥70,230	¥105,452	\$584,271

A summary of terms and conditions of the unsecured convertible bonds at March 31, 2003 is as follows:

0.90% unsecured convertible bonds due 2003

Bond amount.....	¥15,481 million
Interest rate.....	0.90%
Issued stocks.....	Common stock
Conversion price.....	¥3,150 per share subject to adjustment in certain events.
Convertible period.....	June 1, 1994-September 29, 2003

A summary of terms and conditions of the bonds with warrants at March 31, 2003 is as follows:

1.59% unsecured bonds with warrants due 2006

Bond amount.....	¥4,500 million
Interest rate.....	1.59%
Issued stocks.....	Common stock
Exercise price.....	¥14,070
Exercise period.....	July 1, 2002-June 8, 2006

0.86% unsecured bonds with warrants due 2007

Bond amount.....	¥5,500 million
Interest rate.....	0.86%
Issued stocks.....	Common stock
Exercise price.....	¥9,608
Exercise period.....	July 1, 2003-June 7, 2007

8. Retirement and Severance Benefits

The Company and its consolidated domestic subsidiaries have noncontributory retirement and severance benefit plans that provide for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. In addition, the majority of the employees of the Company and its consolidated domestic subsidiaries are covered by a contributory pension plan, whose benefits are based on length of service and certain other factors and include a portion representing the government social security welfare pension.

Certain consolidated foreign subsidiaries have a noncontributory retirement and severance benefit plan that provides for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2003 and 2002 is as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Benefit obligation	¥(67,714)	¥(59,125)	\$(563,344)
Fair value of plan assets	20,631	18,021	171,639
Unrecognized benefit obligation	(47,083)	(41,104)	(391,705)
Unrecognized actuarial difference	13,622	9,390	113,330
Unrecognized decrease of benefit	(1,857)	-	(15,449)
Amount recognized in the consolidated balance sheets (note) ..	¥(35,318)	¥(31,714)	\$(293,824)

Note: The annual provision for accrued retirement benefits for directors and corporate auditors (¥1,074 million in 2003, and ¥1,270 million in 2002) is not included.

Net pension cost of the plans is as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Service cost	¥5,164	¥4,369	\$42,963
Interest cost	1,688	1,621	14,040
Expected return on plan assets	(541)	(467)	(4,498)
Amortization of unrecognized actuarial difference	2,456	544	20,435
Amortization of decrease of benefit	(619)	-	(5,149)
Net pension cost	¥8,148	¥6,067	\$67,791

Significant assumptions of domestic pension plans used to determine these amounts are as follows:

	2003	2002
Allocation method of benefit obligation	Straight-line method	
Discount rate	2.50%	3.00%
Expected rate of return on plan assets	3.00%	3.00%
Amortization life of prior service cost	4 years	-
Amortization life of unrecognized actuarial difference	4 years	4 years
Amortization life of unrecognized transition obligation	Fully recognized in the fiscal year ended March 31, 2001	

9. Income Taxes

Significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Deferred tax assets			
Tax loss carryforwards	¥13,394	¥17,100	\$111,432
Allowance for retirement benefits	11,417	9,252	94,982
Devaluation of inventories	6,993	944	58,176
Provision for loss on restructuring	3,549	-	29,525
Excess of depreciation and amortization	2,451	-	20,394
Elimination of unrealized gain on inventories	1,273	1,931	10,589
Elimination of unrealized gain on fixed assets	1,271	738	10,572
Allowance for bonuses	1,165	-	9,689
Other	3,014	5,034	25,079
Subtotal of deferred tax assets	44,527	34,999	370,438
Valuation allowance	(30,724)	(3,979)	(255,605)
Total deferred tax assets	13,803	31,020	114,833
Deferred tax liabilities			
Allowance for extraordinary depreciation	(523)	(754)	(4,349)
Other	(407)	(4,315)	(3,386)
Total deferred tax liabilities	(930)	(5,069)	(7,735)
Net deferred tax assets	¥12,873	¥25,951	\$107,098

Along with the promulgation on March 31, 2003 of the Law to Partially Revise the Regional Tax Law, etc. (Law No. 9, 2003), the legal effective tax rate used in the calculation of all deferred tax assets and liabilities (limited to those deferred taxes that will be realized on April 1, 2004 or later) was changed to 40.69% from 42.05%. As a result, deferred tax assets (after deducting deferred tax liabilities) at the end of the current fiscal year decreased by ¥118 million, deferred provision for income taxes increased by ¥116 million, and the net unrealized gain (loss) on securities declined by ¥2 million.

