Dynamic Vision

Forward-Thinking Technology

ANNUAL REPORT 2009

For the Year Ended March 31, 2009

TOKYO ELECTRON LIMITED

PROFILE

Tokyo Electron Limited (TEL) is a world-leading supplier of semiconductor production equipment (SPE) and flat panel display (FPD) production equipment. We provide a broad lineup of products that offer superior process performance and high productivity and related services to semiconductor and LCD panel manufacturers around the world. Additionally, photovoltaic (PV) cell production equipment has been in the product lineup since 2009.

An unwavering commitment to customer satisfaction that dates back to our founding in 1963 has cemented our position as the market leader. Our competitive strength lies in our capability to proactively and precisely identify real customer needs and respond to them with cutting-edge technology and products.

With a global network that spans Japan, the U.S., Europe and Asia, we are opening up new frontiers for digital networks by contributing to enhancing our customers' production lines through untiring dedication to technology innovation.

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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 Tokyo Electron's assumptions 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, photovoltaic cell manufacturers and electronics 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

For details, please refer to Business-related and Other Risks on page 28.

CONSOLIDATED FINANCIAL HIGHLIGHTS

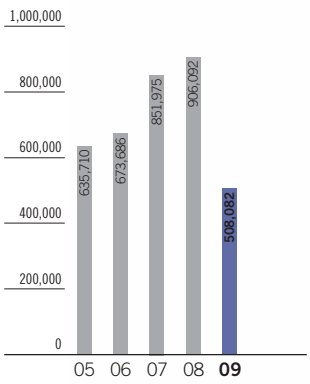
Years ended March 31	Millions of yen 2005	2006	2007	2008	2009	Thousands of U.S. dollars 2009
For the year:						
Net sales	¥635,710	¥673,686	¥851,975	¥906,092	**¥508,082**	**$5,172,371**
Operating income	63,983	75,703	143,979	168,498	**14,711**	**149,761**
Income before income taxes	55,775	75,328	144,414	169,220	**9,637**	**98,106**
Net income	61,601	48,006	91,263	106,271	**7,543**	**76,789**
Depreciation and amortization	21,463	19,170	18,820	21,413	**23,068**	**234,837**
Capital expenditures	9,876	13,335	27,129	22,703	**18,108**	**184,343**
R&D expenses	43,889	49,182	56,962	66,073	**60,988**	**620,869**
Free cash flows	106,900	68,317	29,004	86,753	**(79,591)**	**(810,251)**
Operating margin	10.1%	11.2%	16.9%	18.6%	**2.9%**	
ROE	20.3%	13.5%	21.8%	21.4%	**1.4%**	

	Millions of yen 2005	2006	2007	2008	2009	Thousands of U.S. dollars 2009
At year-end:						
Total assets	¥644,320	¥663,243	¥770,514	¥792,818	**¥668,998**	**$6,810,526**
Total net assets (Total shareholders' equity)	332,165	376,900	469,811	545,245	**529,265**	**5,388,018**

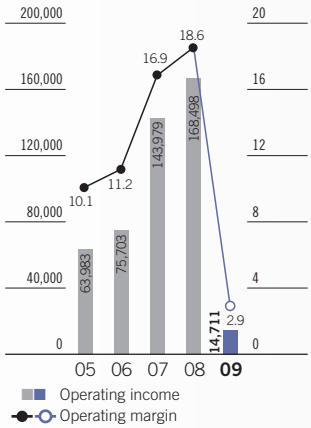
	Yen 2005	2006	2007	2008	2009	U.S. dollars 2009
Per share:						
Net income—Basic	¥ 343.63	¥ 267.61	¥ 511.27	¥ 594.01	**¥ 42.15**	**$ 0.43**
Cash dividends	45.00	55.00	103.00	125.00	**24.00**	**0.24**

Notes: 1. U.S. dollar amounts are translated from yen, solely for convenience, at the prevailing exchange rate on March 31, 2009 of ¥98.23=U.S.$1.
2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.
3. Effective from fiscal 2005, Tokyo Electron changed its method of revenue recognition upon receiving customer confirmation of product set-up and testing of products for Semiconductor and FPD production equipment. The effect of this change decreased net sales, operating income and income before income taxes by ¥80,956 million, ¥20,541 million and ¥20,563 million, respectively, for fiscal 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.
4. Effective from fiscal 2005, Tokyo Electron changed its method to account for after-sale repair expenses by recording accrued warranty expenses for Semiconductor and FPD production equipment. The effect of this change decreased operating income and income before income taxes by ¥635 million and ¥13,106 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.

