

GENERATIONS AHEAD

Annual Report 2002
TOKYO ELECTRON

Profile

Established in 1963, Tokyo Electron (TEL) is a world-leading supplier of semiconductor production equipment (SPE) and related services for the semiconductor industry. The Company develops, manufactures and markets a broad lineup of products, including oxidation/diffusion/LP-CVD systems, single wafer CVD and PVD systems, coater/developers, spin-on dielectric (SOD) coaters, etch systems, cleaning systems, wafer probers, and others.

Tokyo Electron also uses its accumulated expertise in SPE to develop, manufacture and market coater/developers and etch/ash systems for the manufacture of Flat Panel Display (FPD). Most of the Company's semiconductor and FPD production systems hold the leading share in their respective markets.

Tokyo Electron also maintains a strong presence as a distributor, providing a wide array of semiconductor production systems, storage area network and Internet related products for broadband solutions, and electronic components in Japan from other leading suppliers. With a network spanning 16 countries on three continents, Tokyo Electron provides superior products and services to its customers, and superior returns to its shareholders.

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Disclaimer regarding Forward-looking Statements

Matters discussed in this annual report, including forecasts of future business performance of Tokyo Electron, management strategies, beliefs and other statements are based on the Company's assumption in light of information that is currently available. These forward-looking statements involve known or unknown risks, uncertainties and other factors that could cause actual results to differ materially from those referred to in the forward-looking statements.

Factors that have a direct or indirect impact on Tokyo Electron's future performance include, but are not limited to:

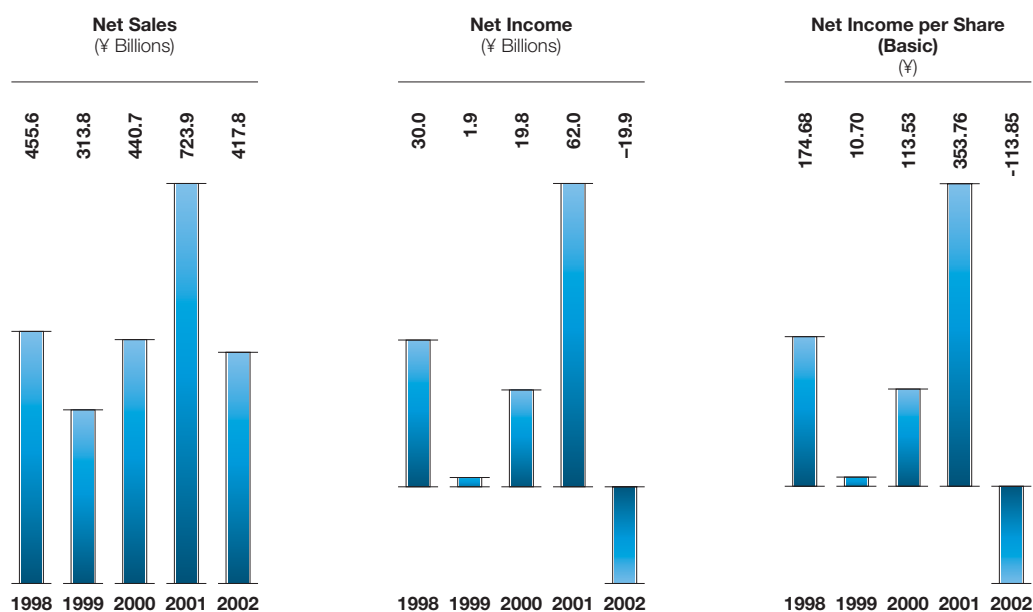
- Economic circumstances in Japan and overseas, consumption trends, and large fluctuations in foreign exchange rates
- Changes in semiconductor and FPD markets
- Changes in the demand for products and services manufactured or offered by Tokyo Electron's customers, such as semiconductor manufacturers, FPD manufacturers and electronic makers
- Tokyo Electron's capabilities to continue to develop and provide products and services that respond to rapid technology innovation and changing customer needs in a timely manner

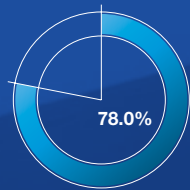
Financial Highlights

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

	Millions of yen (Note 1)			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
FOR THE YEAR				
Net sales	¥417,825	¥723,880	¥440,729	\$3,136,831
Operating income (loss)	(18,310)	121,086	35,816	(137,467)
Income (loss) before income taxes	(22,919)	99,132	29,689	(172,070)
Net income (loss)	(19,938)	62,012	19,848	(149,685)
Net income (loss) per share of common stock (Note 2):				
Basic	¥ (113.85)	¥ 353.76	¥ 113.53	\$ (0.85)
Diluted (Note 3)	-	344.75	110.64	-
Cash dividends per share of common stock	8.00	38.00	14.00	0.06
AT YEAR-END				
Total assets	¥556,915	¥729,511	¥499,499	\$4,181,046
Total shareholders' equity	307,579	333,281	273,603	2,309,148

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.20=\$1. Per share figures are stated in yen and dollars.
2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year.
3. Dilution is not assumed for the year ended March 2002.





Semiconductor & FPD Production Equipment

Semiconductor Production Equipment

Tokyo Electron develops and manufactures a broad range of superior semiconductor production equipment, and complements its original lineup by distributing high-value-added products from other suppliers.

•Litho-Cell Group

- Coater/Developer
- Spin-on Dielectric Coater
- Plasma Etch System



Coater/Developer
CLEAN TRACK ACT®12



Plasma Etch System
Telius™

•Thin Film & Cleaning Group

- Oxidation/Diffusion/LP-CVD System
- Single Wafer Rapid Thermal Furnace
- Single Wafer CVD System
- Plasma Process System
- PVD System
- Cu ECMD System (NuTool Inc.)
- Cleaning System
- Scrubber System



Oxidation/Diffusion/LP-CVD System
ALPHA-303i



Single Wafer CVD System
Trias™

•Test & Integrated Process

Control Group

- Fully Automatic Wafer Prober
- Wafer Level Burn-in & Test System
- ODP™ System
- FIB System (FEI Company)
- Film Metrology Tool
(Rudolph Technologies, Inc.)
- Yield Management Software
(Yield Dynamics, Inc.)



Cleaning System
UW300Z



Fully Automatic Wafer Prober
P-12XL

Flat Panel Display (FPD) Production Equipment*

Leveraging the technology and expertise accumulated from its semiconductor production equipment business, Tokyo Electron has created a strong lineup of leading-edge FPD production equipment.

- FPD Coater/Developer
- FPD Plasma Etch/Ash System

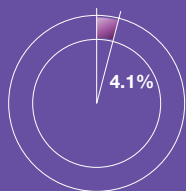


FPD Coater/Developer
CS800



FPD Plasma Etch/Ash System
SE1200

*Formerly called LCD Production Equipment



Computer Network

Computer Network

In order to fulfill its goal of providing solutions tailored to user needs, Tokyo Electron distributes storage area network and Internet related products for broadband solutions to offer comprehensive system solutions.

- Internet solutions
- Network security solutions
- SAN solutions
- Broadband solutions
- Aerospace products



Brocade Communications Systems, Inc.
Fibre Channel Integrated Fabric Switch



Extreme Networks, Inc.
Gigabit Ethernet Switch

- Advanced Digital Information Corp.
- BAE SYSTEMS
- Brocade Communications Systems, Inc.
- Caw Networks, Inc.
- Ciprico, Inc.
- Conax Florida Corp.
- Cycomm International Inc.

- Emulex Corporation
- Extreme Networks, Inc.
- F5 Networks, Inc.
- Genroco, Inc.
- Goodrich Corp.
- H. Koch & Sons Co.
- Hewlett-Packard Co.

- Hitachi, Ltd.
- ITT Aerospace Controls Corp.
- LuxN, Inc.
- nCipher Corporation Ltd.
- Nishan Systems, Inc.
- Silicon Graphics, Inc.
- Sony Corp.

- TimesTen Performance Software, Inc.
- Tivoli Systems Inc.
- VERITAS Software Corp.
- Z Microsystems, Inc.



Electronic Components

Electronic Components

Tokyo Electron selects and offers the world's best products from leading suppliers. With a full product lineup and flexible technical support, the Company provides total solutions to meet diversified user needs. Operations are handled by wholly owned subsidiary Tokyo Electron Device Ltd.

- Semiconductor products
- Board computer products
- Software
- Other electronic components



Semiconductor products



Board computer products

- Advanced Micro Devices, Inc
- Agilent Technologies, Inc.
- Cavium Networks, Inc.
- Conexant Systems, Inc.
- Cosel Co., Ltd.
- Digital Electronics Corp.
- Fujifilm Microdevices Co., Ltd.
- Fujitsu Ltd.
- Fujitsu Media Devices Ltd.
- Fujitsu Quantum Devices Ltd.
- Integrated Device Technology, Inc.

- Infineon Technologies AG
- Intersil Corp.
- Intoto Inc.
- Legerity, Inc.
- Linear Technology Corp.
- Metrowerks, Inc.
- Microsoft Corp.
- Mindspeed Technologies
- 3M
- Motion Engineering, Inc.
- Motorola, Inc.

- ON Semiconductor
- Phoenix Technologies Ltd.
- Pixelworks, Inc.
- Portwell, Inc.
- Ramtron International Corp.
- Shinko Electric Industries Co., Ltd.
- SiberCore Technologies Inc.
- Silicon Wave, Inc.
- Texas Instruments Inc.
- Tokyo Electron Device Ltd.
- Trillium Digital Systems, Inc.

- Tundra Semiconductor Corp.
- Valence Semiconductor, Inc.
- VenturCom, Inc.
- WESTTEK, L. L. C.
- Winchester Electronics
- Woodhead Industries, Inc.
- Xicor, Inc.
- Xilinx, Inc.
- Zarlink Semiconductor Inc.

In addition to the sales of our three divisions, others sales contributed 0.3 percent of net sales.

Product names and company names are trademarks or registered trademarks of their respective holders.

To Our Shareholders



Tetsuro Higashi
C.E.O., President

During the fiscal year ended March 2002, the global electronics industry, particularly the semiconductor sector, experienced a deep fall in its markets. This decline occurred amid the worst conditions ever recorded in the history of the industry, brought about by the bursting of the IT bubble and the downturn in the United States economy. Facing this extremely harsh business environment, Tokyo Electron (TEL)'s performance dropped sharply in complete contrast to the record net sales and operating income posted in the previous fiscal year. Despite various initiatives to improve earnings, consolidated net sales decreased 42.3 percent to ¥417.8 billion. Operating loss totaled ¥18.3 billion and net loss for the period amounted to ¥19.9 billion. Regardless of registering a loss, the Company decided to maintain returns to shareholders by declaring cash dividends of ¥8 per share.

Looking at the performance by division, the sales of the Semiconductor Production Equipment division decreased 47.4 percent to ¥325.7 billion. The division's

sales were negatively affected by the substantial contraction in the market due to world-wide curtailment in capital investment by semiconductor and liquid crystal display (LCD) manufacturers. The Electronic Components division was similarly affected by stagnant semiconductor demand in the Japanese market. Despite efforts to combat this trend by expanding sales of leading-edge products, the division's sales declined 17.4 percent to ¥73.7 billion.

Conversely, amid this wave of declining performances, the Computer Network division's sales jumped 21.2 percent to ¥17.0 billion. This significant growth achieved in a depressed market can be mainly attributed to the use of powerful marketing efforts in constructing a product lineup focused on products related to the high-growth Internet technology and storage markets. Having proved the success of its strategies before the full-fledged start of the broadband era, the division is confident of achieving further growth.

Implementing Cost Reduction and Restructuring Operations from a Mid-Term Perspective

During the fiscal year under review, TEL carried out a series of restructuring activities and reductions in fixed costs. These measures were taken not only to improve profits during a downturn, but also to create further growth from a mid-term perspective.

To enable a quick response to fluctuations in production, the Company out-sources much of its labor requirements for its design and manufacturing lines. Numbering 3,000 employees at the beginning of the fiscal year, these contracted employees were reduced by more than 70% by the end of the fiscal year.

