

# Consolidated Six-Year Summary

Tokyo Electron Limited and its Subsidiaries

Years ended March 31, 2002, 2001, 2000, 1999, 1998 and 1997

	Thousands of U.S. dollars		Millions of yen				
	2002	2002	2001	2000	1999	1998	1997
Net sales .....	<b>\$3,136,831</b>	<b>¥417,825</b>	¥723,880	¥440,729	¥313,820	¥455,585	¥432,785
Semiconductor production equipment <sup>1</sup> .....	<b>2,445,309</b>	<b>325,715</b>	619,001	355,103	242,240	380,184	355,877
Computer network <sup>1</sup> .....	<b>127,864</b>	<b>17,031</b>	14,054	12,357	12,878	15,262	14,408
Electronic components .....	<b>552,986</b>	<b>73,658</b>	89,211	72,051	57,734	60,139	62,500
Other .....	<b>10,672</b>	<b>1,421</b>	1,614	1,218	968	-	-
Operating income (loss) .....	<b>(137,467)</b>	<b>(18,310)</b>	121,086	35,816	6,383	63,296	60,389
Income (loss) before income taxes .....	<b>(172,070)</b>	<b>(22,919)</b>	99,132	29,689	6,038	62,834	60,487
Net income (loss) .....	<b>(149,685)</b>	<b>(19,938)</b>	62,012	19,848	1,866	30,009	29,975
Domestic sales .....	<b>1,400,277</b>	<b>186,516</b>	299,272	183,987	149,838	230,550	256,808
Overseas sales .....	<b>1,736,554</b>	<b>231,309</b>	424,608	256,742	163,982	225,035	175,977
Depreciation and amortization .....	<b>197,406</b>	<b>26,294</b>	21,679	19,446	17,921	12,652	10,167
Capital expenditures <sup>2</sup> .....	<b>232,327</b>	<b>30,946</b>	49,403	18,999	23,478	33,302	18,456
R&D expenses .....	<b>404,105</b>	<b>53,827</b>	52,911	37,135	26,842	26,813	20,988
Total assets .....	<b>4,181,046</b>	<b>556,915</b>	729,511	499,499	414,903	493,600	387,077
Total shareholders' equity .....	<b>2,309,148</b>	<b>307,579</b>	333,281	273,603	257,716	261,009	207,476
Number of employees .....		<b>10,171</b>	10,236	8,946	7,835	7,287	6,277
	U.S. dollars		Yen				
Net income (loss) per share of common stock: <sup>3</sup>							
Basic .....	<b>\$ (0.85)</b>	<b>¥ (113.85)</b>	¥ 353.76	¥ 113.53	¥ 10.70	¥ 174.68	¥ 181.97
Diluted <sup>4</sup> .....	-	-	344.75	110.64	-	168.43	172.74
Cash dividends per share of common stock:							
Actual .....	<b>0.06</b>	<b>8.00</b>	38.00	14.00	12.00	30.00	28.00
Adjusted <sup>3</sup> .....	<b>0.06</b>	<b>8.00</b>	38.00	14.00	12.00	30.00	25.45
Number of shares outstanding (thousands) .....		<b>175,691</b>	175,691	175,660	174,624	174,569	150,189
Number of shareholders .....		<b>37,116</b>	42,781	7,147	8,576	9,562	11,097
			Percent				
ROE .....		<b>(6.2)</b>	20.4	7.5	0.7	12.8	15.4
Operating income margin .....		<b>(4.4)</b>	16.7	8.1	2.0	13.9	14.0
Shareholders' equity ratio .....		<b>55.2</b>	45.7	54.8	62.1	52.9	53.6
Asset turnover (times) .....		<b>0.65</b>	1.18	0.96	0.69	1.03	1.10
	U.S. dollars		Thousands of yen				
Net sales per employee .....	<b>\$ 308,409</b>	<b>¥ 41,080</b>	¥ 70,719	¥ 49,265	¥ 40,054	¥ 62,520	¥ 68,948

1 Results are retroactively restated due to a structural reorganization in fiscal 1997. 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 Per share amounts prior to the year ended March 1998 have been restated to reflect a 1.1-for-1 stock split.