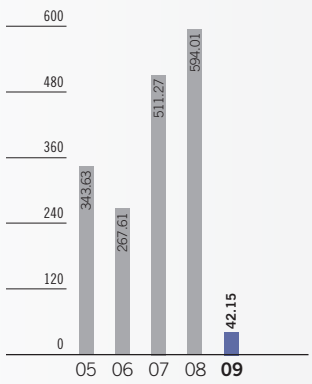
Net sales
(Millions of Yen)



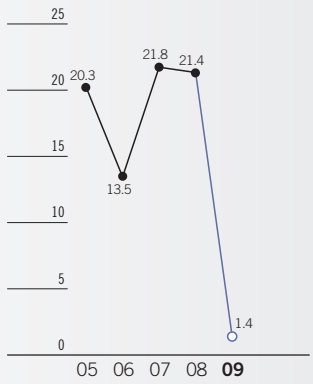
Operating income & Operating margin
(Millions of Yen) (%)



Net income per share
(Yen)



ROE
(%)



We will keep our sights set on the future as we drive through improvements in our technological capabilities and reinforce our business management

In fiscal 2009, the year ended March 31, 2009, Tokyo Electron posted net sales of ¥508.1 billion, operating income of ¥14.7 billion and net income of ¥7.5 billion. These results reflect the impact of the global recession, which caused customers to react simultaneously by significantly cutting their capital investment. From April 2009, we did begin to see signs of a recovery in orders, but the benefits of this recovery will not be fully apparent in terms of revenues until 2010 or later. We expect an extremely challenging operating environment during the year ending March 31, 2010.

With regard to dividends, the Company applies a policy that aims at a payout ratio of 20% of consolidated net income in principle, but under the circumstances, the Company decided to pay a reduced dividend of ¥24 per share, for a 56.9% payout ratio. We would like to ask for your continued understanding in this regard.

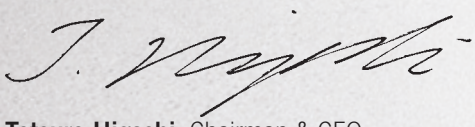
Amidst the present global recession, significant structural shifts are under way in the electronics industry, especially in information and communication technology (ICT)-related fields. That being the case, we believe that if we enact the necessary measures, Tokyo Electron has a strong chance of growth in the medium to long term. ICT has traditionally been developed in the U.S. and Europe, but going forward, it will expand to increasingly diverse locations, including China and other emerging economies, until the "networked society" extends across the entire globe. As the applications for ICT expand into such new fields as medical care, education, risk management, environmental action and transportation, better cost performance and greater speed are required.

At the same time, the need to shift economies to a sustainable model that ensures low energy consumption and minimal environmental impact is a pressing issue for the world as a whole. Tokyo Electron takes an active role, providing society with technologies that facilitate efforts to reduce electricity consumption, and promoting commercially viable technologies for photovoltaic cell production equipment, a field we entered last year. We believe these efforts are a powerful means of helping to resolve this issue. The scale of Tokyo Electron's mission and responsibilities to society should not be underestimated.

Faced with the operating environment described above, it is now crucial for Tokyo Electron to develop technologies for the future and enhance our technological capabilities, while improving operational efficiency and reinforcing our business management. As one means of achieving this, we intend to use 2009 as an opportunity to step up our technological capabilities and business skills by requiring all our employees to participate in a variety of training programs.

Turning to Tokyo Electron's management structure, in April 2009 we appointed a new generation of managers under a new president, and we will combine their strengths with those of the older generation as we uphold our unshakable faith in the future. Going forward, we intend to continue to enhance Tokyo Electron's corporate value as an elite technological corporation.

I would like to thank all of our stakeholders for their continued support and their belief in Tokyo Electron's potential for further growth.



Tetsuro Higashi, Chairman & CEO

In a harsh business environment, we will retain our sense of mission as we press ahead to the next stage of growth

For around half a century, Tokyo Electron has conducted business within the electronics industry, which is characterized by rapid technological innovation. We have contributed to establishing the infrastructure of our society as a leading supplier of semiconductor and FPD (flat panel display) production equipment, providing the state-of-the-art products our customers demand along with exceptional service. With new industries, such as the photovoltaic cell industry, further development is likely in light of environmental concerns, and I believe that in these fields too, the production equipment technologies Tokyo Electron has cultivated over the years can make a significant contribution.

The worldwide economic slowdown since 2008 is currently presenting us with a challenging business environment, but still, day by day the world is steadily advancing towards a ubiquitous society that will enable everybody to lead comfortable, fulfilling lives. To achieve this, it will be essential for electronic products to penetrate into society more broadly and deeply than ever before. So, assuming it is production equipment that will underpin such development, it is likely that in the medium to long term our social mission will remain just as it is. Moreover, in the short term we need to continue with measures appropriate for the current operating environment, such as reducing fixed expenses, while at the same time setting ourselves firmly on the path to further growth.