In our domestic operations, we merged the two plants of Tokyo Electron Tohoku, the center for the Company's thermal processing systems development and manufacturing business, into one plant. This measure was taken based on the determination that the plant scale could be reduced while maintaining adequate production capability. Proof for this decision is being steadily provided by the higher efficiency of the new production system that has been introduced previously at other plants.

In the United States, the Company also implemented wide-ranging restructuring, closing Tokyo Electron Oregon, its U.S. base for manufacturing thermal processing systems and absorbing Tokyo Electron Phoenix into Tokyo Electron Massachusetts. In addition, TEL reviewed its global field engineering structure, closing a total of five service stations in Japan, the United States, and Europe.

Besides restructuring its operations, the TEL Group as a whole concentrated on cutting material, labor, and other activity expenses, achieving a reduction of more than ¥30 billion in fixed expenses compared with the previous fiscal year. While these efforts did not prevent the Company from registering a net loss, a structure is progressively being established that will contribute fully to recovery during the next upturn in the market.

Research and development expenses have not been touched in preparation for the next upward cycle. As originally planned, they remained at the same high level as in the previous fiscal year.

Creating Winning Products—The Source of Profitability

With the peaks and troughs in the industry getting steadily larger and the growing influence of the Chinese market, international competition is expected to intensify further as companies compete for survival. To be successful in this global megacompetition, equipment manufacturers must pursue the highest technology standards in the world as well as efficient operations. These are extremely difficult issues for equipment manufacturers, which are easily affected by the market's ups and downs, to address. Nevertheless, without achieving both of these requirements simultaneously, it will be impossible to become a world-class company.

In recognition of these requirements, the Company is focusing its full efforts on introducing products that are overwhelmingly differentiated and on developing next generation core technologies. To achieve these objectives, it will be important for us to collaborate with leading global chip manufacturers from an early development stage and to quickly bring to market products and technologies that meet our customers' needs. Moreover, in support of these goals, the Company will also seek strategic alliances with other suppliers.

Even amid the trying circumstances of the past fiscal year, the Company did not let up on its research activities, and launched several products. Released at the end of 2001, the Trias™SPA plasma nitridation system incorporates nitrogen in gate dielectric films using damage-free microwave plasma. During the short period since its launch, the product has attracted a great deal of attention from customers. For the next step, the Company intends to work with customers to develop further applications for the system. Among other new product launches, development of TELFORMULA™, a high-speed thermal processing system that features flexible loading of wafers, was completed during the fiscal year. The product has been acknowledged by customers, and orders are expected to start building in earnest during the current year.

In other positive news, our customers have been refitting with next-generation equipment, principally 300mm equipment, and several of our 300mm models have already gained a larger share of the market than 200mm models.

Structural Reforming Taskforce—Making TEL a Company That Can Respond Quickly to Change

Over the past few years, thanks to globalization and our technological leadership, the Company has made a significant leap in global competitiveness. However, in terms of the speed and strength necessary to emerge a victor in global megacompetition, we must recognize that the Company still harbors some weakness, as has been amply demonstrated by the sudden downturn in the market. Since it is unlikely that the undulations in the market will cease, we must achieve a structure that can respond flexibly and quickly to market changes and achieve high profitability under any market conditions. The establishment of a Structural Reforming Taskforce, with myself as its head, signifies that we are taking structural reform seriously.

One of our key reform projects is the Total Cost Down Project, which aims to fundamentally improve our design and manufacturing procedures through the deployment

of “state-of-the-art” IT. Its concept is to change our way of thinking about design and manufacturing through the use of IT, reducing lead time from order to shipment by one half. The completion of this project will enable us to manufacture products in a highly efficient manner with far less assets, including human resources. The system is already being tested in Tokyo Electron Tohoku, where proof of its effectiveness is steadily emerging. We plan to begin fully introducing the system in our Japanese plants within the next two years. Among other reform projects, we are considering implementing measures to reduce cost of manufacturing and to introduce a small but highly efficient operating system in our administrative divisions. Concrete schemes are firming up and about to get under way.

Cost reduction involves the reengineering of your processes, and such fundamental reform requires time. Nevertheless, we will speed up the process of reform as much as possible.

The Fiscal Year Ahead—The Starting Line for New Growth

The past fiscal year was a difficult one for TEL as we restructured our operations, reformed our corporate structure, and implemented various other measures to battle our sudden change in fortunes. But at the same time, signs of recovery are beginning to emerge in the semiconductor production equipment market. Strategic capital investments by major chip manufacturers took the lead in resumption of investment in plant and equipment in the industry, but a genuine recovery is expected to take some time. Reflecting the positive trend, however, orders for our semiconductor production equipment are improving. In addition, capital investment in flat panel displays (FPD) production equipment has been revived by the favorable conditions in the FPD market, resulting in strong orders for both types of our FPD production equipment, which enjoy majority shares of their respective markets.

Clearly, the fiscal year ahead has begun on a brighter note. Nevertheless, the Company remains in the midst of a process of fundamental change aimed at establishing a high-profitability structure. It is a year, I think, that will require balanced efforts. We must move forward concurrently with our plans for streamlining our business to get back in the black and for achieving growth in the medium to long term. Firmly convinced of the necessity of realizing true global competitiveness, TEL is wholly committed to creating winning products and establishing a high-profitability structure. As we stand on the starting line to new profitability growth, we hope that you will look forward to our future performance as we look forward to your continued support.



Tetsuro Higashi
C.E.O., President
June 2002

Market Review with President Tetsuro Higashi



Overall, how would you describe the fiscal year ended March 2002?

The semiconductor production equipment industry experienced the worst down cycle since this business began. We have gone through several downward swings in the past, but none have been as severe as this current down cycle in scale and speed. In response, we initiated a variety of measures to try and minimize its negative impact, but still it was the most difficult year the Company has experienced. In fact, it has made us realize that we have to change to a more responsive and efficient organization.

Despite the difficult conditions throughout the year, we were successful in launching several key products that were in the market spotlight. Furthermore, TEL was recognized as an industry leader in 300mm equipment, which chipmakers are in the process of shifting to. The Company also made good progress in developing next generation technologies.

In your opinion, what changes are going on in the industry?

Looking at the major trends, the semiconductor industry is moving from a PC-centric age to a pervasive age in product applications. As part of this trend, DRAMs and other chips are becoming much cheaper and lifecycles of chips are becoming much shorter, reflecting the shorter lifecycles of the end products they are used in. This trend will have a stronger impact as we leave the PC-centric age and a wide array of communications-enabled information devices, such as personal digital electronics products and digital household appliances enter the market.

The significance of this trend for semiconductor production equipment suppliers is that we are being asked to supply the semiconductor industry with equipment of the highest technology and quality that can produce chips at low cost. Moreover, to cope with shortened lifecycles, chipmakers want equipment to ramp-up quickly and to flexibly adapt to markets. In short, our customers are going to be making much harsher demands on us regarding tool specifications and product capability.

In light of such trends, what advantages do you have that can be leveraged in your business?

Would you give us some of the highlights from your product development programs?

Another major trend among the semiconductor industries of Japan, Europe and the United States is a significant change in production strategies. Companies are increasingly outsourcing the production of products that are not considered core business to foundries in Taiwan and other Asian areas. This trend can be viewed as simply progressive specialization within the industry, but it is going to affect the role of production equipment suppliers like us to some extent. We are being required to support this strategy with our process development, process integration, and processes control capabilities, moving us even closer to the boundary between equipment manufacturers and chipmakers.

The first points that come to mind are our world class technologies and powerful marketing capabilities that anticipate the needs of our customers around the world. Marketing is not the sole domain of our marketing group, our sales and field engineering groups cooperate in a unified effort where everyone has a role to play. Developing the customer needs recognized through this process into individual products has led to the creation of our current extensive and highly competitive product lines.

Process integration capabilities will be key to the future success for semiconductor production equipment suppliers. Such capabilities are best realized if one has a broad line up of products, similar to those of TEL. Process integration is a core element within our products providing a high centripetal force. We have a high degree of flexibility that can incorporate the products of other suppliers providing an optimal solution to our customers. In addition, our Process Technology Center in Yamanashi Prefecture has drawn the attention of global customers as one of the most-advanced application laboratories in the industry. This facility combined with a series of key equipment makes process integration possible, and we have established a competence that provides powerful support for the product differentiation strategies for each of our customers.

Preparations have been completed for the shift to 300mm equipment in almost all product categories, subsequently our market share of this equipment will exceed that for 200mm equipment. One product that is close to volume production is the plasma etch system *Telius*TM. Compared with the 200mm model, the 300mm model is more compact and employs a unique platform featuring a parallel transferring system. Because of its high productivity, *Telius*TM has made a sensational debut in the market.

Another highly innovative new product is the high-speed thermal processing system *TELFORMULA*TM. Featuring a flexible batch system that can accommodate one to 25 wafers, this equipment is designed to be scalable and adaptable to changes in the volume and variety of products. *TELFORMULA*TM has drawn significant attention from the market because it provides for the current need in the market by delivering higher productivity through shortened production cycle time. This is the optimal tool for use in the manufacture of system on chip (SOC) devices, demand for which is increasing with the spread of digital consumer appliances in the respective markets.

In addition, we have recently launched a plasma nitridation system that creates

Will you tell us more about the products you are currently developing for the future?

high-quality nitrated gate dielectric films. The system has been very well received by flash memory and logic chip customers, even though it was launched very recently. Its extensibility to other applications makes this system a highly promising product for new market development.

Among the BEOL (interconnect) processes, for which equipment sales are expected to grow, the intermetal dielectric film formation is a key process within this large latent market. Taking advantage of our specialty technologies, we have developed an SOD coater to address this market. We expect the market for this SOD coater to show real expansion from the 100-nanometer generation. Additionally, we are working with customers and materials suppliers to investigate new breakthroughs in this field.

We are also strengthening our advanced process control (APC) technologies. We are in the midst of developing products incorporating Optical Digital Profilometry™, a technology of the recently acquired Timbre Technologies, into our own products and evaluation by our customers is underway. Of course, the strategy that we have for APC goes much further—we have just moved to the starting line. However, I think we have taken the first major step into a field that will be an important factor in differentiating semiconductor production equipment makers in the future.

Work on 70-nanometer and below processes is ongoing. We are researching and developing ways to put supercritical cleaning technologies from Supercritical Systems, a company we acquired two years ago, to practical use. Furthermore, through a business alliance with a key stepper manufacturer, we have begun developing lithography processes utilizing F2 excimer lasers.

If the use of digital consumer products becomes as wide spread a market as that of personal computers, the increased demand for semiconductors and new semiconductor production equipment will result in the Company having to supply its customers with innovative products and technologies at lower costs. To rephrase this, for TEL to achieve higher profits, it will be absolutely necessary for us to create added value through our technological differentiation at a highly competitive price and the lowest cost.

I believe that the semiconductor production equipment market will continue to have an extremely bright future supported by a huge demand for semiconductors and a need for advanced technology. There also is no doubt in my mind that the industry will again experience cyclical downswings of the market, regardless of the magnitude. For that reason, I am committed to introducing reforms to build operations that can earn profits and sustain the highest level of R&D even under poor market conditions.

To address such market demands, we are introducing an IT-aided production system aimed at raising production efficiency. This process will take another two years to complete at our domestic factories. When completed, however, we will have a structure that can match the maximum amount of demand during times of expansion and

What are the issues facing TEL?

What direction does TEL intend to take from a global perspective?

can minimize the impact of contractions in the market. It will be able to maximize our profitability under either good or bad market conditions. To facilitate our transition to a highly profitability structure, we implemented organization changes in June. On the administrative side, our focus will be on achieving operational efficiency through a small but skillful organization. In addition, we plan to optimize our material sourcing on a global basis. Subsequently, we are stepping up our activity to target cost reductions through the maximization of productivity and production efficiency.