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

# Consolidated Balance Sheets

Tokyo Electron Limited and its Subsidiaries  
March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Current assets:</b>			
Cash and cash equivalents (Note 4).....	¥ 48,409	¥ 65,320	\$ 363,433
Marketable securities (Note 5).....	10	-	75
Trade notes and accounts receivable.....	167,982	302,953	1,261,128
Allowance for doubtful accounts.....	(620)	(1,720)	(4,656)
Inventories (Note 6).....	127,352	161,981	956,099
Deferred tax assets (Note 10).....	3,402	12,659	25,539
Prepaid expenses and other current assets.....	6,888	7,048	51,711
Total current assets.....	353,423	548,241	2,653,329
<b>Investments and other assets:</b>			
Investments in securities (Note 5).....	9,535	11,599	71,584
Deferred tax assets (Note 10).....	22,591	7,394	169,605
Intangible and other assets.....	36,855	37,556	276,686
Total investments and other assets.....	68,981	56,549	517,875
<b>Property, plant and equipment:</b>			
Land.....	19,908	19,698	149,456
Buildings.....	114,586	106,753	860,255
Machinery and equipment.....	95,615	84,607	717,832
Construction in progress.....	5,139	853	38,581
Total property, plant and equipment.....	235,248	211,911	1,766,124
Less: Accumulated depreciation.....	100,737	87,190	756,282
Net property, plant and equipment.....	134,511	124,721	1,009,842
<b>Total assets.....</b>	<b>¥556,915</b>	<b>¥729,511</b>	<b>\$4,181,046</b>

See accompanying Notes to Consolidated Financial Statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Current liabilities:</b>			
Short-term borrowings (Note 8).....	¥ 13,924	¥ 48,462	\$ 104,534
Current portion of long-term debt (Note 8).....	26,387	2,970	198,104
Commercial paper.....	10,000	30,000	75,075
Trade notes and accounts payable.....	41,053	87,350	308,202
Accrued income taxes.....	1,663	41,440	12,486
Allowance for employees' bonuses.....	2,463	10,948	18,494
Accrued expenses and other current liabilities.....	14,012	17,271	105,192
Total current liabilities.....	109,502	238,441	822,087
Long-term debt, less current portion (Note 8).....	105,452	126,348	791,680
Allowance for retirement and severance benefits (Note 9).....	32,984	29,807	247,625
Other non-current liabilities.....	1,340	1,576	10,068
Total liabilities.....	249,278	396,172	1,871,460
Minority interest.....	58	58	438
<b>Shareholders' equity:</b>			
Common stock (Note 11).....	47,214	47,213	354,458
Authorized: 300,000,000 shares			
Issued and outstanding: 175,691,903 at March 31, 2002			
175,691,269 at March 31, 2001			
Additional paid-in capital (Note 11).....	70,276	70,275	527,596
Retained earnings.....	190,195	214,920	1,427,892
Unrealized gains on securities.....	1,171	1,658	8,790
Foreign currency translation adjustments.....	3,738	2,734	28,061
Treasury stock at cost (Note 12).....	(5,015)	(3,519)	(37,649)
Total shareholders' equity.....	307,579	333,281	2,309,148
<b>Total liabilities and shareholders' equity.....</b>	<b>¥556,915</b>	<b>¥729,511</b>	<b>\$4,181,046</b>