We are reaffirming our sense of responsibility and awareness of our role as a leader in our industry, developing our businesses proactively by doubling our efforts to promote state-of-the-art technology. In doing so, we will always strive to contribute in creating a society with hope, and addressing environmental concerns. By engaging in such inspiring work, our employees will find themselves brimming with energy, making Tokyo Electron an even more dynamic and motivating place to work.

As a global corporation that supports the electronics industry in a diverse range of fields, Tokyo Electron will remain an advanced technology company with an enterprising approach to pioneering new frontiers.

We look forward to the continued understanding and support of our stakeholders.

Hiroshi Takenaka

Hiroshi Takenaka, President

Question & Answer

Tetsuro Higashi, Chairman & CEO

Hiroshi Takenaka, President

Q Global economic conditions have been undergoing dramatic change, and this has had a great impact on the electronic equipment sector as well. Could you please give us your impressions of how the business environment affects Tokyo Electron?

A **The semiconductor industry is undergoing steady consolidation, creating a much more oligopolistic market. For a company like Tokyo Electron, which manufactures semiconductor production equipment (SPE), it is natural to anticipate that competition is going to get increasingly fierce. However, I regard this competitive phase as the preparation stage for a subsequent period of renewed and rapid growth.**

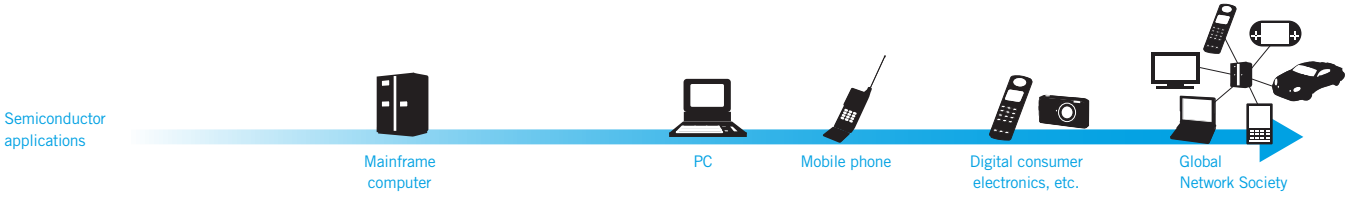
The global economy has contracted rapidly since autumn 2008, and there are concerns that the current recession is likely to be a prolonged one, posing continued difficulty for management over the long term. During recessionary periods, demand in the electronics industry for items such as PCs, mobile phones and other electronic equipment drops off, and manufacturers delay or freeze new investments in plant and equipment. With unit prices falling and production volume being cut back, the pace of structural reorganization and consolidation in the global semiconductor industry is accelerating, thus creating a more oligopolistic industry structure. For companies in the SPE industry, like Tokyo Electron, this means a more competitive

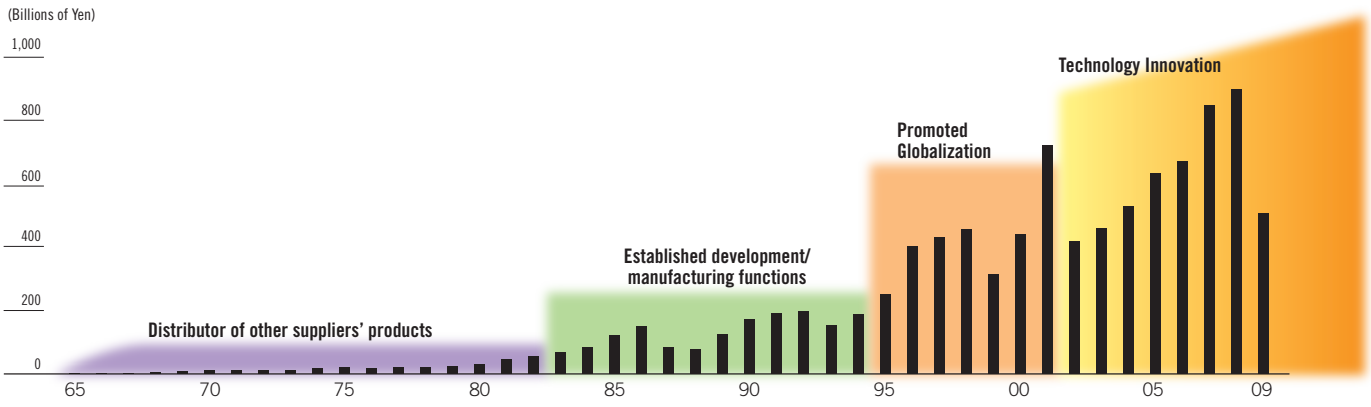
business environment, and this situation seems to persist for some time. However, as is always the case during eras of social and industrial change, it is important for companies to take a long-term perspective, striving to respond swiftly and appropriately to change in the industry structure, and changes in customer needs. In this context, we consider it essential to develop and try new plans from a broader perspective.