In April of this year, we established a service support base in Shanghai, beginning direct operations in China. We took this action in consideration of the importance of China as a growth market. From this operation, we intend to provide the highest quality technical support services to our customers in China. The fact that TEL has major R&D activity in nearby Japan makes TEL extremely attractive to customers in China and Asian countries, positioning TEL as a valuable supplier.

In terms of sales and services, we have already completed the expansion of our network and are recognized as a global supplier. Now we are seeking out regional resources with competitive advantages around the world to merge them with our own corporate resources. Our software-related R&D bases in the United States, a leader in global software technology, are a good example of our strategy. Deriving new competitive power from global regional strengths, we plan to reinforce our unique identity throughout the world.

The FPD production equipment market seems brisk, doesn't it?

Yes, I expect demand to remain robust throughout the entire year in 2002. Because the FPD production equipment market basically demonstrates the same cyclical nature as semiconductor production equipment market, it is possible that the market may soften temporarily, but in the medium- to long-term it is certain that this market will grow substantially.

One of the reasons for the current boom is that demand for LCD screens for PC monitors is growing substantially. Another trend is the progressive transition by manu-

facturers to larger glass panels, the substrate for LCD screens. As we have been quick to respond to this market trend, shipments of our FPD production equipment for larger glass panels are steadily growing. Moreover, our equipment is also adaptable for organic electroluminescent (EL) display manufacture. TEL's products account for a major global share of the FPD production equipment in the areas of FPD coater/developer and etch/ash systems. We intend to take full advantage of the business opportunities arising from this emerging market.



Our Embedded Dream of the “Invisible” Future

Since the invention of semiconductor chips, the evolution of mankind’s culture, society and lifestyle has accelerated at a pace never before experienced. Information processing and communications networks have benefited from this evolution, fulfilling an important role as driving forces for the industry.

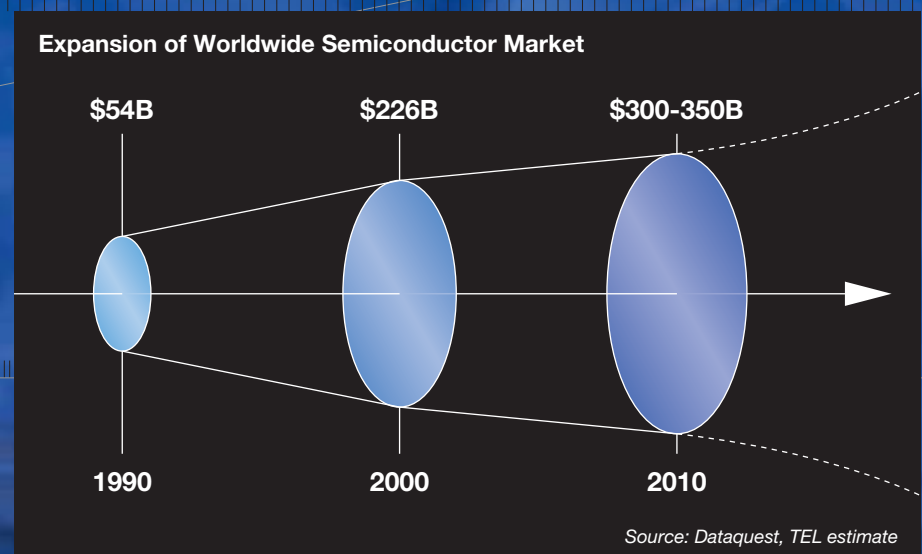
Progressing from a time when people believed that a minimal number of computers would be sufficient for the world, we have reached the stage where computers are personally available and sophisticated semiconductor technology is implemented in a wide-range of equipment, such as mobile phones, personal digital assistants (PDAs), game consoles, digital televisions, and automobiles. In the future, computing functions with broadband connections will be invisibly embedded into the environment surrounding us in our daily lives. It will be a world of ubiquitous computing where everyone can enjoy information and services any-time and anywhere.

Embedded in our genetic code, our dream of the “invisible” future is driving us on to the next stage of evolution.



The Rapidly Expanding Scale and Scope of Semiconductor Applications

The world of the “invisible” future will consume a huge volume of semiconductor chips. Semiconductors will be embedded in everything, and large addressing space for memory and massively parallel processing with a numerous array of processors will realize intelligent functions. Demand for application-specific system on a chip (SOC) is already rapidly increasing for a broad range of market segments. We are headed into the “Semiconductor Big Bang” in both scale and scope of applications.



Nano-scale, High-speed, and Energy-saving Requirements

Miniaturization of integrated circuits is progressing toward the nano-scale. In the future, they will be invisibly embedded in everything, finally realizing ubiquitous computing. This growing demand for intelligent processing for high-speed execution of complicated, large-scale algorithms accelerates chip shrinkage and high-speed capability. But shrinkage and high-speed requirements create heat dissipation problems. In addition to these problems, lower energy consumption is required, especially for semiconductor chips that are used for mobile gears to achieve long hours of battery-powered outdoor usage. To solve these problems, we are challenged to introduce new technologies.

Every Product Demonstrates Key Process Innovations

Terminology

1. Lithography

This technique is used to transfer the circuit pattern from a photomask to the wafer's surface. A stepper-scanner is used to expose the pattern onto a photoresist-coated wafer. The exposed wafer is then developed to reveal the pattern.

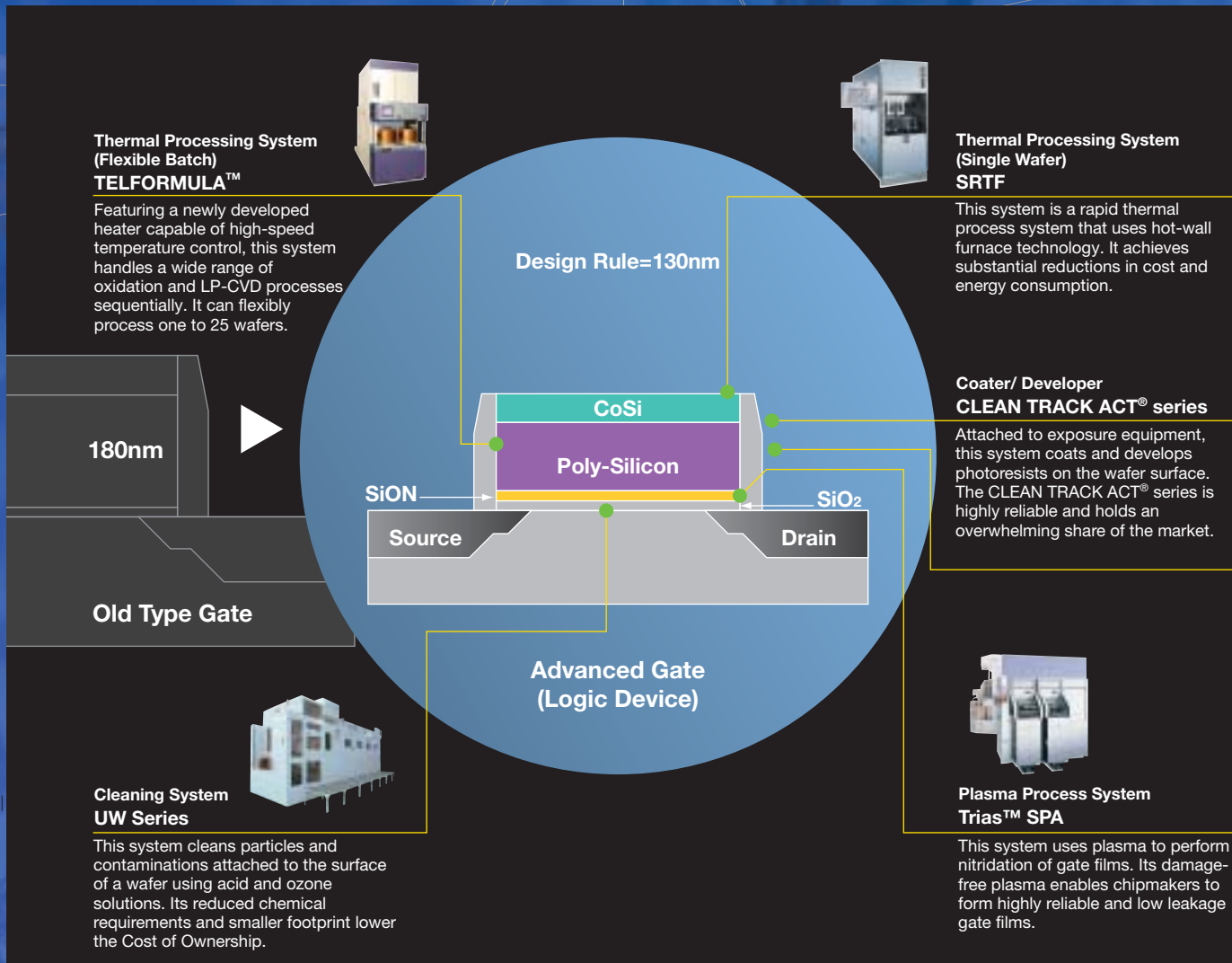
2. Low-k dielectric film

As design rules become finer and the space between interconnects becomes narrower, the speed of electrons traveling through interconnects is more easily affected by the amount of parasitic capacitance in the intermetal dielectric film, causing them to slow down. To solve this problem, it is effective to use low-k film.

Major changes are taking place in processes and materials for semiconductor manufacturing. To meet the technological challenges of greater scales of integration, higher speeds and lower energy consumption, the industry needs state-of-the-art technologies, such as lithography for finer geometries, low-resistance interconnect, low-k intermetal dielectric films, and ultra-thin gate dielectric films. TEL is committed to the development of these cutting-edge technologies, and providing its customers with "best-of-breed solutions" based on its proprietary technology and a world-class lineup of products.

Dielectric Film and Gate Electrode Formation

The transistors used in large scale integrations (LSIs) comprise an electrode and dielectric film stacked on silicon, and a source and drain into which impurities are doped. In a high-speed logic chip, the main problem that arises is the delay in the electric signal, particularly in the gate section. To try and minimize or eliminate this problem, development efforts are focusing on further miniaturization of the transistor itself, the use of low-resistance gate electrodes, formation of ultra-thin gate dielectric film, and discovery of materials and processes to support even thinner film formation.



3. Making thinner gate dielectric film

Based on the scaling law, if the gate length and width and its dielectric film thickness are made smaller and thinner, the electric current, voltage, signal delay time, and other performance specifications of a transistor will improve.

Copper Interconnect and Intermetal Dielectric Film Formation

The most advanced chips exhibit a high degree of integration, with tens of millions of transistors on a single chip. Interconnect is highly miniaturized and the space between interconnects is minimal. Consequently, the signal delay in the electric circuitry cannot be neglected. To combat this problem, the aluminum interconnect and SiO₂ dielectric film are being replaced with copper interconnect and low-k dielectric materials in the latest processes. With logic chips in particular, multilayer circuitry is an essential technology, and the industry is actively developing technologies for interconnect integration.

CU ECMD

NuTool™ 2000 (Product of NuTool Inc., U.S.A.)

A copper electroplating system that utilizes special proprietary technology to greatly reduce the amount of polishing required after copper film deposition.



SOD Coater

CLEAN TRACK ACT® series

This system deposits low-k intermetal dielectric films using the spin-on coating method. The system is expected to make great inroads into the intermetal dielectric film market, beginning with the 100nm generation.



