1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited (hereinafter "the Company") and its subsidiaries (hereinafter collectively referred to as "Tokyo Electron") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of foreign subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

As mentioned in note 3 (a), the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan) effective from April 1, 2008. As a result of this adoption, the Company uses financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards or the U.S. generally accepted accounting principles for its consolidation process, except for certain items which are required to be adjusted in the consolidation process.

The accompanying consolidated financial statements have been restructured and translated into English from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements, which is not required for fair presentation, is not presented in the accompanying consolidated financial statements.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥98.23 to $1.00, the approximate rate as of March 31, 2009. 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.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 32 and 30 subsidiaries for the years ended March 31, 2009 and 2008, respectively.

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

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

The fiscal year-end of all entities is March 31, except for 2 consolidated foreign subsidiaries, which use a December 31 year-end, and adjustment is made for any significant transactions between the different fiscal year-ends.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates, except for those hedged by forward exchange contracts, which are translated at the contracted rates.

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

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of valuation and translation adjustments and minority interests in the consolidated financial statements.

(c) Investment securities

Tokyo Electron examines the intent of holding each security and classify those securities as trading securities, held-to-maturity debt securities or other securities. Tokyo Electron has no trading or held-to-maturity debt securities. Other securities with market prices are valued at fair market value prevailing at the balance sheet date. The differences between the book and market prices of other securities, net of applicable income taxes, are presented in net assets as a component of valuation and translation adjustments. Other securities without market value are valued at cost using the weighted-average method.

The cost of sold securities is calculated using the weighted-average method.

(d) Inventories

As mentioned in note 3 (b), effective from April 1, 2008, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Boards of Japan). Inventories other than raw materials are stated at the lower of cost, determined by the specific identification method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses, at March 31, 2009. Raw materials are stated at the lower of cost, determined principally by the moving-average method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses, at March 31, 2009. For the year ended March 31, 2008, inventories other than raw materials are stated principally at cost, which is determined principally by the specific identification method, and raw materials are stated principally at cost, which is 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 of the Company and its domestic subsidiaries is computed under the declining balance method, except for buildings acquired subsequent to March 31, 1998 which are depreciated under the straight-line method, based on the estimated useful lives of assets. Foreign subsidiaries mainly apply the straight-line method over the estimated useful lives of assets.

Estimated useful lives of property, plant and equipment are as follows:

Buildings	2 to 60 years
Machinery and equipment	2 to 17 years

(f) Intangible assets

Intangible assets, which primarily comprise of capitalized costs for computer software and goodwill, are amortized by the straight-line method over their estimated useful lives. Capitalized costs for computer software for internal use are amortized over a period of 2 to 5 years. Goodwill is evaluated on an individual basis and amortized over a period not exceeding 20 years.

(g) Impairment of fixed assets

Tokyo Electron evaluates the carrying value of fixed assets to be held for use in the business.

If the carrying value of a fixed asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount, being the higher of the net selling price or the value in use of the assets. Net selling price is determined using the fair value less disposal costs and value in use is based on the total amount of discounted cash flows estimated to be generated from the continuing use of the individual assets or the asset group and the disposal of the assets, respectively.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(i) Accrued pension and severance costs

The Company and its domestic subsidiaries provide an accrual for defined benefit employees' pension and severance costs based on the projected benefit obligation and fair value of pension assets on the account settlement date. Prior service costs are charged to income on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (4 years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to income on a straight-line basis, beginning from the fiscal year after they are recognized, over a fixed number of years (4 years) within the average remaining years of service of employees when the differences occur.

The provision for accrued pension and severance costs for directors and statutory auditors of the Company and its domestic subsidiaries is calculated in accordance with internal regulations.

The Company and certain domestic subsidiaries decided to discontinue the payment of severance pay for directors and statutory auditors after April 1, 2005, and at the general shareholders' meeting in June 2005, it was resolved that the severance pay for directors and statutory auditors until March 31, 2005 would be paid at the termination of their service and the decision regarding the payment amount for each director and statutory auditor was delegated to the board of directors and statutory auditors. As discussed in note 9, the accruals for severance costs for directors and statutory auditors are included in accrued pension and severance costs in the consolidated balance sheets.