The world is also experiencing a dramatic change in people's values related to energy production and the environment. Thus, there is a rising need for technology that can help to solve today's environment-related challenges. Semiconductor devices will be essential in the drive to develop high-performance networks and a more environmentally friendly society. As the devices attain even higher integration, and are introduced in a wider range of applications and locations, it will stimulate market growth in the SPE industry over the medium-to-long term. Furthermore, in order for semiconductors to meet expectations – for example, in terms of reducing energy consumption – new technological breakthroughs will be required. Pushing the envelope of technological advance, both in process development and in the creation of new equipment, is one of the most important roles that Tokyo Electron can play in the industry.

Therefore, even though current business conditions are harsh, I prefer to view this as a preparatory phase, which is necessary in order to lay the groundwork for the next phase of growth. Tokyo Electron is continuing to make selective and aggressive R&D investments which we believe will bring the strongest future growth. In this way, we expect to bolster the Company's competitiveness in preparation for future growth.

Having said that, Tokyo Electron is also taking measures to deal with the ongoing recession. During fiscal 2009 (the year ended March 2009), we implemented cost reduction plans to the fullest extent possible, and took steps to streamline operations. We have adjusted the allocation of personnel and assets to more appropriately match the scale of business activities and the prospects for future growth. Other measures, such as cutting performance-linked bonuses and drastically adjusting the number of contract employees, enabled Tokyo Electron to reduce fixed costs by ¥40.0 billion. These swift responses to a rapidly changing business environment allowed the Company to greatly lower its break-even point, and post a positive profit figure for the fiscal year. In fiscal 2010 we aim to reduce fixed costs by an additional ¥30.0 billion and further strengthen the Company's financial structure.





Q

A

What strengths does Tokyo Electron possess to address the current difficult business environment?

Joint product development capability with global customers, and a solid financial base will allow Tokyo Electron to continuously offer highly reliable products that maximize the customers' mass-production capabilities and process performance at the best value.

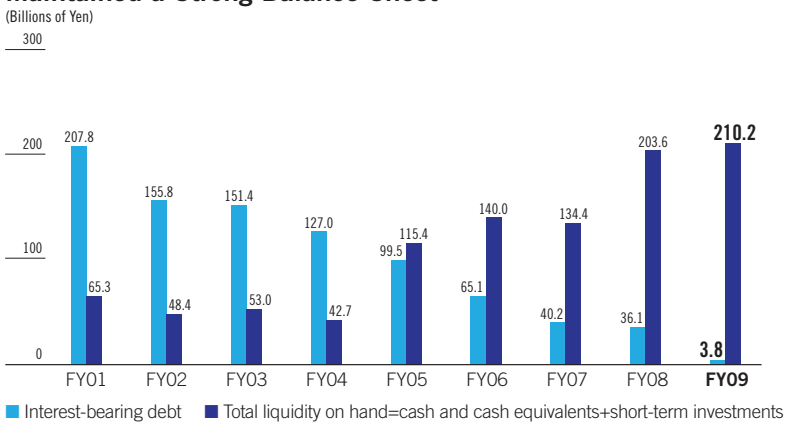
Today, semiconductor devices must be even more reliable, higher in performance and lower in energy consumption than ever before. Tokyo Electron provides SPE which helps chipmakers meet these demands. The Company bases its strength on an extensive, worldwide base of customers which has remained very loyal. Tokyo Electron seeks to identify precisely the issues and requirements that each customer faces, and then works closely with the customer to develop products that match these needs. This allows us to develop highly efficient and unique products and solutions for each customer, and to earn strong bonds of trust in return. As technology has improved, the role of a SPE manufacturer has expanded as well. The SPE company is expected to provide not only the wafer process technologies that help to make chips smaller and faster, but also process development, process integration, and even solutions to production line management, to improve the performance of the chips themselves, and methods for increasing production capacity or reducing energy consumption. Tokyo Electron has a strength in reputation for providing process integration solutions using a wide range of products. One good example involves miniaturization efforts in the development of next-generation memory chips. In 2008, Tokyo Electron developed a form of double-patterning technology which offers not only a high level of process performance, but also superior mass-production features.

As the range of technological expertise and development skills that Tokyo Electron should address expands, we have begun working together with universities and materials companies, in consortium projects, in an aggressive effort to acquire the very latest in technology. The Company even cooperates on process integration projects with other SPE manufacturers in strategic collaborations that help us to generate high value-added products, while reducing development time and related costs.