Plasma Etch System

Telius™

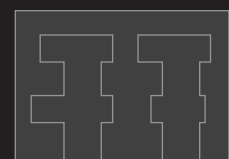
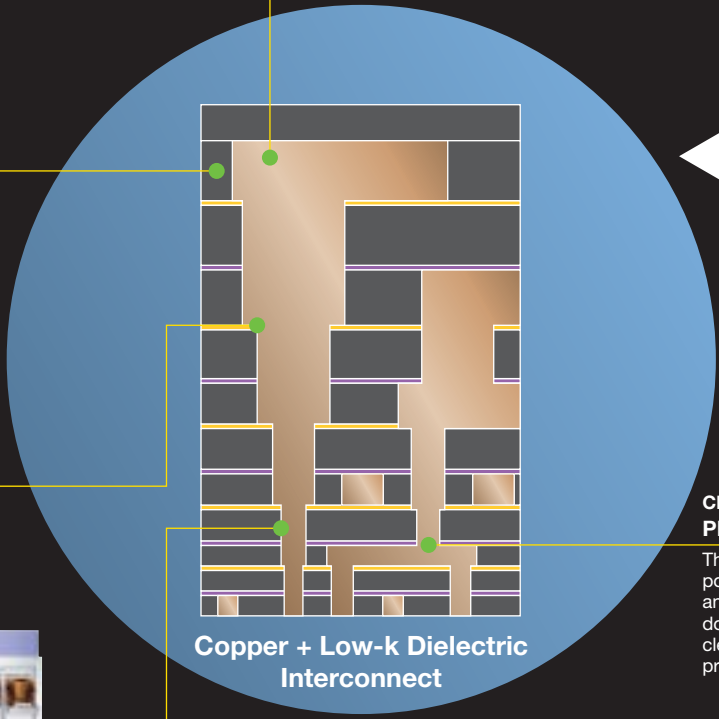
A plasma etch system for dielectric films that demonstrates superior capabilities for high-end applications, such as deep trench and self align contact etching.



Single Wafer CVD System

Trias™

Using heat and plasma, this system forms metal films or barrier films. This system claims the highest share of the market for DRAM applications.



Aluminum + SiO₂ Interconnect



Cleaning System PR Series

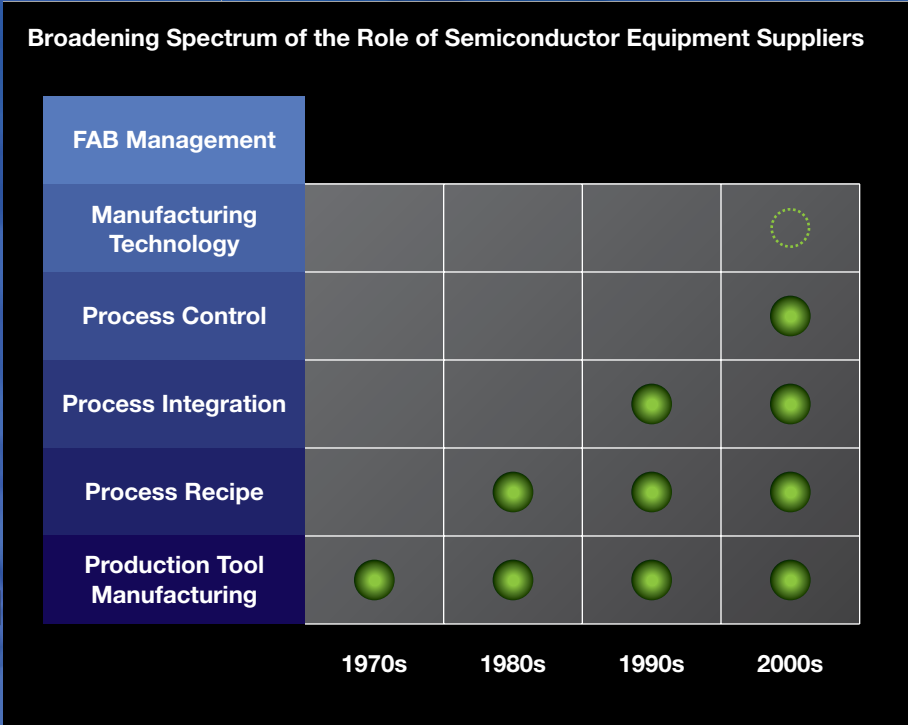
The system removes post-etching polymers using chemical reactions and spray technology. The unique double slide chamber achieves high cleaning performance and shortened process times.

Providing Further Value as a Leading Supplier

As personal digital electronics and an array of new products become popular in markets, semiconductor demand will progressively shift to products with short life cycles. Because diversification of IC applications is proceeding simultaneously, chipmakers are anticipated to increasingly specialize in design and increase their reliance on equipment suppliers for semiconductor manufacturing processes. Foundries are also expected to expand their commissioning of equipment suppliers for advanced processes for the designs created by fabless makers.

As Chipmakers Orient “What to Make,” Tool Suppliers Must Come Up with “How to Make It.”

During the dawning of the age of semiconductors, the equipment suppliers’ only role was providing hardware. However, opportunities have increased for equipment suppliers to contribute a new type of value-added content, in the form of expertise. Equipment suppliers can offer the total process recipe, and supply integrated solutions for multiple adjoining processes, or supply the systems that can self-optimize the processes with fewer manual operations. Leveraging its expansive product lineup and world-class R&D capabilities, TEL is concentrating on providing further added value to its customers.

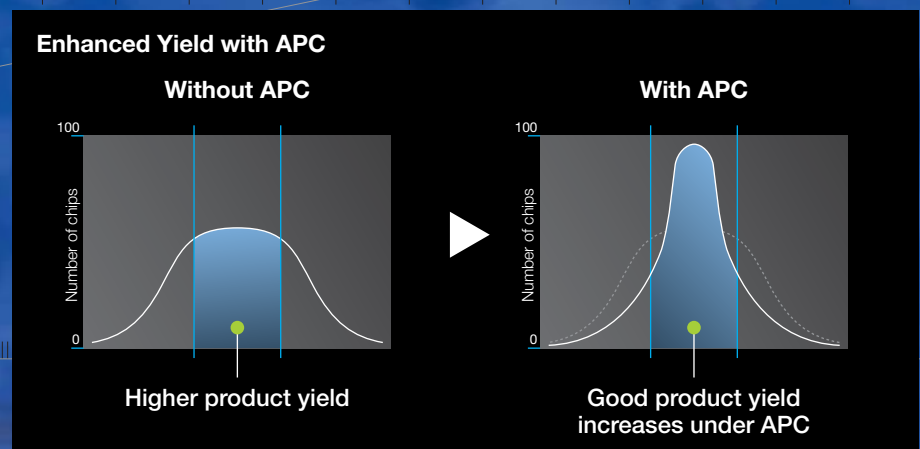


Advanced Process Control

Advanced process control (APC) is the automation of process control functions performed in individual systems or between systems to keep process stability and higher yield stability. So far, this function has been mainly achieved through the intervention of people in production lines by monitoring the quality of the product or checking whether mistakes have occurred.

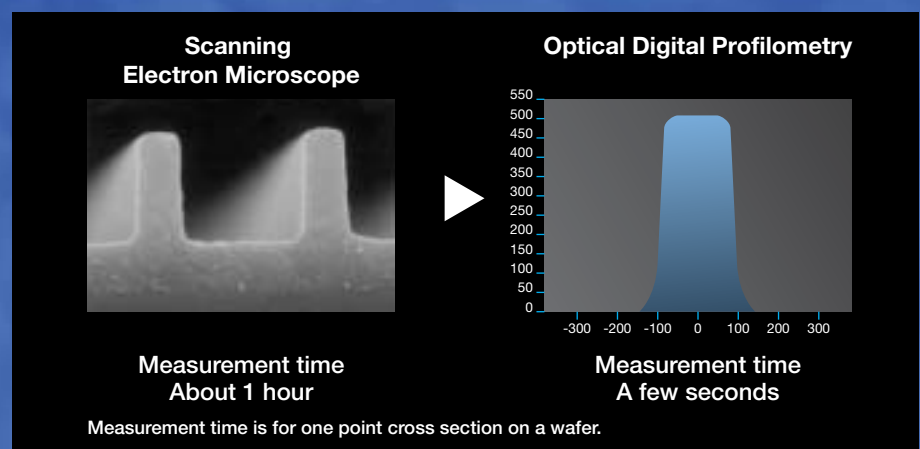
Why Yield Management is Important

Semiconductor manufacturing utilizes state-of-the-art technologies in the fields of physics and chemistry. However, due to its technological complexities, there is no guarantee that every chip will be perfect. Since the proportion of good to bad product is a question of survival for chipmakers, increasing yield is one of the most important issues for them from cost and speed-of-launch perspectives. Because APC contributes in lowering chipmakers' production costs, it will be one of the chief factors in differentiating semiconductor production equipment in the near future.



TEL's Integrated Metrology Software — a Solution for APC

In February 2001, TEL purchased Timbre Technologies Inc., of the United States, acquiring its Optical Digital Profilometry™ metrology software. Compared with conventional SEM, ODP™ greatly reduces the time to measure critical dimensions, cross sectional profile and film thickness. In our R&D efforts, we have vigorous programs under way to develop APC technologies at the equipment level, incorporating this technology into our greatest area of strength, lithography processes (Etch and Clean Track) for process monitoring.



Commitment to the Environment, Health and Safety

We believe that, as a business enterprise, Tokyo Electron has an important mission to fully consider environmental protection in its business activities, giving top priority to people's health and safety.



Safety First!

Environmental Activities

Having established the Tokyo Electron (TEL) Group Environmental Committee in 1996 as the base for our environmental activities, we proceeded to create the TEL Group Credo and Principles on Environmental Preservation, which were announced in 1998. Since then, we have been fully committed to environmental protection. Among other achievements, we have received ISO 14001 international environmental management standard certification for seven of our major domestic facilities. Utilizing this foundation, we are actively working to attain consistent improvement in our environmental performance. Specifically, we have continuously been accomplishing results in the following types of activities.

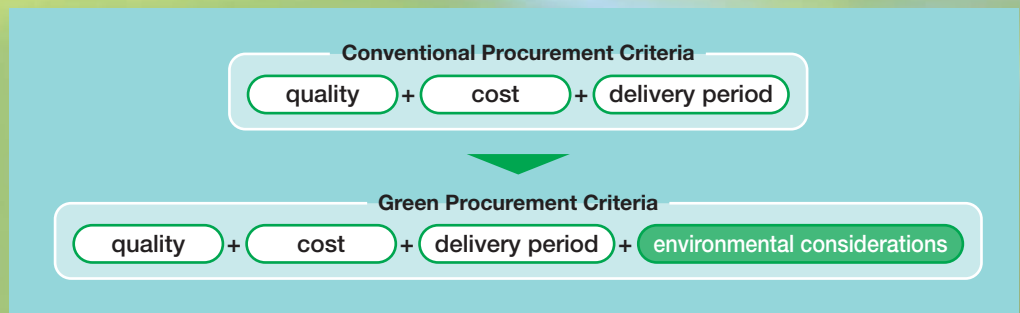
- Reduction of wastes and improvement of recycling rate
- Promotion of energy and resource conservation
- Proper control of chemical substances
- Development of environmentally benign products

Further Emphasis on Products with Reduced Environmental Impact

Our environmental activities have gotten successfully under way and are beginning to yield results. From the fiscal year under review, we have entered our second phase in which we are placing particular emphasis on development of products with reduced environmental impact. The following are a few of those related activities.

•Green Procurement

“Green procurement” means sourcing parts based on environmental considerations in addition to the conventional criteria of quality, cost, and delivery period. We issued the TEL Group’s Green Procurement Guideline in January 2001, distributing it to suppliers throughout Japan. In addition, around 200 companies were invited to take part in green-procurement seminars to solicit their cooperation in the implementation of our green-procurement policies. Taking the initiative as an industry leader, our first step in this process involves conducting vendor assessments of the environmental activities implemented by our suppliers. In the second step, we assess the environmental considerations for the parts procured by the TEL Group.



•LCA Initiative

Life Cycle Assessment (LCA) is a technique for quantitatively assessing a product’s environmental impact at each stage of the course of its life: from raw materials through manufacture, transport, use, and disposal. We can significantly reduce a product’s overall environmental impact by analyzing, assessing, and giving priority to rectifying major problems. In the fiscal year ended March 2001, each business unit implemented LCA with its sights set on reducing global warming.