(j) Accrued warranty expenses

Tokyo Electron's products are generally subject to warranty, and Tokyo Electron accrues such estimated costs when product revenue is recognized. To prepare for future repairs during warranty periods, estimated after-sale repair expenses over warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

(k) Leases

Until the year ended March 31, 2008, noncancelable leases of the Company and its domestic subsidiaries had been primarily accounted for as operating leases (whether such leases were classified as operating or finance leases), except for leases that transfer ownership to the lessee at the end of the lease, which had been accounted for as finance leases.

As mentioned in note 3 (c), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (Statement No. 13 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16 issued by the Accounting Standards Board of Japan). As a result, the Company and its domestic subsidiaries capitalized leased assets under finance lease commenced after March 31, 2008, and such lease assets are depreciated using the straight-line method over the period of lease contract with zero residual value.

(l) Derivatives and hedge accounting

The Company and a domestic subsidiary make use of derivatives in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The amount of derivatives is limited to the extent of foreign currency assets, liabilities and actual orders, and the Company and the domestic subsidiary do not trade in derivatives for speculative purposes.

Derivatives are carried at fair value with changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for hedge accounting. Unrealized gains or losses on hedging derivatives, net of taxes, are reported in net assets as a component of valuation and translation adjustments. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(m) Income taxes

Tokyo Electron 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, which are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Revenue recognition

Revenue from Semiconductor and FPD (Flat Panel Display) / PV (Photovoltaic cell) production equipment is principally recognized at the time of the customer confirmation of set-up and testing of products. Revenue from such equipment not requiring substantial installation is recognized at the time of shipment. Revenue from other products, such as electronic components, is recognized at the time of shipment. Service revenue from maintenance is recognized ratably over the term of the maintenance contract.

(o) Per share information

Net income per share and net assets per share are computed based on the weighted-average number of shares of common stock outstanding during each year.

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

(p) Research and development expenses

Research and development expenses are charged to income as incurred and amounted to ¥60,988 million ($620,869 thousand) and ¥66,073 million for the years ended March 31, 2009 and 2008, respectively.

(q) Cash equivalents

For purposes of the consolidated statements of cash flows, Tokyo Electron considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

(r) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2009.

3. Changes in Accounting Policies

(a) Accounting policies applied to foreign subsidiaries

Effective from April 1, 2008, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements.

(b) Accounting standard for measurement of inventories

Effective from April 1, 2008, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements.

(c) Accounting standard for lease

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (Statement No. 13 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements.

(d) Accounting policy for depreciation method

Effective from the year ended March 31, 2008, the Company and its domestic subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007; Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007). As a result of this change, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥1,429 million, compared with the corresponding amounts that would have been recorded under the previous accounting method.

4. Investment Securities

Investment securities, which solely comprise of other securities, as of March 31, 2009 and 2008 are as follows:

	Millions of yen	
2009:	Cost	Carrying value
Securities with market prices		
Equity securities	**¥ 8,790**	**¥ 7,363**
Other	**100**	**100**
Securities without market prices		
Unlisted stock	**764**	**754**
Other	**914**	**914**
Total	**¥ 10,568**	**¥ 9,131**

	Millions of yen	
2008:	Cost	Carrying value
Securities with market prices		
Equity securities	¥ 4,504	¥ 8,139
Other	100	101
Securities without market prices		
Unlisted stock	579	579
Other	18	18
Total	¥ 5,201	¥ 8,837

	Thousands of U.S. dollars	
2009:	Cost	Carrying value
Securities with market prices		
Equity securities	**$ 89,484**	**$74,957**
Other	**1,018**	**1,018**
Securities without market prices		
Unlisted stock	**7,777**	**7,676**
Other	**9,305**	**9,305**
Total	**$107,584**	**$92,956**

Loss on devaluation of investment securities with market prices for the year ended March 31, 2009 was ¥2,013 million ($20,493 thousand). No loss on devaluation of investment securities with market prices was recognized for the year ended March 31, 2008.

No gain on sale of investment securities was recognized for the year ended March 31, 2009. Gross realized gains on sale of investment securities were ¥135 million for the year ended March 31, 2008.