Even though the R&D expenditure is rising with each passing year, Tokyo Electron has established a solid financial base with enough funds to ensure that we can continue making these critical investments in product development, even at times of economic recession. Thanks to the success of various measures that we adopted in the past aimed at improving profitability, Tokyo Electron has an extremely strong balance sheet, a total of ¥210.2 billion in funds on hand as of the end of March 2009, and a debt-equity ratio of just 0.7%.

Tokyo Electron intends to further grow by providing the high-value added products that respond to customers' real needs, while strengthening information gathering capability, improving its competitiveness in case technologies and cutting costs.

Maintained a Strong Balance Sheet



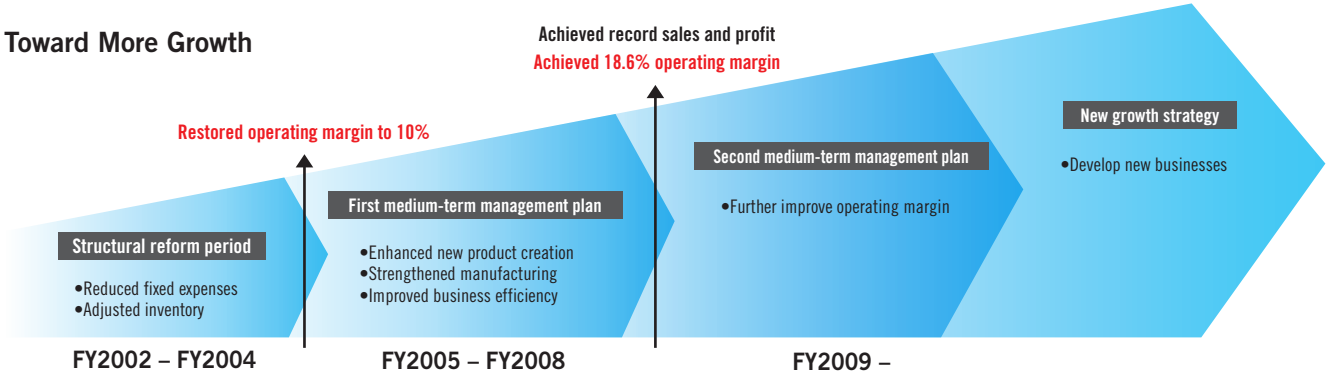
Q If Tokyo Electron leverages its competitiveness, what sort of growth are you expecting and how do you intend to achieve it?

A **By helping customers to develop high-performance, high-speed, low-energy-consumption semiconductor devices, Tokyo Electron is aggressively making efforts to acquire innovative technology. In the future, the Company will remain a central player in the ICT (Information and Communication Technology) industry. We aim to take advantage of a large variety of acquired technology to generate new business.**

As efforts to integrate semiconductors continue, these devices will become not only smaller but more advanced, to the point that they will begin to pervade every corner of the globe. Those advances will continue to be driven by improvements in production equipment – a business that will remain at the core of Tokyo Electron's operations – as we strive to develop bold solutions to the market's needs. Today, the pace of technological progress is more rapid than ever before, and the fate of business often depends on a company's success in developing the technology. If Tokyo Electron is to continue playing a central role in the industry, it is very important that we try to anticipate future changes and work ceaselessly to develop the most appropriate products and solutions to the demands of the new era before competitors can do so. The Company will continue to enhance its development capability and to deliver products that the market needs, in a timely fashion, thereby maintaining or even increasing our leading market share in each product segment. As a means of both improving product quality and reducing cost, we will also continue ongoing efforts to reform production activities, considering the design concept in the initial development phase to achieve the maximum possible benefit once the product enters the mass production phase.

We also need to recognize that the market, in which Tokyo Electron operates, comprises only a part of the overall SPE market. The Company will redouble its efforts to acquire the necessary technologies, and accelerate productization, in segments that promise future growth. In this way, we can continue to expand our share of the broader market.

Meanwhile, we intend to keep in mind the tremendous value of the technology that we have compiled over the years, in diverse product segments, and in customer support capability. We will leverage these assets to strengthen our position in the equipment-peripheral businesses and aggressively seek to enter new businesses. Tokyo Electron is focusing on "peripheral" businesses related to production equipment, such as spare part sales, maintenance, system modifications, and other "post-sales businesses." One prospective new business for the Company is the field of environment-related technology. The market for solar power generation, for example, is likely to grow dramatically in the next few decades. But in order for our society to enter an era in which solar power generation is truly ubiquitous, further advances in technology will be essential to improve the efficiency of energy conversion from solar energy to electrical energy, and to develop production equipment that can mass-produce photovoltaic cells efficiently. These advances would greatly bring down the cost of solar power generation. Tokyo Electron is dedicating its efforts to the development of such technologies, in the hope that the Company can provide high added-value and build a business with strong growth prospects.



Q You mention post-sales businesses as an area of focus for Tokyo Electron. Could you discuss these businesses in a bit more detail?