Environmental Accounting

Environmental accounting is a tool for ascertaining the cost and effect of a company's environmental activities for use within the company's routine operations. As a Group, we have been using environmental accounting since the fiscal year ended March 2001. The results for the fiscal year under review will be available in the Environmental Report 2002, which will be published in fall 2002.

Leadership in SEMI's Global Care™ Program

The semiconductor and LCD industries are attracting global attention for their cutting-edge technologies and growth. Befitting their technological prowess, there are equally high expectations for these industries to be on the cutting-edge of activities aimed at preserving the global environment and promoting human health and safety.

No company can achieve this goal single-handedly, and the semiconductor and FPD industries as a whole—from top to bottom of the supply chain—must cooperate in attaining this goal. As an industry leader, Tokyo Electron is involved in a wide range of activities focused on this goal under the Global Care™ Program of Semiconductor Equipment and Materials International (SEMI).



A declaration expressing our endorsement of Global Care™. It has been submitted to SEMI.

The Global Care™ Program focuses on the following five important targets;

- Workplace Health & Safety
- Resource Conservation
- Product Stewardship
- Community Service
- Excellence

Safety Activities

Our continued existence as a corporation relies upon the safety and health of our employees, customers, and everyone involved with the TEL Group's business. During 2000, to set out our commitment to these areas in a clear and understandable fashion, we drew up the TEL Group Credo and Principles on Safety and Health. According to these guidelines, safety and health have top priority in our business activities. Profit considerations and decisions regarding delivery dates and times must not take precedence over human safety and the safety of facilities and equipment.

The TEL Group also provides Group-standardized safety training to its officers and employees under its Safety 2000 Program. This system has been developed so that all the employees of the Group acquire the same safety awareness, regardless of differences between countries and cultures, based on the Tokyo Electron's corporate policy—Safety First. The training program is also designed to further improve our customers' confidence in the TEL Group.



For further information on our environment, health and safety activities, please see our Environment Report. (available at http://www.tel.co.jp/index_e.html)

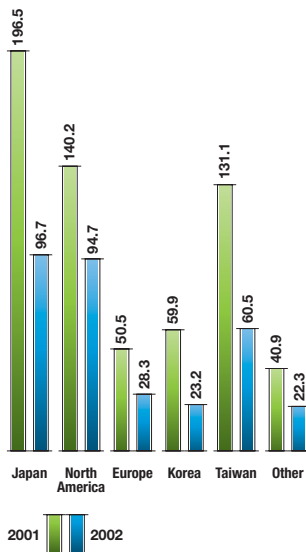
Semiconductor Production Equipment

The active capital investment in semiconductor production equipment that had continued through 1999 and 2000 dropped off sharply from the beginning of 2001 under the impact of the deteriorating semiconductor market. On an annual basis, the global semiconductor production equipment market suffered significant negative growth. The backdrop to this slump was the weak personal computer and mobile phone markets, which drive demand in the semiconductor market. After recording high growth in 2000, personal computer and mobile phone shipments slowed down, resulting in a surplus of worldwide semiconductor inventories. Subsequently, the utilization rate of chip manufacturer's plants fell notably, minimizing non-critical capital investment.

Sales of the Semiconductor Production Equipment (SPE) division for the fiscal year ended March 31, 2002, declined 47.4 percent to ¥325.7 billion. Contribution to consolidated net sales dropped to 78.0 percent from 85.5 percent. Sales of FPD production equipment, which are also included in the division's sales, decreased 42.3 percent to ¥41.4 billion because of the reduction in plant and equipment investment in the wake of a softening of the FPD market. Division's orders sunk 67.0 percent to ¥207.2 billion, shrinking not only because of the lack of new orders but also because of order write-offs.

Orders staged a recovery in the fourth quarter, however, supported by a resurgence in capital investment primarily by major semiconductor manufacturers to build production lines for 300mm wafers and to upgrade their lines to accommodate finer geometries to 0.13 μm . Although it will take time for a full-fledged recovery in investment, this trend indicates that the semiconductor production equipment industry is about to shift into a growth cycle. Orders for FPD production equipment, which also have a cyclic nature, returned to a high level in spring 2002, reflecting an improvement in a balance between demand and supply in the FPD market.

SPE division's Sales by Geographic Region
(¥ Billions)



Sales by third-party products imported into Japan are included in Japan Sales.

Review by Geographic Region

SPE division sales declined in every region during the fiscal year. The drop was significant in the Asian region, dropping 50.8 percent to ¥96.7 billion in Japan, 61.3 percent to ¥23.2 billion in the Republic of Korea, 53.9 percent to ¥60.5 billion in Taiwan and 45.5 percent to ¥22.3 billion in other Asian countries. Sales to the People's Republic of China, which are included in the other Asian countries category, increased thanks to sales orders from new customers. In the United States, sales decreased 32.4 percent to ¥94.7 billion, but total sales contribution for the division reached 29.1 percent from 22.6 percent. Excluding FPD production equipment sales, semiconductor production equipment sales in the United States were the highest of all regions. Sales in Europe amounted to ¥28.3 billion, down 43.9 percent.

Review by Product

Sales fell in every product category year on year. Nevertheless, there were some bright spots. Although sales of 200mm wafer equipment continued to slide, sales of 300mm equipment grew steadily. Sales of coaters/developers, etch systems and wafer probers for 300mm wafers were especially favorable. The division believes that sales of these products earned a larger share of the market than those for 200mm wafers in what could be recognized as the first real step towards 300mm.

R&D Expenses and New Products

There are three technological transitions concurrently transforming our industry—finer geometries, a shift to new materials, and the larger 300mm wafers. To respond to these challenges, the Company invested a record ¥53.8 billion in R&D to develop innovative, proprietary products and

processes despite the difficult operating environment. One of the areas in which progress was made during the fiscal year was a new concept of equipment incorporating the metrology technology of Timbre Technologies, Inc., acquired by the Company in the previous fiscal year, into TEL's lithography equipment. Pilot systems have entered the evaluation stage. In other state-of-the-art research, we are pioneering key 70-nanometer node technologies.

Major products launched during the fiscal year under review included:

• **TELFORMULA™**

In December 2001, we officially began accepting orders for TELFORMULA™, our new thermal processing system for 300mm wafers providing a flexible load size of up to 25 wafers. This innovative high-speed thermal processing system has solved conventional batch processing systems issues by providing a significant reduction in production cycle time. With its high-productivity and cost-advantages, we expect a strong growth in orders for the future.

• **Trias™ SPA**

In December 2001, we also launched Trias™SPA, a plasma nitridation system that enables damage-free plasma processing to incorporate nitrogen in gate dielectric films. Use of this product eliminates the need for thermal annealing to remove crystal defects caused by plasma damage. Trias™SPA has a high sales growth potential due to its extendability to other key processes for advanced logic, DRAM and flash memory.

• **SRTF**

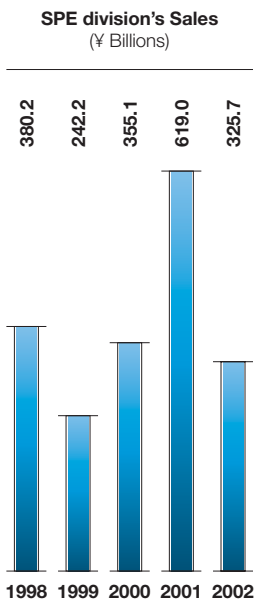
Single Wafer Rapid Thermal Furnace, announced in July 2001, is a revolutionary system, featuring superior repeatability and cost-effectiveness of hot-wall thermal processors. It has the flexibility of a single wafer production system, as well as boasting extremely low power consumption. Commercialization of the 200mm system has been concluded, with a 300mm system currently under development.

Restructuring of Business Operations

Prompted by the deterioration in earnings during the fiscal year, we reviewed and restructured our business organizations. In Japan and the United States, we focused on manufacturing operations, reorganizing to achieve better productivity and improve efficiency. Further details on this restructuring, please refer to To Our Shareholders in this annual report.

Tokyo Electron (Shanghai) Strengthens Company's Position in Growing China Market

In view of the high-growth anticipated in the Chinese semiconductor market, we decided to strengthen our support services in that market for both our semiconductor and FPD production equipment. Accordingly, Tokyo Electron (Shanghai) Limited was established in Shanghai during the fiscal year and operations commenced in April 2002. Although we have been providing customer support services in China since 1996 on an agency basis, we have moved to a direct support service structure to further strengthen local services and increase our presence in the market. We also plan to extend our activity to include procurement within China. Tokyo Electron (Shanghai) began operations with an initial staff of 70, and plans to add more employees according to business conditions in China.



Computer Network

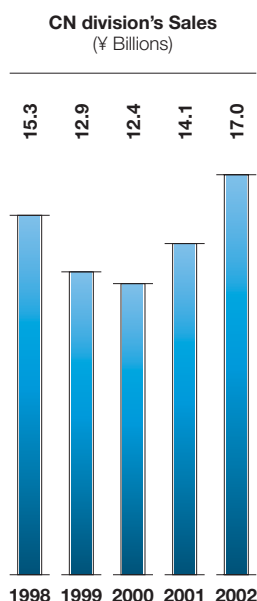
Net sales of the Computer Network (CN) division increased 21.2 percent to ¥17.0 billion supported by the division's product strategies. The popularization of broadband communications has raised several major issues for companies. They must achieve higher speed and greater security, as well as cope with the storage and management of the explosive increase in the volume of data being transferred via the Internet. One of the first to begin introducing products for these fields, the Computer Network division utilizes its accumulated technical capabilities to provide not only high-performance products but also the best business solutions for its customers.

In the network-related product segment, sales of Gigabit Ethernet switches from Extreme Networks continued to expand favorably. Sales of Internet traffic management products from F5 Networks also advanced, increasing 1.8 times over the previous fiscal year, partially due to the introduction of an Internet Protocol (IP) application switch incorporating the latest technology. The especially strong spotlight on security, an essential component of Internet business, helped triple sales of securities products from nCipher. During the fiscal year, the division also added the Cav Networks' Stress Testing Appliance to its lineup to reinforce its solutions for creating trouble-free web sites for mission critical environments. This product allows the newly created web site to be tested before its launch in a simulated environment that closely approximates real conditions.

The growing volume of data traffic enabled by broadband has brought storage area network (SAN) technology into the realm of practical use. Able to store huge volumes of data without placing a burden on the network, SANs also allow for easy recovery of data should it become corrupt or damaged. Accordingly, sales of Brocade Communications Systems' Fibre Channel Fabric Switches, which are key to constructing SANs, increased 1.6 times over the previous fiscal year. In response to the growing interest in remote backups that save data at a distant location in the event of system problems, the division began handling the IP storage switches of Nishan Systems, expanding the range of its SAN solutions. These switches make possible the location of a SAN in a remote area.

Growing demand for video and audio transmission through networks prompted by the shift to broadband on the Internet supported a four-fold increase in sales of Ruff Systems over the previous fiscal year. Ruff Systems, which was developed jointly with the Communications Research Laboratory, an independent administrative institution, enables transmission of high-quality, uncompressed video under WindowsXP in an IPv6 environment, the next-generation Internet environment.

Leveraging capabilities in networks, SANs, and video transmission technologies, which are the areas of expertise essential to the Internet, the division will continue to utilize its ability to discover and introduce state-of-the-art products in providing indispensable solutions for the Internet age.



F5 Networks, Inc.
• Server Load Balancer



nCipher Corporation Ltd.
• Hardware Security Module
• SSL Accelerator



Nishan Systems
• IP Storage Switch



Sony Corp.
• High Performance Tape Library

Note: Product names and company names are trademarks or registered trademarks of their respective holders.