5. Inventories

Inventories as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished products	**¥ 88,417**	¥ 97,722	**$ 900,102**
Work in process, raw materials and supplies	**45,825**	63,430	**466,507**
Total	**¥134,242**	¥161,152	**$1,366,609**

The amount of change in inventory provision included in cost of sales in consolidated statement of income for the year ended March 31, 2009 was ¥6,398 million ($65,133 thousand). No significant amount of change in inventory provision was recognized for the year ended March 31, 2008.

6. Impairment of Property, Plant and Equipment

For assessing fixed asset impairment, the Company generally groups fixed assets used for normal operations at a business unit level for which profits are reasonably controllable. Also, the Company assesses the recoverability of individual assets not used in normal operations or that are idle.

During the year ended March 31, 2008, the Company determined to close certain domestic manufacturing facilities and impairment losses were recognized mainly for buildings of ¥808 million. These charges were presented in other income (expenses) in the consolidated statement of income for the year ended March 31, 2008.

No impairment of property, plant and equipment was recognized for the year ended March 31, 2009.

7. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2009 and 2008.

8. Short-term Borrowings and Long-term Debt

Short-term borrowings represent 365-day notes issued by Tokyo Electron to banks and bore interest at an average annual rate of 0.80% and 1.26% as of March 31, 2009 and 2008, respectively.

Long-term debt as of March 31, 2009 and 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
0.72% unsecured bonds due 2008	**¥ –**	¥ 30,000	**$ –**
Current portion	**–**	(30,000)	**–**
Total	**¥ –**	¥ –	**$ –**

As of March 31, 2009, Tokyo Electron has unused lines of credit amounting to ¥135,329 million ($1,377,675 thousand).

9. Accrued Pension and Severance Costs

The Company and its domestic subsidiaries have defined benefit plans (cash balance plan and noncontributory retirement and severance benefit plans) covering substantially all their employees who meet eligibility requirements. The benefits under the plans are based on length of service and certain other factors.

The cash balance plan provides for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Under the cash balance plan, each participant has an account which is credited yearly based on the current rate of pay and market-related interest rate. The noncontributory plans provide for lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Certain foreign 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.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2009 and 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Benefit obligation	**¥(79,141)**	¥(74,733)	**$(805,670)**
Fair value of plan assets	**33,791**	34,298	**343,999**
Funded status	**(45,350)**	(40,435)	**(461,671)**
Unrecognized actuarial difference	**3,027**	618	**30,815**
Unrecognized prior service cost	**226**	1,114	**2,301**
Net amount recognized	**(42,097)**	(38,703)	**(428,555)**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension and severance costs (Note 1)	**4,950**	5,001	**50,392**
Accrued pension and severance costs (Note 2)	**(47,047)**	(43,704)	**(478,947)**
Net amount recognized	**¥(42,097)**	¥(38,703)	**$(428,555)**

Notes: 1. The prepaid pension and severance costs as of March 31, 2009 and 2008 is included in other assets in the consolidated balance sheets.
2. The provision for accrued pension and severance costs for directors and statutory auditors (¥640 million ($6,515 thousand) as of March 31, 2009 and ¥666 million as of March 31, 2008) is not included.

Net pension cost of the plans is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service cost	**¥5,217**	¥5,198	**$53,110**
Interest cost	**1,483**	1,375	**15,097**
Expected return on plan assets	**(686)**	(616)	**(6,984)**
Amortization of actuarial difference	**(628)**	(629)	**(6,392)**
Amortization of prior service cost	**888**	950	**9,040**
Net pension cost	**¥6,274**	¥6,278	**$63,871**

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

	2009 and 2008
Allocation method of benefit obligation	**Straight-line method**
Discount rate	**2.00%**
Expected rate of return on plan assets	**2.00%**
Amortization period of prior service cost	**4 years**
Amortization period of actuarial difference	**4 years**

10. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets			
Accrued pension and severance costs	**¥ 18,831**	¥17,529	**$ 191,703**
Net operating loss carryforwards	**14,515**	1,564	**147,765**
Tax credit for research and development	**6,619**	–	**67,384**
Devaluation of inventories	**5,707**	3,158	**58,098**
Accrued employees' bonuses	**2,004**	5,116	**20,401**
Elimination of unrealized profit in inventories	**1,980**	9,018	**20,158**
Accrued warranty expenses	**1,922**	3,146	**19,566**
Allowance for doubtful accounts	**1,461**	–	**14,873**
Accrued business taxes	**–**	2,418	**–**
Other	**6,751**	5,995	**68,726**
Total gross deferred tax assets	**59,790**	47,944	**608,674**
Less valuation allowance	**(10,472)**	(2,116)	**(106,607)**
Total deferred tax assets	**49,318**	45,828	**502,067**
Deferred tax liabilities			
Undistributed earnings of foreign subsidiaries	**(2,624)**	(4,026)	**(26,713)**
Receivables for business taxes	**(2,025)**	–	**(20,615)**
Prepaid pension and severance costs	**(1,972)**	(2,005)	**(20,075)**
Reserves under Special Taxation Measures Law	**(358)**	(1,003)	**(3,645)**
Net unrealized gain on investment securities	**–**	(1,470)	**–**
Other	**(1,162)**	(1,475)	**(11,829)**
Total gross deferred tax liabilities	**(8,141)**	(9,979)	**(82,877)**
Net deferred tax assets	**¥ 41,177**	¥35,849	**$ 419,190**

The Company and its wholly-owned domestic subsidiaries apply a consolidated tax filing system for corporate tax purposes.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. For assessment of the realizability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, future estimated taxable income, tax planning strategies and level of net operating loss carryforwards, if any, in accordance with accounting principles generally accepted in Japan.

Based on the level of historical taxable income and future estimated taxable income over the periods which the deferred tax assets are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2009 and 2008.

The Company is subject to a corporate tax, an inhabitants' tax and a deductible enterprise tax, which in the aggregate resulted in a statutory income tax rate of approximately 40.69% for the years ended March 31, 2009 and 2008.

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2009 and 2008 are as follows:

	2009	2008
Statutory tax rate in Japan	**40.69%**	40.69%
Adjustments:		
Loss on investment in a subsidiary deductible for tax purposes	**(67.56)**	–
Effect for elimination of unrealized profit in inventories	**34.77**	–
Change in valuation allowance	**24.07**	0.17
Increase (decrease) in deferred tax liabilities on undistributed earnings of foreign subsidiaries	**(14.54)**	0.30
Difference in statutory tax rates of subsidiaries	**(10.04)**	(1.06)
Dividends from foreign subsidiaries	**6.56**	0.76
Expenses not deductible for tax purposes	**4.30**	0.54
Amortization of goodwill	**1.02**	0.38
Tax credits for research and development costs, etc.	**–**	(5.33)
Loss on impairment of goodwill	**–**	0.98
Others, net	**(0.69)**	(0.82)
Effective tax rate	**18.58%**	36.61%

11. Net Assets

Net assets comprises four subsections, which are shareholders' equity, valuation and translation adjustments, share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. All additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general shareholders' meeting on June 23, 2006, in accordance with the Japanese laws and regulations, the Company altered its articles to allow for the distribution of earnings to shareholders on dates, other than the mid-term and year-end by a resolution of the board of directors.

At the board of directors' meeting held on May 14, 2009, the distribution of cash dividends amounting to ¥715 million ($7,279 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009 since they are recognized in the period in which they are resolved at the board of directors' meeting.

12. Share Subscription Rights

Tokyo Electron has two types of stock-based compensation plans as incentive plans for directors and selected employees. The stock-based compensation plans include stock options ("Stock option plan") and bonds with detachable warrants ("Warrant plan").

Stock option plan

The Company's shareholders have approved annual stock option plans for directors and selected employees since the year ended March 31, 1999. The cumulative number of outstanding shares authorized up to the year ended March 31, 2007 totaled 2,158,500, with a weighted-average exercise price of ¥7,218. Options to purchase 100,400 shares of the Company were authorized and granted at an exercise price of ¥1 for the year ended March 31, 2008. Options to purchase 177,900 shares of the Company were authorized and granted at an exercise price of ¥1 for the year ended March 31, 2009. The options under the plans vest immediately with restriction on exercise up to 2 or 3 years after the date of grant, and have an exercise period of 8 to 20 years from the date of grant.