A **Many customers have asked Tokyo Electron to help them realize the maximum productive use from their existing equipment. This has convinced us that there is excellent potential for growth in the post-sales market. With a newly established organization for post-sales business, we are taking active steps to cultivate and address this potential market as never before, as a way of expanding revenues.**

There are currently over 50,000 pieces of Tokyo Electron production equipment in operation at customer plants worldwide. Therefore, post-sales operations offer a potentially vast market for the Company. In the past, this business was mainly at the request and initiative of the customer. Tokyo Electron is now taking the initiative, and we hope to build the business into a substantial source of future revenues.

In April 2009 we combined all post-sales operations into a single business unit. In the past, these operations were fragmented, with each product and business unit operating its own separate, independent post-sales structure. By changing this to a single structural unit which operates across product segments, we hope to increase business opportunities and reduce costs to optimize business operations and maximize their future profit contributions. Some of the specific measures include a review of terms and condition for the sale of consumables and spare parts, as well as the system for maintenance contracts. We are also reorganizing our product service bases, both in Japan and overseas, and seeking ways to maximize the profit generated by a single product over its entire operating life cycle. It is expected that some semiconductor manufacturers will close production facilities, and find themselves with a considerable stock of used production equipment that they would like to continue using productively at a different production site. This is likely to create rising demand for some sort of operation that can modify equipment which Tokyo Electron sold and delivered to a customer in the past, re-install it in a new location and put it back into useful operation. Our customer base is also shifting, from a U.S. and European orientation in the past to a heavier focus on Asia. Therefore, the Company will need to provide Asian customers with increased levels of support and service. In doing so, we have an excellent opportunity to expand in markets that are likely to see rapid future growth.

Tokyo Electron is also trying to play a role in the issue of environmental conservation, by actively developing technology and measures to address global warming, and striving to reduce the environmental footprint of its products by redesigning and developing production equipment with less of an environmental impact. As equipment-related businesses become increasingly central to our operations, we expect this to not only boost sales and profit overall, but also to bring stable earnings.

Aiming for Higher Goals

Strengthening Post Sales Operations

Q You also mentioned the photovoltaic (PV) cell production equipment business. Could you please tell us a little more about this new business?

A **The market for photovoltaic cells is now entering its very early phase of growth. By accelerating our efforts to develop new, revolutionary technology, Tokyo Electron is not only making a valuable social contribution, but also hopes to develop a third major pillar of company earnings.**

The technologies that have driven economic growth today have a very noticeable impact on the environment, and since this is now beginning to cause environmental destruction on a global scale, it is clear that we are reaching the limits of economic growth under the old model. From a longer-term perspective, the only way that we can maintain economic growth is to develop innovative technologies that will help to gradually reduce the environmental burden of our economic activities.

Today, photovoltaic (PV) cells are attracting a great deal of attention because they promise a clean source of electric power generation which can help address the issue of global warming, and there is strong interest in developing large-scale electric power generation facilities using this technology. Since PV cells are almost ideal as a way of generating power while preserving the environment, they are a perfect match for the environmental policies adopted by many governments around the world. Therefore, the market for production equipment used to manufacture PV cells is likely to grow substantially over the long term.

At Tokyo Electron, we have been conducting a wide range of basic research into issues that relate to PV cell production. In February 2008 the Company formed a joint venture with Sharp Corporation to specialize in development in this field, and announced plans to enter the market for PV cell production equipment. We are currently working to develop higher- performance plasma CVD system, which will be essential in order to manufacture thin-film silicon PV cells.

In February 2009, Tokyo Electron signed an exclusive representative agreement with Switzerland's Oerlikon Solar for its end-to-end thin-film silicon PV solution in Asia and Oceania. Oerlikon Solar is the world's leading manufacturer of production equipment for thin-film PV cells. Over 900,000 PV panels have been produced to date using Oerlikon Solar's production equipment, and the company has earned a high reputation for its established technology. Oerlikon Solar is eager to leverage Tokyo Electron's expertise in the market for production equipment, our strong technology and our large, established customer support network in the Asia and Oceania regions. Tokyo Electron will provide customer support for Oerlikon Solar's thin-film silicon PV cell production lines as well as installation, set-up support and maintenance services. Together with Oerlikon Solar, we will be able to create the sort of production equipment and support services that the market demands, and to cultivate the next-generation technology that customers require. We expect tremendous growth potential in this field in the medium- to long-term.