# Consolidated Statements of Operation

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

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
<b>Net sales</b> .....	<b>¥417,825</b>	¥723,880	¥440,729	<b>\$3,136,831</b>
Cost of sales.....	<b>302,270</b>	458,902	303,839	<b>2,269,298</b>
<b>Gross profit</b> .....	<b>115,555</b>	264,978	136,890	<b>867,533</b>
Selling, general and administrative expenses.....	<b>133,865</b>	143,892	101,074	<b>1,005,000</b>
<b>Operating income (loss)</b> .....	<b>(18,310)</b>	121,086	35,816	<b>(137,467)</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	<b>351</b>	669	276	<b>2,635</b>
Interest expenses .....	<b>(1,960)</b>	(2,378)	(1,960)	<b>(14,713)</b>
Patent royalties for prior years .....	-	-	(1,575)	-
Devaluation of golf memberships.....	<b>(75)</b>	(35)	(1,253)	<b>(565)</b>
Devaluation of investments in securities.....	<b>(1,236)</b>	(1,552)	-	<b>(9,278)</b>
Amortization of discrepancy arising from adoption of retirement benefit accounting standards (Note 9) .....	-	(15,975)	-	-
Other, net .....	<b>(1,689)</b>	(2,683)	(1,615)	<b>(12,682)</b>
<b>Income (loss) before income taxes</b> .....	<b>(22,919)</b>	99,132	29,689	<b>(172,070)</b>
Provision for income taxes (Note 10):				
Current .....	<b>2,612</b>	50,589	14,545	<b>19,610</b>
Deferred .....	<b>(5,602)</b>	(13,490)	(4,709)	<b>(42,057)</b>
Minority interest .....	<b>8</b>	21	5	<b>62</b>
<b>Net income (loss)</b> .....	<b>¥ (19,938)</b>	¥ 62,012	¥ 19,848	<b>\$ (149,685)</b>
<b>Per share of common stock:</b>				
		Yen		U.S. dollars
Net income (loss) — basic .....	<b>¥ (113.85)</b>	¥ 353.76	¥ 113.53	<b>\$ (0.85)</b>
Net income — diluted .....	-	344.75	110.64	-
Cash dividends.....	<b>8.00</b>	38.00	14.00	<b>0.06</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Shareholders' Equity