10. Shareholders' Equity

The Company issued 6,027 shares and 634 shares of common stock in 2003 and 2002, respectively, in connection with conversion of convertible bonds.

Conversion of convertible bonds into common stock has been accounted for in accordance with the provisions of the Japanese Commercial Code by crediting one-half of the conversion price to the common stock account and the additional paid-in capital account respectively.

11. Share Repurchase Under Stock Option Program

The Company and its consolidated subsidiaries have a stock option plan to further increase directors' and employees' incentive and motivation to raise corporate performance with the aim of maximizing corporate value. A summary of share repurchases under the stock option plan during the year ended March 31, 2003 is as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
Outstanding at beginning of the year	603,000	¥4,991	\$41,526
Purchased	-	-	-
Exercised	-	-	-
Outstanding at end of the year	603,000	¥4,991	\$41,526

Note: The Company has 1,431,755 shares (¥8,248 million) of treasury stock other than the above.

12. Restructuring costs

These costs are for the devaluation and disposal, etc. of assets due to the consolidation or the closure of operating bases in accordance with the implementation of the business restructuring plan.

13. Amount transferred to provision for loss on restructuring

This amount was transferred to provision for loss on restructuring in preparation for losses expected to be incurred in future due to the implementation of the business restructuring plan.

14. Leases

Pro-forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, and depreciation expense of finance leases that do not transfer ownership of leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 is as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition cost	¥999	¥876	\$8,309
Accumulated depreciation	255	69	2,117
Net leased property	¥744	¥807	\$6,192

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within one year	¥171	¥171	\$1,424
Due over one year	573	636	4,768
Total	¥744	¥807	\$6,192

Lease payments and depreciation computed by the straight-line method over the lease terms with no residual value and imputed interest expense were ¥171 million in the year ended March 31, 2003 and ¥69 million in the year ended March 31, 2002.

Future minimum operating lease payments:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within one year	¥1,434	¥ 868	\$11,927
Due over one year	1,582	1,976	13,162
Total	¥3,016	¥2,844	\$25,089

15. Segment Information

The Company and its consolidated subsidiaries operate in a single segment.

16. Contingent Liabilities

The Company and its consolidated subsidiaries did not hold any contingent liabilities at March 31, 2003.

Independent Auditors' Report

To the Board of Directors, Tokyo Electron Limited

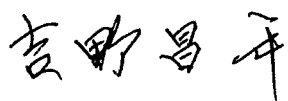
We have examined the consolidated balance sheets of Tokyo Electron Limited and its consolidated subsidiaries as of March 31, 2003 and 2002, the related statements of income and shareholders' equity for each of the three years in the period ended March 31, 2003, and the statements of cash flows for the years ended March 31, 2003 and 2002, all expressed in yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated statements present fairly the financial position of Tokyo Electron Limited and its consolidated subsidiaries at March 31, 2003 and 2002, the results of their operations for each of the three years in the period ended March 31, 2003, and their cash flows for the years ended March 31, 2003 and 2002, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

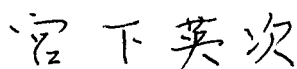
The amounts expressed in U.S. dollars have been translated on the basis described in Note 2-a.

Tokyo, Japan

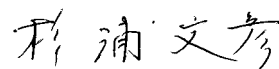
June 20, 2003



Masatoshi Yoshino
Certified Public Accountant



Eiji Miyashita
Certified Public Accountant



Fumihiko Sugiura
Certified Public Accountant