Shareholders of Tokyo Electron Device Limited ("TED"), a domestic listed subsidiary, have approved annual stock option plans for directors and selected employees since the year ended March 31, 2005. As of April 1, 2007 and March 31, 2009, there were outstanding granted stock options for 650 shares with a weighted-average exercise price of ¥308,698 ($3,142.60).

Warrant plan

In June 2001, the Company issued unsecured bond with detachable warrants. Upon issuance of the unsecured bond with detachable warrants, the Company purchased all of the detachable warrants and distributed them to directors and selected employees.

The warrants vested immediately with restriction on exercise up to 2 years after the date of grant, and had an exercise period of 6 years from the date of grant. For financial reporting purposes, these transactions were accounted for as an issuance of debt to third parties and separately as the issuance of warrants to directors and selected employees.

By exercising the warrants, directors and selected employees could purchase the common stock of the Company, which amounted to 572,439 shares at an exercise price of ¥9,608 for warrants issued in June 2001, which were forfeited and a gain of ¥467 million recognized for the year ended March 31, 2008.

As of April 1, 2007, there were outstanding granted stock options, including warrants, to purchase 2,581,477 shares of the Company, with a weighted-average exercise price of ¥7,609. For the year ended March 31, 2008, options to purchase 486,277 shares were forfeited and options to purchase 139,100 shares were exercised. For the year ended March 31, 2009, options to purchase 137,600 shares were forfeited and options to purchase 44,500 shares were exercised. As of March 31, 2009, there were outstanding granted stock options to purchase 2,052,300 shares with a weighted-average exercise price of ¥5,927 ($60.34).

13. Leases

As mentioned in note 2 (k), effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions". Under the new standards, as permitted, finance leases which commenced on or before March 31, 2008, continue to be accounted for as operating leases. Pro forma information of leased property acquired on or before March 31, 2008 including acquisition cost, accumulated depreciation, obligation under finance leases, 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, 2009 and 2008, are as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Acquisition cost	**¥1,040**	¥1,089	**$10,587**
Accumulated depreciation	**457**	303	**4,652**
Net leased property	**¥ 583**	¥ 786	**$ 5,935**

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥ 168**	¥ 189	**$ 1,710**
Due over one year	**415**	597	**4,225**
Total	**¥ 583**	¥ 786	**$ 5,935**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥175 million ($1,782 thousand) and ¥156 million, which approximated the corresponding depreciation on the respective leased property computed by the straight-line method over the lease terms for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments on non-cancelable operating leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥1,673**	¥ 661	**$17,031**
Due over one year	**841**	628	**8,562**
Total	**¥2,514**	¥1,289	**$25,593**

14. Derivative Financial Instruments

The Company and a domestic subsidiary enter into forward foreign exchange contracts in order to hedge risks of adverse fluctuations in foreign currency exchange rates associated with export-import transactions, but do not enter into such transactions for speculative purposes. The Company and the domestic subsidiary are exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such risk is considered to be immaterial because the Company and the domestic subsidiary only enter into transactions with financial institutions with high credit ratings. Execution and management of all derivative transactions are conducted pursuant to the internal management rule for derivatives by the finance division and the effectiveness of derivative transactions is reported on a semiannual basis to the board of directors.

Since the estimated fair value of the derivative financial instruments as of March 31, 2009 is not significant, the disclosure of the fair value of derivatives not classified as hedges is omitted without hedges. The estimated fair value of the derivative financial instruments as of March 31, 2008 was as follows:

	Millions of yen		
2008:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥7,239	¥6,847	¥392
Buy U.S. dollars	409	386	(23)

The contract amounts of the forward foreign exchange contracts presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets. In addition, the disclosure of the fair value of derivatives, which are accounted for as hedges is omitted as of March 31, 2009 and 2008.

15. Other Income (Expenses)

Provision of allowance for doubtful accounts of ¥7,361 million ($74,936 thousand) for the year ended March 31, 2009 consists of estimated uncollectible amounts for specific doubtful receivables.

Loss on devaluation of investment securities of ¥2,432 million ($24,758 thousand) for the year ended March 31, 2009 mainly consists of devaluation of securities of listed companies due to decline of the stock market price.