Electronic Components

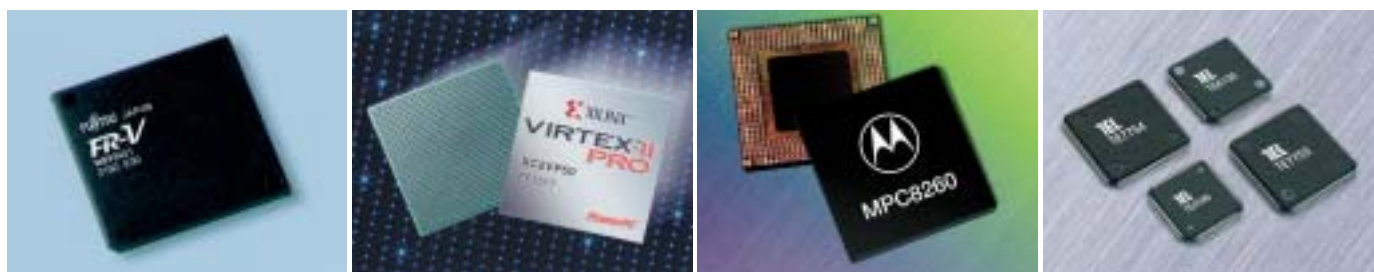
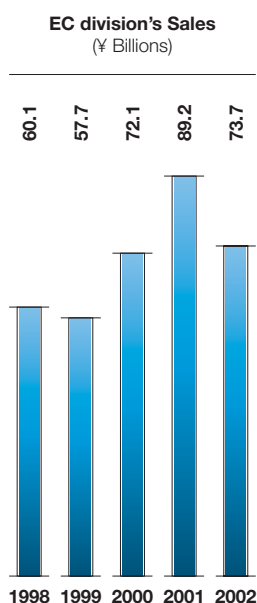
Net sales for the Electronic Components (EC) division declined 17.4 percent to ¥73.7 billion amid weak demand for semiconductors in Japan. The division's product lineup includes semiconductor products, board computer products, software, and other electronic components.

Semiconductor products accounted for 88 percent of divisional net sales. This category includes semi-custom ICs, primarily Xilinx's programmable logic devices (PLDs), that are finding wider application in the market because of the trend to higher performance in electronic products and the shortened product cycle; application-specific standard products (ASSPs) for communications-related applications; and other ICs. In its semiconductor product lineup, the division focuses on products with growth potential in information network-related fields and high-value-added products that require technical support. Despite these strategies, their sales fell substantially during the fiscal year because of deteriorating performance among electronic manufacturers, capital investment restraint, and other factors. Sales of board computer products, software, and other electronic components also decreased. One of the highlights of this otherwise difficult year was the division's reception of an award from Microsoft as the "Windows Embedded Partner of the Year". Microsoft's products accounted for 87% of the division's software sales.

Against the backdrop of the rapid development of broadband services, the division is seeking out products focused on information network-related fields and the digital consumer market that is emerging as a result of the digitization of consumer appliances. During the past fiscal year, the division newly concluded distribution agreements with such global semiconductor companies as Texas Instruments and Infineon Technologies.

The division operates design & development centers where its broad experience is used to develop semi-custom ICs on a contract basis that meet the specific needs of customers. During the past fiscal year, the division opened a new design & development center in Sendai to strengthen its design and development organization. Design & development centers are also concentrating on the design and development of original products based on communication interface and memory control technologies.

Looking forward, the division will continue to emphasize the discovery of new suppliers and products. In addition, the division will work to establish a strong foundation as a "technology" trading company by sales and marketing high-value-added products that require technical support, utilizing its technical capabilities to design and develop semi-custom ICs, and strengthening development of original products.



Note: Product names and company names are trademarks or registered trademarks of their respective holders.

Management's Discussion and Analysis

Sales and Income

Business Environment

World economic trends during the fiscal year ended March 31, 2002 were marked by signs of a continuing global recession as the impact of the economic slowdown triggered by the collapse of the IT bubble in the U.S. rippled out to Europe and Asia. Japan's economy also faced harsh conditions as corporate performances continued to deteriorate.

In the electronics market, demand was stagnant for IT-related products, such as personal computers, mobile phones, and others, resulting in a sharp downturn of the semiconductor market, which provides the main components for these products. Accordingly, semiconductor and LCD manufacturers substantially cut their capital investments.

Entering 2002, however, semiconductor inventory build-ups caused by the imbalance in demand and supply began to clear and semiconductor-related markets started to show signs of recovery.

Sales

Significantly affected by the worsening global business climate mentioned above, consolidated net sales decreased 42.3 percent from the prior fiscal year to ¥417.8 billion for the fiscal year ended March 31, 2002.

Geographically, domestic sales declined 37.7 percent to ¥186.5 billion and overseas sales dropped 45.5 percent to ¥231.3 billion. As a result, the contribution of overseas sales to net sales declined to 55.4 percent from 58.7 percent in the previous fiscal year.

By division, Semiconductor Production Equipment (SPE) sales, which include sales of FPD production equipment, slipped 47.4 percent to ¥325.7 billion. Computer Network sales increased 21.2 percent to ¥17.0 billion, supported by growth in products for high-speed network technology and various server products. Electronic Components sales dropped 17.4 percent to ¥73.7 billion. For a more detailed description of divisional performances, please see the Review of Operations (pages 20 to 23). In

addition to the sales of these three divisions, others sales contributed 0.3 percent of net sales, at ¥1.4 billion

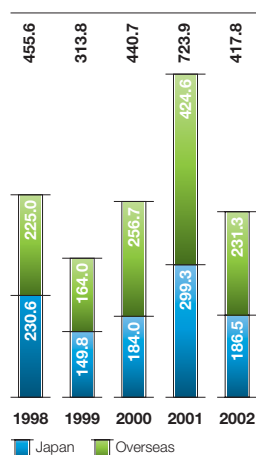
Consolidated orders received for the fiscal year under review totaled ¥295.3 billion, down 59.8 percent from the previous fiscal year, and balance of orders at the end of the fiscal year fell 44.5 percent to ¥152.8 billion. Despite the substantial decline, SPE orders rebounded in the fourth quarter after an interval of six quarters.

Cost of Sales, SG&A Expenses and Operating Income

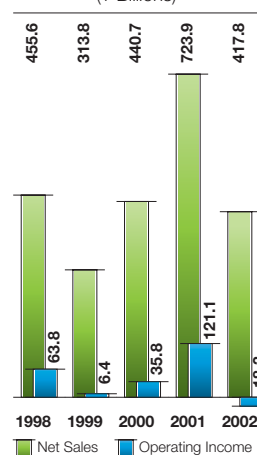
Although cost of sales fell 34.1 percent to ¥302.3 billion, cost of sales as a percentage of net sales surged to 72.3 percent from 63.4 percent for the prior fiscal year. This increase was attributed to the increase in the production fixed cost ratio caused by the decline in factory utilization together with inventory evaluation losses and inventory disposals totaling ¥10.3 billion. Consequently, the gross margin fell 8.9 points to 27.7 percent.

Selling, general and administrative expenses decreased 7.0 percent to ¥133.9 billion, primarily due to the reductions in personnel expenses. In consideration of their importance, research and development (R&D) expenses, which are included in SG&A expenses, were excluded from cost reduction efforts during the fiscal year. R&D expenses, therefore, edged up 1.7 percent to ¥53.8 billion, maintaining the record level as reported in the prior fiscal year. R&D expenses were allocated principally to the development of next generation products and processes, including 300 mm wafer equipment, and of new business fields. Despite the cost reduction efforts and a decline in SG&A expenses, operating income dropped ¥139.4 billion resulting in an operating loss of ¥18.3 billion because of the substantial impact of the drop in gross profit.

Domestic and Overseas Sales
(¥ Billions)



Net Sales & Operating Income
(¥ Billions)



Other Income (Expenses) and Net Income

Net other expenses improved by ¥17.3 billion to ¥4.6 billion, despite posting an extraordinary loss of ¥2.7 billion related to restructuring expenses, which included the disposal of assets and additional personnel expenses incurred during the restructuring of a part of our domestic and overseas bases. This improvement resulted from the lack of any major expenses, such as the ¥16.0 billion charge related to the difference due to the application of new accounting standards for retirement benefits recorded in the previous fiscal year. Income before income taxes fell ¥122.1 billion from the prior fiscal year to a loss of ¥22.9 billion.

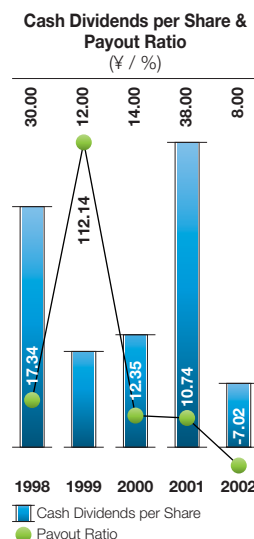
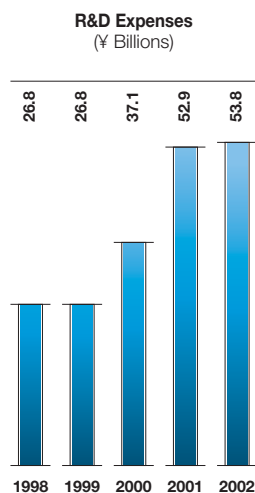
Net income reversed from ¥62.0 billion in the prior fiscal year to a loss of ¥19.9 billion in the fiscal year under review. Similarly, net income per share slid from ¥353.76 to a net loss per share of ¥113.85. Despite

posting a loss, Tokyo Electron continued to return profits to shareholders, paying annual cash dividends of ¥8.00 per share compared with ¥38.00 per share in the prior fiscal year.

Impact of Fluctuation in Foreign Exchange Rates on Performance

Changes in exchange rates have no material effect on Tokyo Electron's results because exports from Japan are generally denominated in yen. While some settlements are denominated in U.S. dollars, exchange risk is hedged by concluding forward exchange contracts individually at the time of orders are received. Also, contribution of U.S. dollar-denominated transactions involving foreign-made merchandise imported to Japan is comparatively low and did not have a material effect in the year ended March 31, 2002.

	Millions of yen (percentage of net sales)			Thousands of U.S. dollars
	2002	2001	2000	2002
Net sales	¥417,825 (100.0)	¥723,880 (100.0)	¥440,729 (100.0)	\$3,136,831
Cost of sales	302,270 (72.3)	458,902 (63.4)	303,839 (68.9)	2,269,298
Gross profit	115,555 (27.7)	264,978 (36.6)	136,890 (31.1)	867,533
SG&A expenses	133,865 (32.0)	143,892 (19.9)	101,074 (23.0)	1,005,000
Operating income (loss)	(18,310) -	121,086 (16.7)	35,816 (8.1)	(137,467)
Other income (expenses)	(4,609) -	(21,954) -	(6,127) -	(34,603)
Income (loss) before income taxes	(22,919) -	99,132 (13.7)	29,689 (6.7)	(172,070)
Provision for income taxes	(2,990) -	37,099 (5.1)	9,836 (2.2)	(22,447)
Minority interest	8 (0.0)	21 (0.0)	5 (0.0)	62
Net income (loss)	(19,938) -	¥ 62,012 (8.6)	¥ 19,848 (4.5)	(149,685)



Financial Position and Cash Flows

Financial Position

Current assets at March 31, 2002 decreased 35.5 percent year on year to ¥353.4 billion, primarily because of a decrease in trade notes and accounts receivable and inventories along with the decrease in sales. Inventory turnover fell to 2.89 times compared with 5.27 times in the previous fiscal year. Trade notes and accounts receivable turnover was 1.77 times, compared with 3.03 times for the prior fiscal year.

Property, plant and equipment increased 7.8 percent to ¥134.5 billion year on year. Gross increase of property, plant and equipment during the fiscal year was ¥30.9 billion, consisting primarily of the increase in measuring equipment for evaluation and capitalization of the Company's own products for research and development.

Investments and other assets rose 22.0 percent to ¥69.0 billion. The main factor in this increase was the ¥15.2 billion rise in deferred tax assets compared with the previous fiscal year related to losses carryforward. Investments in securities decreased ¥2.1 billion from a year earlier. Total assets declined 23.7 percent to ¥556.9 billion, primarily because of the drop in current assets.