Up to now, the cost of solar power generation has been higher than the cost generated by either thermal power or nuclear power, and the PV cell market has been supported by subsidies from each country. There is a strong need for technological developments which can help bring down the cost of solar power generation in order to help it achieve deeper market penetration. As a manufacturer and developer of PV cell production equipment, Tokyo Electron is making strenuous efforts to develop revolutionary new types of process technology that can improve the efficiency of power conversion from solar energy to electrical energy, and trying to enhance our superiority of mass-production capabilities of production equipment in an effort to reduce the cost of electric power generated using PV cells to a level low enough to make it a cost-competitive option. Once that happens, it will stimulate the shift to a less "carbon-dependent society." In this way, Tokyo Electron is confidently taking on the important mission of leading the way in solar energy development, and striving to be a company that contributes value and technological prowess, both to the industry sectors we participate, and to society as a whole.

Semiconductor Production Equipment

Semiconductor devices (IC chips) are the key components of PCs, mobile phones and other digital products. Tokyo Electron offers a wide range of equipment for producing these devices, along with superior technical support and service.

Tokyo Electron has a lineup of six product groups that includes coater/developer, plasma etch system, thermal processing system, single wafer deposition system and cleaning system used in wafer processes, as well as wafer prober used in testing processes. Many of these products have captured top shares in their worldwide markets.

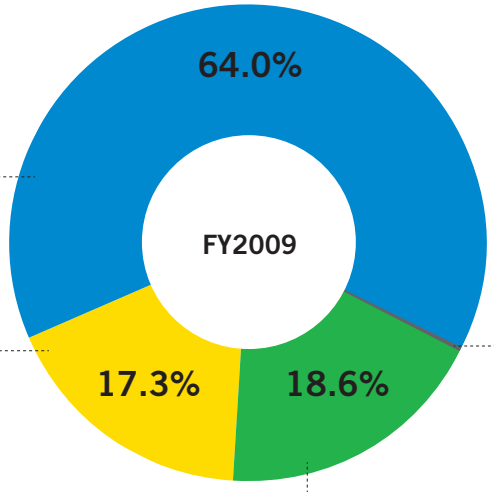
Main Products

- Coater/Developer
- Plasma Etch System
  Dielectric Etch System, Silicon Etch System
- Thermal Processing System
- Single Wafer Deposition System
  CVD System, Plasma Processing System
- Cleaning System
  Auto Wet Station, Single Wafer Cleaning System, Pre-clean System, Scrubber System
- Wafer Prober

Coater/Developer
CLEAN TRACK™ LITHIUS Pro™ V

Thermal Processing System
TELINDY PLUS™

Single Wafer Cleaning System
CELLESTA™+



FPD/PV Production Equipment

Tokyo Electron supplies flat-panel display (FPD) production equipment used to manufacture displays for PCs, LCD TVs and other electronic devices, along with solid technical support and service.

The product lineup includes FPD coater/developer and plasma etch/ash system. The size of substrates handled by such equipment is increasing each year with the growing popularity of large-screen LCD TVs.

Photovoltaic (PV) cells are in the spotlight these days as an environmentally friendly form of clean energy. In 2008, Tokyo Electron added photovoltaic cell production equipment as a new field of operations.

Main Products

- FPD Coater/Developer
- FPD Plasma Etch/Ash System
- Plasma CVD System for Thin-film Silicon PV Cells
- End-to-end Thin-film Silicon PV Solutions (as Swiss company Oerlikon Solar's exclusive representative for the Asia/Oceania region)

FPD Plasma Etch/Ash System
Impressio™

Electronic Components and Computer Networks

Tokyo Electron has developed a new type of dual model for this business: the trading business handles sales, in which it acts as a distributor of a wide array of sophisticated electronic components and computer network equipment, while the development business designs and develops products in response to customer needs, as well as our own in-house brand products. Business operations for this segment are handled by Tokyo Electron Device Limited.

Main Products

- Semiconductor Products
- Other Electronic Components
- Software
- Computer Networks

inrevium™
Developed by Tokyo Electron Device Limited

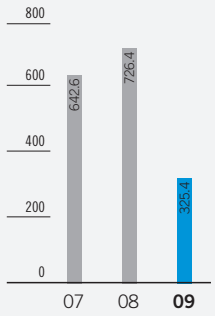
Semiconductor Production Equipment

Overview of FY2009

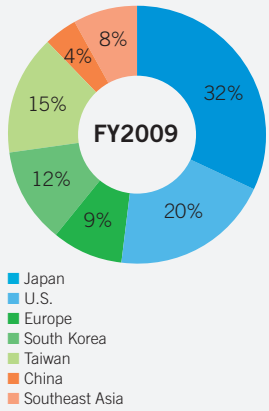
- Business environment: In addition to deterioration in the memory market, overall demand for semiconductors sharply dropped due to the global economic downturn from the second half of the year. There was a sudden halt in capital investment by semiconductor manufacturers.
- Sales: Down 55.2% year on year to ¥325.4 billion
- Sales declined in all regions, but most markedly in Asia, where many memory manufacturers are based. Sales to Taiwan in particular plummeted by 80.7% year on year.
- Orders decreased rapidly in the second half, and the value of orders for the full year declined 57.4% to ¥214.5 billion.