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

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
<b>Common stock</b>				
Balance at beginning of year.....	¥ 47,213	¥ 47,163	¥ 45,532	\$ 354,450
Conversion of convertible bonds (Note 11).....	1	50	1,631	8
Balance at end of year .....	47,214	47,213	47,163	354,458
<b>Additional paid-in capital</b>				
Balance at beginning of year.....	70,275	70,225	68,594	527,588
Conversion of convertible bonds (Note 11).....	1	50	1,631	8
Balance at end of year .....	70,276	70,275	70,225	527,596
<b>Retained earnings</b>				
Balance at beginning of year.....	214,920	157,876	144,715	1,613,516
Increase (decrease) resulting from change in reporting entity, net .....	-	-	(7,309)	-
Cumulative effect of applying deferred tax accounting ....	-	-	2,717	-
Net income (loss) for year .....	(19,938)	62,012	19,848	(149,685)
Cash dividends.....	(4,031)	(4,734)	(2,095)	(30,260)
Bonuses to directors .....	(756)	(234)	-	(5,679)
Balance at end of year .....	190,195	214,920	157,876	1,427,892
<b>Unrealized gains on securities</b>				
Unrealized holding gains arising during the period .....	1,171	1,658	-	8,790
<b>Foreign currency translation adjustments .....</b>				
	3,738	2,734	-	28,061
<b>Treasury stock, at cost (Note 12) .....</b>				
	(5,015)	(3,519)	(1,661)	(37,649)
( 2000: 303,761 shares; 2001: 407,556 shares 2002: 605,867 shares)				
<b>Total shareholders' equity .....</b>	<b>¥307,579</b>	<b>¥333,281</b>	<b>¥273,603</b>	<b>\$2,309,148</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Cash flow from operating activities:</b>			
Income (loss) before income taxes .....	¥(22,919)	¥ 99,132	\$(172,070)
Depreciation and amortization .....	26,294	21,679	197,406
Increase in allowance for retirement and severance benefits.....	3,164	18,228	23,756
Increase (decrease) in allowance for employees' bonuses .....	(8,501)	3,482	(63,820)
Interest expenses .....	1,980	2,381	14,862
Loss on disposal of fixed assets .....	851	2,492	6,388
Devaluation of investments in securities .....	1,236	1,552	9,278
Loss from devaluation of golf memberships .....	75	35	565
(Increase) decrease in trade notes and accounts receivable .....	131,251	(121,669)	985,370
(Increase) decrease in inventories .....	28,359	(53,666)	212,909
Increase (decrease) in accounts payable .....	(34,166)	9,709	(256,505)
(Increase) decrease in prepaid consumption tax .....	3,901	(4,859)	29,290
Others.....	(8,500)	13,282	(63,812)
<b>Subtotal .....</b>	<b>123,025</b>	<b>(8,222)</b>	<b>923,617</b>
Receipts from interest and dividends .....	351	671	2,632
Interest paid.....	(1,970)	(2,295)	(14,790)
Income taxes paid .....	(43,848)	(19,596)	(329,189)
<b>Net cash provided by (used in) operating activities.....</b>	<b>77,558</b>	<b>(29,442)</b>	<b>582,270</b>
<b>Cash flow from investing activities:</b>			
Payment for purchase of property, plant and equipment.....	(31,006)	(39,155)	(232,779)
Payment for acquisition of intangible assets.....	(5,390)	(4,568)	(40,468)
Payment for purchase of newly consolidated subsidiaries .....	-	(18,867)	-
Others.....	607	231	4,558
<b>Net cash used in investing activities .....</b>	<b>(35,789)</b>	<b>(62,359)</b>	<b>(268,689)</b>
<b>Cash flow from financing activities:</b>			
Increase (decrease) in short-term borrowings .....	(34,796)	23,927	(261,231)
Increase (decrease) in commercial paper.....	(20,000)	30,000	(150,150)
Proceeds from long-term debt.....	37	8,671	281
Repayment of long-term debt.....	(3,018)	(3,757)	(22,656)
Proceeds from issuance of bonds.....	6,095	54,938	45,755
Redemption of unsecured bonds .....	-	(30,000)	-
Increase in treasury stock .....	(1,496)	(1,859)	(11,228)
Dividends paid.....	(4,030)	(4,733)	(30,260)
Others.....	(6)	(5)	(44)
<b>Net cash provided by (used in) financing activities .....</b>	<b>(57,214)</b>	<b>77,182</b>	<b>(429,533)</b>
Effect of exchange rate changes on cash and cash equivalents .....	(1,437)	391	(10,785)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(16,882)</b>	<b>(14,228)</b>	<b>(126,737)</b>
Cash and cash equivalents at beginning of year.....	65,291	79,519	490,170
<b>Cash and cash equivalents at end of year (Note 4).....</b>	<b>¥ 48,409</b>	<b>¥ 65,291</b>	<b>\$ 363,433</b>

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 and its subsidiaries (hereinafter "the Company") 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 30 subsidiaries.

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 made at the rate of ¥133.20 to \$1.00, the approximate rate at March 31, 2002. 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

In accordance with the revised Japanese accounting standards effective April 1, 2000, 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.

Foreign currency translation adjustments previously classified in the Assets section have been reclassified in the Shareholders' equity section starting from April 1, 2000 in accordance with the revised Japanese accounting standards effective April 1, 2000.

### (c) Marketable securities and investments in securities

In accordance with the revised Japanese accounting standards effective April 1, 2000, 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 Parent Company and its domestic subsidiaries at rates based on the estimated useful lives of assets, while the straight-line method is mainly applied for 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. 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) Leases

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

### (h) Income taxes

The Company records 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.