The Company recognized goodwill generated from the acquisition of Timbre Technologies, Inc. ("TTI") during the year ended March 31, 2001 and this goodwill was being amortized over 10 years. During the year ended March 31, 2008, the Company recognized loss on impairment of goodwill in the amount of ¥4,072 million based on the revision to the future plan for TTI's business.

Gain on sale of property, plant and equipment of ¥2,365 million for the year ended March 31, 2008 mainly consists of gains on sale of land and buildings of foreign subsidiaries.

16. Segment Information

Business segment information as of and for the years ended March 31, 2009 and 2008 is as follows:

2009:	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
	Millions of yen				
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	**¥413,875**	**¥94,207**	**¥508,082**	**¥ –**	**¥508,082**
(2) Intersegment sales or transfers	**942**	**495**	**1,437**	**(1,437)**	**–**
Total	**414,817**	**94,702**	**509,519**	**(1,437)**	**508,082**
Operating expenses	**401,974**	**92,861**	**494,835**	**(1,464)**	**493,371**
Operating income	**¥ 12,843**	**¥ 1,841**	**¥ 14,684**	**¥ 27**	**¥ 14,711**
2. Assets, depreciation and amortization expenses, impairment losses and capital expenditures					
Assets	**¥631,062**	**¥40,680**	**¥671,742**	**¥(2,744)**	**¥668,998**
Depreciation and amortization expenses	**22,860**	**473**	**23,333**	**–**	**23,333**
Capital expenditures, including intangible and other assets	**19,468**	**698**	**20,166**	**–**	**20,166**

2008:	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
	Millions of yen				
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	¥794,911	¥111,181	¥906,092	¥ –	¥906,092
(2) Intersegment sales or transfers	1,117	948	2,065	(2,065)	–
Total	796,028	112,129	908,157	(2,065)	906,092
Operating expenses	631,220	108,470	739,690	(2,096)	737,594
Operating income	¥164,808	¥ 3,659	¥168,467	¥ 31	¥168,498
2. Assets, depreciation and amortization expenses, impairment losses and capital expenditures					
Assets	¥744,280	¥ 51,459	¥795,739	¥(2,921)	¥792,818
Depreciation and amortization expenses	22,649	365	23,014	–	23,014
Loss on impairment of goodwill	4,072	–	4,072	–	4,072
Loss on impairment of property, plant and equipment	808	–	808	–	808
Capital expenditures, including intangible and other assets	26,924	924	27,848	–	27,848

2009:	Thousands of U.S. dollars Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	**$4,213,326**	**$959,045**	**$5,172,371**	**$ –**	**$5,172,371**
(2) Intersegment sales or transfers	**9,590**	**5,039**	**14,629**	**(14,629)**	**–**
Total	**4,222,916**	**964,084**	**5,187,000**	**(14,629)**	**5,172,371**
Operating expenses	**4,092,171**	**945,343**	**5,037,514**	**(14,904)**	**5,022,610**
Operating income	**$ 130,745**	**$ 18,741**	**$ 149,486**	**$ 275**	**$ 149,761**
2. Assets, depreciation and amortization expenses, impairment losses and capital expenditures					
Assets	**$6,424,331**	**$414,130**	**$6,838,461**	**$(27,935)**	**$6,810,526**
Depreciation and amortization expenses	**232,719**	**4,815**	**237,534**	**–**	**237,534**
Capital expenditures, including intangible and other assets	**198,188**	**7,106**	**205,294**	**–**	**205,294**

Notes:1. Method of classifying business segments: Business segments are classified after considering similarities in types of products and service, as well as sales methods.
2. Major products in each business segment:

Business segment	*Major products*
Industrial electronic equipment	*Semiconductor production equipment, FPD production equipment, PV production equipment and others*
Electronic components and computer networks	*Semiconductor products, boards, electronic components, computer networks and software*

3. Depreciation expenses and capital expenditures include those for long-term prepaid expenses.
4. Changes in accounting policies
(1)Accounting standard for measurement of inventories
Effective from April 1, 2008, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements and segment information.
(2)Accounting standard for lease transaction
Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (Statement No. 13 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements and segment information.
(3)Accounting policies applied to foreign subsidiaries
Effective from April 1, 2008, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements and segment information.
(4)Accounting policy for depreciation method
Effective from the year ended March 31, 2008, the Company and its domestic subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007; Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007). The effect of change increased operating expenses and decreased operating income for the industrial electronic equipment segment and the electronic components and computer networks segment by ¥1,412 million and ¥17 million, respectively, for the year ended March 31, 2008, compared with the corresponding amounts that would have been recorded under the previous accounting method.