Current liabilities declined 54.1 percent to ¥109.5 billion. Major factors were a decrease in trade notes and accounts payable due to

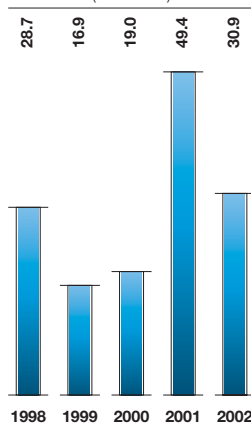
less procurement of materials under lower production levels and a reduction in short-term borrowings and commercial paper. In addition, accrued income taxes fell in line with Tokyo Electron's lower income as did allowance for employees' bonuses. Working capital contracted to ¥243.9 billion from ¥309.8 billion in the previous fiscal year, but the current ratio improved to 3.2 to 1 from 2.3 to 1 a year earlier.

Tokyo Electron's long-term debt declined 11.4 percent year on year to ¥139.8 billion. Although the Company did receive proceeds of ¥5.5 billion from the issue of 5th bonds with warrants, the shift of the current portion of long-term debt to current liabilities and the repayment of loans resulted in an overall decrease in long-term debt.

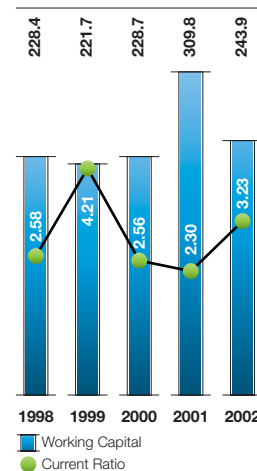
Outstanding balance of equity-linked bonds at March 31, 2002 was ¥25.5 billion. The potential number of shares of all convertible bonds and bonds with warrants at the balance sheet date represented 3.3 percent of total common stock issued and outstanding.

Shareholders' equity decreased 7.7 percent to ¥307.6 billion, due to the contraction in retained earnings. However, as a percentage of total assets, shareholders' equity rose to 55.2 percent from 45.7 percent a year earlier. Return on average total shareholders' equity fell to minus 6.2 percent from a positive 20.4 percent in the previous fiscal year.

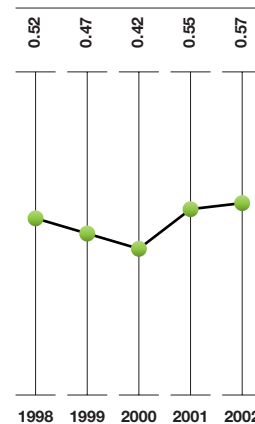
Capital Expenditures for Property, Plant and Equipment
(¥ Billions)



Working Capital & Current Ratio
(¥ Billions / Times)



Debt-to-Equity Ratio
(Times)



Cash Flows

Net cash provided by operating activities amounted to ¥77.6 billion, improving significantly from net cash used of ¥29.4 billion a year earlier. The sum of net income and depreciation and amortization dropped substantially to ¥6.4 billion from ¥83.7 billion, but the decreases in trade notes and accounts receivable and inventories reduced working capital substantially, contributing to an improvement in operating cash flow.

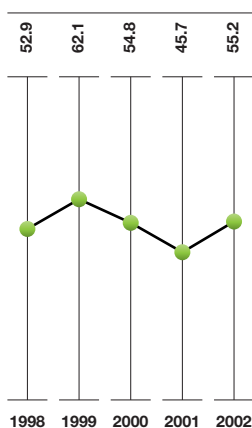
Net cash used in investing activities was ¥35.8 billion, down from ¥62.4 billion in the prior fiscal year. Investment in property, plant and

equipment totaling ¥31.0 billion mainly comprised the purchase of equipment for R&D.

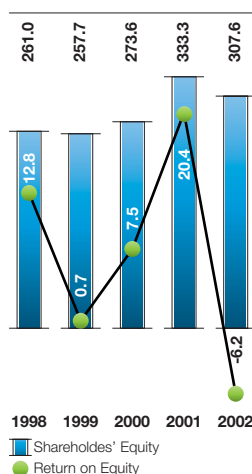
Net cash used in financing activities amounted to ¥57.2 billion compared with net cash provided by financing activities of ¥77.2 billion a year earlier. Although Tokyo Electron raised ¥5.5 billion from the issue of 5th bond with warrants, there was no other corporate bond funding, and redemption of commercial paper and redemption of borrowings resulted in a net cash use. Cash and cash equivalents at the end of the year totaled ¥48.4 billion, down 25.9 percent from ¥65.3 billion at the end of the prior fiscal year.

	Millions of yen (percentage of total assets)		Thousands of U.S. dollars
	2002	2001	2002
Total assets	¥556,915 (100.0)	¥729,511 (100.0)	\$4,181,046
Cash and cash equivalents	48,409 (8.7)	65,320 (9.0)	363,433
Trade notes and accounts receivable	167,982 (30.2)	302,953 (41.5)	1,261,128
Inventories	127,352 (22.9)	161,981 (22.2)	956,099
Investments and other assets	68,981 (12.4)	56,549 (7.8)	517,875
Property, plant and equipment	134,511 (24.2)	124,721 (17.1)	1,009,842
Total liabilities	249,278 (44.8)	396,172 (54.3)	1,871,460
Short-term borrowings	13,924 (2.5)	48,462 (6.6)	104,534
Trade notes and accounts payable	41,053 (7.4)	87,350 (12.0)	308,202
Accrued income taxes	1,663 (0.3)	41,440 (5.7)	12,486
Long-term debt, less current portion	105,452 (18.9)	126,348 (17.3)	791,680
Shareholders' equity	¥307,579 (55.2)	¥333,281 (45.7)	\$2,309,148

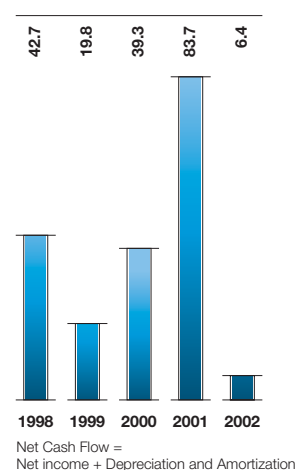
Shareholders' Equity Ratio
(%)



Shareholders' Equity & ROE
(¥ Billions / %)

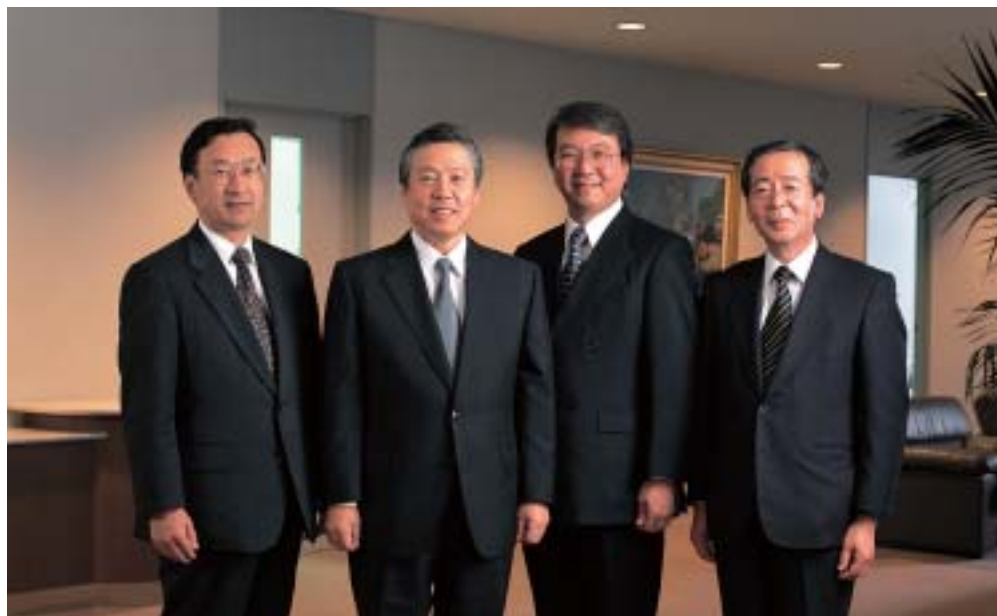


Net Cash Flow
(¥ Billions)



Board of Directors, Statutory Auditors and Corporate Senior Staff

(As of June 21, 2002)



Left to right: Mitsutaka Yoshida, Tetsuro Higashi, Tetsuo Tsuneishi, Takeo Tanaka

Board of Directors

Tetsuro Higashi
C.E.O., President
Tokyo Electron Limited

Tetsuo Tsuneishi
Corporate Officer
Executive Vice President
Tokyo Electron Limited

Takeo Tanaka^{1 2}
Corporate Officer
Tokyo Electron Limited

Mitsutaka Yoshida
Corporate Officer
Tokyo Electron Limited

Junichi Inoue¹
Corporate Director
Tokyo Electron AT Limited

Hirosuke Ishibashi^{2 3}
Tokyo Electron Limited

Mamoru Hara²
President
Tokyo Electron AT Limited

Yukio Sunahara
President
Tokyo Broadcasting Systems, Inc.

Toshiyuki Kondo¹
President
SRL, Inc.

Statutory Auditors

Keiichiro Kuriyama
Tokyo Electron Limited

Takanori Suzuki
Tokyo Electron Limited

Fujio Kimura
Tokyo Electron Limited

Hiroshi Maeda
Mitsui, Yasuda, Wani & Maeda

Corporate Senior Staff

Tetsuro Higashi
C.E.O., President

Tetsuo Tsuneishi
Corporate Officer, Executive Vice President

Takeo Tanaka
Corporate Officer
Global General Manager,
Administration Group

Mitsutaka Yoshida
Corporate Officer
Global General Manager,
Manufacturing Group

Makoto Mizokuchi
Executive Manager
Global General Manager, Business
Development & Account Management Group

Mitsuru Onozato
Executive Manager
General Manager, Litho-cell Group

Gerald Thurgood
Executive Manager, Corporate Strategy

Kousuke Ishii
General Manager, Test & Integrated Process
Control Group

Ryuichi Komatsubara
General Manager, Thin Film & Cleaning Group

Hiroshi Tomita
General Manager, FPD Systems Group

Kiyoshi Sato
General Manager, Clean Track BU

Hiroki Takebuchi
General Manager, Etch Systems BU

Yoshinori Inoue
General Manager, Test Systems BU

Yasuyuki Kuriki
General Manager, Thermal Processing
Systems BU

Haruo Iwatsu
General Manager, Cleaning Systems BU

Masao Kubodera
Global General Manager, Research &
Development Group

Takaaki Matsuoka
Global General Manager,
Marketing Group

Takao Kodama
Global General Manager, IT Center

Takashi Nakamura
Global General Manager, Human
Resources/General Affairs/EHS

Noriyuki Kuga
Global General Manager,
Finance/Accounting/Order Process

Takayoshi Ida
General Manager, Business Development &
Account Management, Japan

Kiyoshi Sunohara
General Manager, Business Development &
Account Management, North America/Europe

Hironobu Sato
General Manager, Business Development &
Account Management, Asia

Kengo Kuroiwa
President, Tokyo Electron Tohoku Limited

Mamoru Hara
President, Tokyo Electron AT Limited

Megumi Yamashiro
President, Tokyo Electron Kyushu Limited

Hitoshi Katsuyama
President, Tokyo Electron EE Limited

Keiichi Furugaki
President, Tokyo Electron FE Limited

Toshiaki Sunagawa
President, Tokyo Electron Device Limited

Barry R. Rapozo
President, Tokyo Electron America, Inc.

David Brough
President, Tokyo Electron Europe Limited

T. K. Kwak
President, Tokyo Electron Korea Limited

Archie Hwang
President, Tokyo Electron Taiwan Limited

Notes:

- 1 Member of Compensation Committee
- 2 Member of Nomination Committee
- 3 Chief Business Ethics Director

BU indicates Tokyo Electron's product-specific business unit.