### (i) 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.

### (j) Valuation of assets and liabilities of consolidated subsidiaries

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

### (k) 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.

### (l) Per share information

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

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. Acquisitions

The Company during the fiscal year end on March 31, 2001 has acquired all of the shares of Supercritical Systems, Inc. and Timbre Technologies, Inc. The assets and liabilities of the acquired companies are as follows:

	Millions of yen	
Current assets .....	¥	160
Fixed assets.....		62
Consolidated goodwill.....		18,975
Current liabilities .....		(216)
Total acquisition cost.....		18,981
Cash or cash equivalents .....		(114)
Net acquisition cost .....		¥18,867

### 4. Cash and cash equivalents

Cash and cash equivalents at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and deposits.....	¥48,409	¥65,320	\$363,433
Time deposits due over 3 month.....	-	(29)	-
Total.....	¥48,409	¥65,291	\$363,433

### 5. Marketable Securities and Investments in Securities

Marketable securities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Mutual funds .....	¥10	¥ -	\$75

Investments in securities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Listed stock.....	¥8,545	¥10,577	\$64,150
Mutual funds .....	115	113	866
Other .....	875	909	6,568
Total.....	¥9,535	¥11,599	\$71,584

### 6. Inventories

Inventories at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished products .....	¥ 63,730	¥ 58,878	\$478,455
Work in process, raw materials and supplies .....	63,622	103,103	477,644
Total .....	¥127,352	¥161,981	\$956,099

### 7. Pledged Assets

The Company did not hold any assets pledged as collateral at March 31, 2002 and 2001.

### 8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings are represented by 365-day notes issued by the Company to banks and bore interest at the average annual rate of 1.12% at March 31, 2002 and 1.08% 2001, Long-term debt at March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
0.90% unsecured convertible bonds due 2003 .....	¥ 15,500	¥ 15,502	\$116,366
2.00% unsecured bonds due 2002.....	20,000	20,000	150,150
1.39% unsecured bonds due 2004.....	20,000	20,000	150,150
0.85% unsecured bonds due 2003.....	20,000	20,000	150,150
1.30% unsecured bonds due 2005.....	30,000	30,000	225,225
1.59% unsecured bonds with warrants due 2006 .....	4,500	4,500	33,785
0.86% unsecured bonds with warrants due 2007 .....	5,500	-	41,291
Other loans from banks .....	16,339	19,316	122,667
Current portion.....	(26,387)	(2,970)	(198,104)
Total .....	¥105,452	¥126,348	\$791,680

A summary of terms and conditions of the unsecured convertible bonds is as follows:

#### 0.90% unsecured convertible bonds due 2003

Bond amount .....	¥15,500 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 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

### 9. 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 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, 2002 and 2001 is as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Benefit obligation .....	¥(59,125)	¥(46,449)	\$(443,880)
Fair value of plan assets.....	18,021	15,575	135,292
Unrecognized benefit obligation .....	(41,104)	(30,874)	(308,588)
Unrecognized actuarial difference .....	9,390	2,175	70,495
Amount recognized in the consolidated balance sheets (note) ..	¥(31,714)	¥(28,699)	\$(238,093)

Note: The annual provision for accrued retirement benefits for directors and corporate auditors (¥1,270 million in 2002, and ¥1,108 million in 2001) is not included.

Net pension cost of the plans is as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Service cost .....	¥4,369	¥3,942	\$32,797
Interest cost .....	1,621	1,418	12,170
Expected return on plan assets.....	(467)	(419)	(3,508)
Amortization of unrecognized actuarial difference .....	544	-	4,087
Amortization of unrecognized transition obligation .....	-	15,975	-
Net pension cost.....	¥6,067	¥20,916	\$45,546

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

	2002	2001
Allocation method of benefit obligation .....	Straight-line method	
Discount rate.....	3.00%	3.50%
Expected rate of return on plan assets .....	3.00%	3.00%
Amortization life of prior service cost.....	-	-
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	