Geographical segment information as of and for the years ended March 31, 2009 and 2008 are as follows:

2009:	Millions of yen Japan	Other regions	Total	Eliminations and corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	**¥435,434**	**¥ 72,648**	**¥ 508,082**	**¥ –**	**¥508,082**
(2) Intersegment sales or transfers	**47,183**	**41,403**	**88,586**	**(88,586)**	**–**
Total	**482,617**	**114,051**	**596,668**	**(88,586)**	**508,082**
Operating expenses	**475,295**	**108,975**	**584,270**	**(90,899)**	**493,371**
Operating income	**¥ 7,322**	**¥ 5,076**	**¥ 12,398**	**¥ 2,313**	**¥ 14,711**
2. Total assets	**¥638,047**	**¥ 67,154**	**¥ 705,201**	**¥(36,203)**	**¥668,998**

2008:	Millions of yen Japan	Other regions	Total	Eliminations and corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	¥ 806,193	¥ 99,899	¥ 906,092	¥ –	¥ 906,092
(2) Intersegment sales or transfers	71,960	54,186	126,146	(126,146)	–
Total	878,153	154,085	1,032,238	(126,146)	906,092
Operating expenses	718,193	142,760	860,953	(123,359)	737,594
Operating income	¥ 159,960	¥ 11,325	¥ 171,285	¥ (2,787)	¥ 168,498
2. Total assets	¥ 752,739	¥ 80,363	¥ 833,102	¥ (40,284)	¥ 792,818

2009:	Japan	Other regions	Total	Eliminations and corporate	Consolidated
	Thousands of U.S. dollars				
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	$4,432,801	$ 739,570	$5,172,371	$ –	$5,172,371
(2) Intersegment sales or transfers	480,332	421,490	901,822	(901,822)	–
Total	4,913,133	1,161,060	6,074,193	(901,822)	5,172,371
Operating expenses	4,838,593	1,109,386	5,947,979	(925,369)	5,022,610
Operating income	$ 74,540	$ 51,674	$ 126,214	$ 23,547	$ 149,761
2. Total assets	$6,495,439	$ 683,640	$7,179,079	$(368,553)	$6,810,526

Notes: 1. For the reporting of geographical segment information, net sales and operating income are separated based on the location of the Company and its subsidiaries. Assets are separated by geographic location.
2. Other regions comprises primarily the United States of America, Europe and Taiwan.
3. Changes in accounting policies
(1)Accounting standard for measurement of inventories
Effective from April 1, 2008, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements and segment information.
(2)Accounting standard for lease transaction
Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (Statement No. 13 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements and segment information.
(3)Accounting policies applied to foreign subsidiaries
Effective from April 1, 2008, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan). The change had no significant impact on the consolidated financial statements and segment information.
(4)Accounting policy for depreciation method
Effective from the year ended March 31, 2008, the Company and its domestic subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007; Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007). The effect of change increased operating expenses and decreased operating income for the Japan segment by ¥1,429 million, for the year ended March 31, 2008, compared with the corresponding amounts that would have been recorded under the previous accounting method.

Domestic and overseas net sales by destination for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
Net sales	**2009**	2008	**2009**
Japan	**¥208,871**	¥323,946	**$2,126,346**
Taiwan	**80,327**	272,221	**817,744**
Korea	**72,507**	90,940	**738,135**
United States of America	**65,537**	108,760	**667,179**
Others	**80,840**	110,225	**822,967**
Total	**¥508,082**	¥906,092	**$5,172,371**

Notes: 1. For the reporting of domestic and overseas sales, overseas sales (other than Japan) include export sales of the Company and its domestic subsidiaries and sales of foreign subsidiaries, except for export sales to Japan.
2. Other comprises primarily Singapore, China and Israel.