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

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current liabilities:			
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
Shareholders' equity:			
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
Total liabilities and shareholders' equity.....	¥556,915	¥729,511	\$4,181,046

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

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
Common stock				
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
Additional paid-in capital				
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
Retained earnings				
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
Unrealized gains on securities				
Unrealized holding gains arising during the period	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)	(1,661)	(37,649)
(2000: 303,761 shares; 2001: 407,556 shares 2002: 605,867 shares)				
Total shareholders' equity	¥307,579	¥333,281	¥273,603	\$2,309,148

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
Cash flow from operating activities:			
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)
Subtotal	123,025	(8,222)	923,617
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)
Net cash provided by (used in) operating activities.....	77,558	(29,442)	582,270
Cash flow from investing activities:			
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
Net cash used in investing activities	(35,789)	(62,359)	(268,689)
Cash flow from financing activities:			
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)
Net cash provided by (used in) financing activities	(57,214)	77,182	(429,533)
Effect of exchange rate changes on cash and cash equivalents	(1,437)	391	(10,785)
Net increase (decrease) in cash and cash equivalents	(16,882)	(14,228)	(126,737)
Cash and cash equivalents at beginning of year.....	65,291	79,519	490,170
Cash and cash equivalents at end of year (Note 4).....	¥ 48,409	¥ 65,291	\$ 363,433

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
Deferred tax assets			
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)
Total deferred tax assets	31,020	24,704	232,883
Deferred tax liabilities			
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)
Total deferred tax liabilities	(5,069)	(4,725)	(38,056)
Net deferred tax assets	¥25,951	¥19,979	\$194,827

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

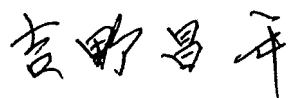
To the Board of Directors, Tokyo Electron Limited

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.

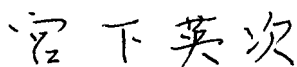
In our opinion, the consolidated statements present fairly the financial position of Tokyo Electron Limited and its consolidated subsidiaries at March 31, 2002 and 2001, the results of their operations for each of the three years in the period ended March 31, 2002, and their cash flows for the year ended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

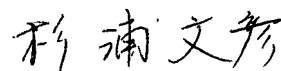
Tokyo, Japan
June 21, 2002



Masatoshi Yoshino
Certified Public Accountant



Eiji Miyashita
Certified Public Accountant



Fumihiko Sugiura
Certified Public Accountant

Corporate Directory

(As of June 21, 2002)

JAPAN

TOKYO ELECTRON LIMITED

World Headquarters

TBS Broadcast Center
3-6 Akasaka 5-chome, Minato-ku,
Tokyo 107-8481
Tel: 03-5561-7000
Fax: 03-5561-7400
URL: <http://www.tel.co.jp/>

Regional Offices

Fuchu Technology Center, Kansai Technology
Center, Osaka Branch Office, Kyushu Branch
Office, Yamanashi Regional Office (Fuji/Hosaka),
Tohoku Regional Office, Nagoya Sales Office

TOKYO ELECTRON TOHOKU LIMITED

Tohoku Plant

52 Matsunagane, Iwayado
Esashi City, Iwate 023-1101

TOKYO ELECTRON AT LIMITED

Miyagi Plant

1-1 Nekohazama, Nemawari, Matsushima-machi
Miyagi-gun, Miyagi 981-0203

Fujii Plant

2381-1 Kitagejo, Fujii-cho, Nirasaki City
Yamanashi 407-8511

Hosaka Plant

650 Mitsuzawa, Hosaka-cho
Nirasaki City, Yamanashi 407-0192

TOKYO ELECTRON KYUSHU LIMITED

Saga Plant

1375-41 Nishi-Shinmachi
Tosu City, Saga 841-0074

Kumamoto Plant

2655 Tsukure, Kikuyo-machi
Kikuchi-gun, Kumamoto 869-1197

Ozu Plant

272-4 Takaono, Ozu-machi
Kikuchi-gun, Kumamoto 869-1232

Koshi Plant

1-1 Fukuhara, Koshi-machi
Kikuchi-gun, Kumamoto 861-1116

TOKYO ELECTRON EE LIMITED

2-41 Machiya 1-chome, Shiroyama-machi
Tsukui-gun, Kanagawa 220-0101

TOKYO ELECTRON SAPPORO LIMITED

Marumasa Building No. 18, Nishi 1-chome
Kita 7-jo, Kita-ku, Sapporo City,
Hokkaido 060-0807

TOKYO ELECTRON FE LIMITED

30-7 Sumiyoshi-cho 2-chome
Fuchu City, Tokyo 183-8705

District Offices

Iwate, Tsuruoka, Matsushima, Aizuwakamatsu,
Mito, Nirasaki, Toyama, Kuwana, Osaka, Higashi-
Hiroshima, Fukuyama, Saijo, Nagasaki, Kikuyo,
Ozu, Koshi, Oita

TOKYO ELECTRON DEVICE LIMITED

1 Higashikata-cho, Tsuzuki-ku
Yokohama City, Kanagawa 224-0045

Sales Offices

Sendai, Mito, Saitama, Tachikawa, Yokohama,
Matsumoto, Nagoya, Osaka, Fukuoka,
Yokohama Office, Tokyo Office

TOKYO ELECTRON LEASING CO., LTD.

30-7 Sumiyoshi-cho 2-chome,
Fuchu City, Tokyo 183-8705

TOKYO ELECTRON LOGISTICS LIMITED

30-7 Sumiyoshi-cho 2-chome
Fuchu City, Tokyo 183-8705

TOKYO ELECTRON AGENCY LIMITED

30-7 Sumiyoshi-cho 2-chome
Fuchu City, Tokyo 183-8705

AMERICA

TOKYO ELECTRON AMERICA, INC.

2400 Grove Boulevard, Austin,
Texas 78741

Branch Offices

Albuquerque, Boise, Burlington, Colorado
Springs, Dallas, Eugene, Fishkill, Los Angeles,
Manassas, Marlborough, Orlando, Phoenix,
Portland(Oregon), Richmond, Santa Clara

TOKYO ELECTRON TEXAS, LLC.

2500 Montopolis Drive, Austin
Texas 78741-6404

TOKYO ELECTRON MASSACHUSETTS, LLC.

123 Brimbal Avenue, Beverly
Massachusetts 01915

TOKYO ELECTRON ARIZONA, INC.

2120 West Guadalupe Road, Gilbert
Arizona 85233-2805

SUPERCritical SYSTEMS, INC.

4160-A technology Drive, Fremont
California 94538

TIMBRE TECHNOLOGIES, INC.

2953 Bunker Hill Lane, Suite 301
Santa Clara, CA 95054

EUROPE

TOKYO ELECTRON EUROPE LIMITED

Premiere House, Betts Way, London Road
Crawley, West Sussex, RH10 9GB, England U.K.

Branch Offices

European Distribution Centre, Livingston

TOKYO ELECTRON ITALIA S.p.A.

Centro Direzionale Colleoni, Palazzo Astrolabio
Via Cardano 2
20041 Agrate Brianza, Milan, Italy

Branch Offices

Avezzano, Catania

TOKYO ELECTRON DEUTSCHLAND GmbH

Carl-Zeiss-Ring 5, 85737, Ismaning, Germany

Branch Offices

Alsdorf, Dresden

TOKYO ELECTRON SWITZERLAND LIMITED

Chemin de Buchaux 38, CH-2022
Bevaix, Switzerland

TOKYO ELECTRON NEDERLAND B.V.

Kerkenbos 10-15, Unit C
6546 BB Nijmegen, The Netherlands

TOKYO ELECTRON ESPAÑA S.L.

TOKYO ELECTRON IRELAND LIMITED

Collinstown Industrial Park, Leixlip, Co.
Kildare, Ireland

TOKYO ELECTRON ISRAEL LIMITED

5 Habarzel St., Gat 2000 Industrial Zone
Kiryat Gat, Israel

Branch Office

Migdal HaEmek

TOKYO ELECTRON FRANCE S.A.R.L.

Grenoble Office

Batiment Alicante 1, Chemin de la Dhuy
38240 Meylan, France

Branch Offices

Paris, Rousset

ASIA

TOKYO ELECTRON KOREA LIMITED

325-230 Dongchun-ri, Suji-up, Yongin-city
Kyonggi-do, 449-840 Korea

Branch Offices

Cheongju, Gumi, Icheon, Kiheung, Pucheon

TOKYO ELECTRON TAIWAN LIMITED

7FI, No.18, Pu-ding Road
Hsin-chu City, Taiwan 300, R.O.C.

TOKYO ELECTRON (SHANGHAI) LIMITED

30FI, No. 28, Xinqinquo Road
Pudong Shanghai, 201206, China

Branch Office

Tian Jin

Investor Information

(As of March 31, 2002)

Corporate Name:
Tokyo Electron Limited

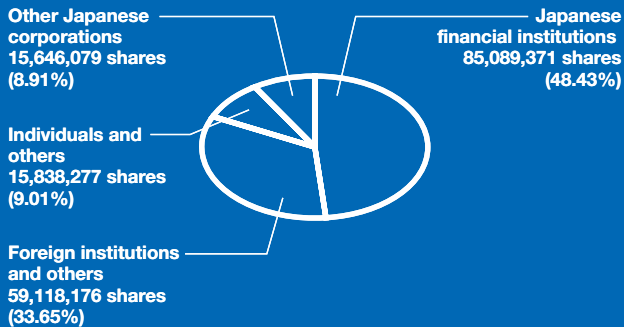
Established:
November 11, 1963

Annual General Meeting of Shareholders:
June

Common Stock:

Stock trading unit	100 shares
Authorized	300,000,000 shares
Issued and outstanding	175,691,903 shares
Number of shareholders	37,116

Distribution of ownership among shareholders



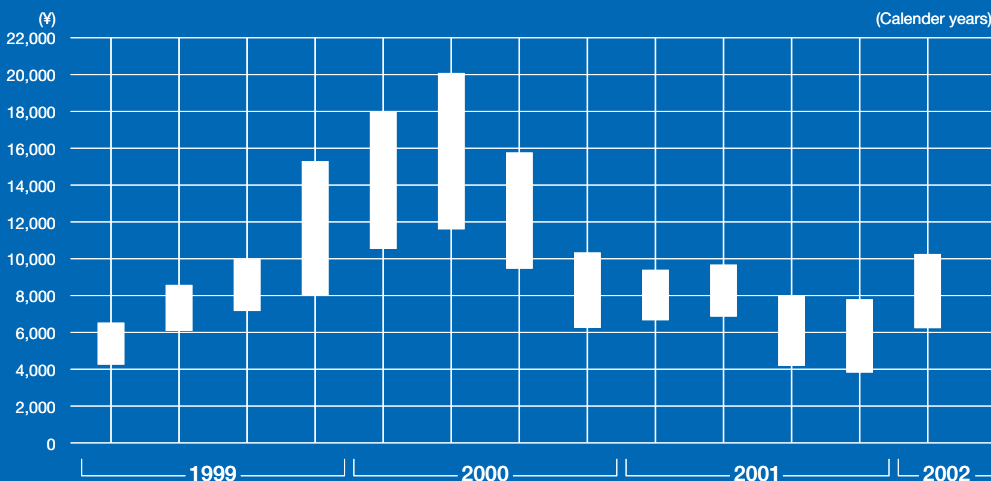
Common Stock Listed on:
The Tokyo Stock Exchange 1st Section (#8035)

Transfer Agent for Common Stock
Chuo Mitsui Trust and Banking Co., Ltd.
33-1 Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

For further information, contact at:

Investor Relations Department
Tokyo Electron Limited
3-6 Akasaka 5-chome, Minato-ku
Tokyo 107-8481
Tel : 81-3-5561-7003
Fax : 81-3-5561-7394
E-mail : ir@corp.tel.co.jp
<http://www.tel.co.jp>

Quarterly Stock Price Range





TOKYO ELECTRON LIMITED

World Headquarters

3-6 Akasaka 5-chome, Minato-ku, Tokyo 107-8481, Japan

Tel.+81-3-5561-7000 <http://www.tel.co.jp>