### 10. Income Taxes

Significant components of the deferred tax assets and liabilities of the Company as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
<b>Deferred tax assets</b>			
Tax loss carryforwards .....	¥17,100	¥2,447	\$128,380
Allowance for retirement benefits .....	9,252	8,180	69,462
Elimination of unrealized gain on inventories.....	1,931	5,283	14,496
Devaluation of inventories .....	944	-	7,084
Elimination of unrealized gain on fixed assets .....	738	1,362	5,544
Foreign tax credit carryforwards .....	785	-	5,896
Devaluation of golf memberships .....	547	527	4,103
Enterprise taxes payable .....	-	3,912	-
Allowance for bonuses .....	-	2,101	-
Other .....	3,702	3,371	27,792
Subtotal of deferred tax assets.....	34,999	27,183	262,757
Valuation allowance.....	(3,979)	(2,479)	(29,874)
<b>Total deferred tax assets .....</b>	<b>31,020</b>	<b>24,704</b>	<b>232,883</b>
<b>Deferred tax liabilities</b>			
Retained earnings of foreign subsidiaries .....	(2,995)	(1,974)	(22,488)
Revaluation of investment in securities .....	(1,103)	(1,455)	(8,280)
Allowance for extraordinary depreciation.....	(754)	(884)	(5,663)
Revision of allowance for doubtful accounts.....	-	(282)	-
Other .....	(217)	(130)	(1,625)
<b>Total deferred tax liabilities .....</b>	<b>(5,069)</b>	<b>(4,725)</b>	<b>(38,056)</b>
<b>Net deferred tax assets .....</b>	<b>¥25,951</b>	<b>¥19,979</b>	<b>\$194,827</b>

## 11. Shareholders' Equity

The Company issued 634 shares and 31,421 shares of common stock in 2002 and 2001, 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 both the common stock account and the additional paid-in capital account.

## 12. Share Repurchase Under Stock Option Program

The Company has a stock option plan to further increase directors' and corporate senior staff's 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, 2002 is as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
Outstanding at beginning of the year .....	407,400	¥3,517	\$26,404
Purchased .....	215,600	1,565	11,751
Exercised .....	(20,000)	(91)	(682)
Outstanding at end of the year .....	603,000	¥4,991	\$37,473

Note: The Company has 2,867 shares (¥24 million) of treasury stock other than for the purpose of the stock option plan.

## 13. 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, 2002 and 2001 is as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition cost .....	¥876	¥35	\$6,582
Accumulated depreciation .....	69	31	524
Net leased property .....	¥807	¥ 4	\$6,058

Future minimum lease payments :

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year .....	¥171	¥ 4	\$1,285
Due over one year .....	636	-	4,773
Total .....	¥807	¥ 4	\$6,058

Lease payments and depreciation computed by the straight-line method over the lease terms with no residual value and imputed interest expense were ¥69 million in the year ended March 31, 2002 and ¥6 million in the year ended March 31, 2001.

Future minimum operating lease payments:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year .....	¥ 868	¥ 474	\$ 6,520
Due over one year .....	1,976	1,503	14,832
Total .....	¥2,844	¥1,977	\$21,352

## 14. Segment Information

The Company operates in a single segment.

## 15. Contingent Liabilities

The Company did not hold any contingent liabilities at March 31, 2002.

# Independent Auditors' Report

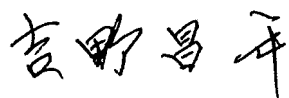
## To the Board of Directors, Tokyo Electron Limited

We have examined the consolidated balance sheets of Tokyo Electron Limited and its consolidated subsidiaries as of March 31, 2002 and 2001, the related statements of income and shareholders' equity for each of the three years in the period ended March 31, 2002, and the statements of cash flows for the years ended March 31, 2002 and 2001, 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.

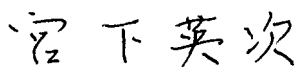
In our opinion, the consolidated statements present fairly the financial position of Tokyo Electron Limited and its consolidated subsidiaries at March 31, 2002 and 2001, the results of their operations for each of the three years in the period ended March 31, 2002, and their cash flows for the year ended March 31, 2002 and 2001, 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.

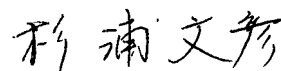
Tokyo, Japan  
June 21, 2002



Masatoshi Yoshino  
Certified Public Accountant



Eiji Miyashita  
Certified Public Accountant



Fumihiko Sugiura  
Certified Public Accountant