Net Sales

(Billions of yen)



Sales by Region



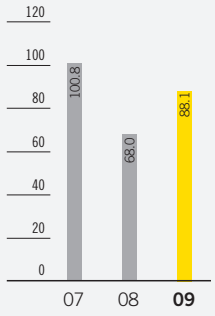
FPD/PV Production Equipment

Overview of FY2009

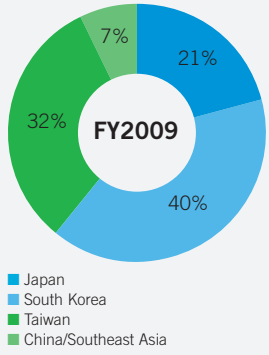
- Business environment: Capital investment in LCD panels for large televisions witnessed robust growth. From the second half, however, the panel market deteriorated due to the downturn in the global economy, and panel manufacturers began to show signs of scaling back investment again.
- Sales: Up 29.5% year on year to ¥88.1 billion
- Sales to South Korea and Taiwan both surged, by 97.3% and 88.3%, respectively
- Products for 7th and 8th generation large substrates accounted for almost half of sales. Shipments also commenced for products for 10th-generation substrates.
- Orders dropped off rapidly in the second half of the year, and the value of orders for the full year declined 53.4% to ¥60.6 billion.

Net Sales

(Billions of yen)



Sales by Region



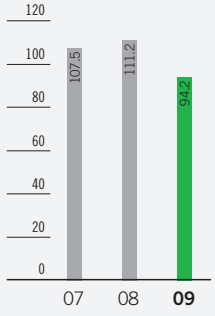
Electronic Components and Computer Networks

Overview of FY2009

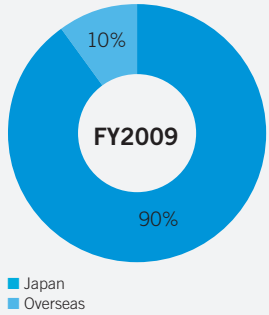
- Business environment: In addition to a drop-off in demand for electronics products, there was a marked tendency to curb new IT investment beginning in the second half of the year, reflecting deterioration in corporate earnings and concerns regarding the economic outlook.
- Sales: Down 15.3% year on year to ¥94.2 billion
- In semiconductor products and electronic components, which account for 77% of sales, the division worked to strengthen its proprietary *inrevium*™ brand products business and our operations in the industrial equipment industry, the segment's main strategic market.

Net Sales

(Billions of yen)



Sales by Region



Even as technologies become more advanced, competition is intensifying. Amid this change in the environment, early adoption and speed are more crucial now than ever to R&D activities. The Tokyo Electron Group is enhancing its exploration of new technologies through industrial academic collaboration, utilizing such consortia to accelerate development of equipment and processes, in addition to our own R&D activities.

Targeting the Frontiers of Semiconductor Production Technology

Tokyo Electron is continuing the perpetual quest for miniaturization, the main pillar supporting the value of semiconductors.

In the field of microfabrication technologies, we have developed unique double patterning technologies, for example, a silicon oxide film that forms at room temperature, enabling ultra-microfabrication that exceeds the resolution limit of exposure tools.

We are also supporting the miniaturization and high performance of transistors by developing high-k CVD systems with mass productivity, MOCVD technologies, and silicon fabrication and various other film deposition technologies for the era of three-dimensional transistors.

Another technology that is the focus of much attention is 3D chip stacking technology. In this area, Tokyo Electron is preparing for the advent of the age of stacked-chip technology by developing proprietary technologies such as a High speed Through-Silicon-Via etching system, low-temperature dielectric film deposition, and metal deposition system.

Tackling Environmental and Energy Issues

The entire Tokyo Electron Group is working together to address global environment- and energy-related issues.

First are our efforts in the field of photovoltaic cell production equipment. We are leveraging vacuum, plasma, and spin coating technologies acquired through our experience in semiconductor and FPD manufacturing equipment to develop high-productivity equipment for manufacturing thin-film silicon photovoltaic cells, the mainstream format in use today.

We are also actively engaged in R&D of photovoltaic cell production equipment that use compound and organic semiconductors, with a view to enhancing the efficiency and lowering the costs of photovoltaic cells.

Second are our contributions to energy conservation. In the field of power electronics, silicon carbide semiconductors are expected to usher in a major, once-in-decades innovation. We have developed epitaxial growth equipment that is crucial to the production of these new, high-potential semiconductors. This equipment boasts the highest performance in terms of epitaxial film quality and productivity of any in the world.

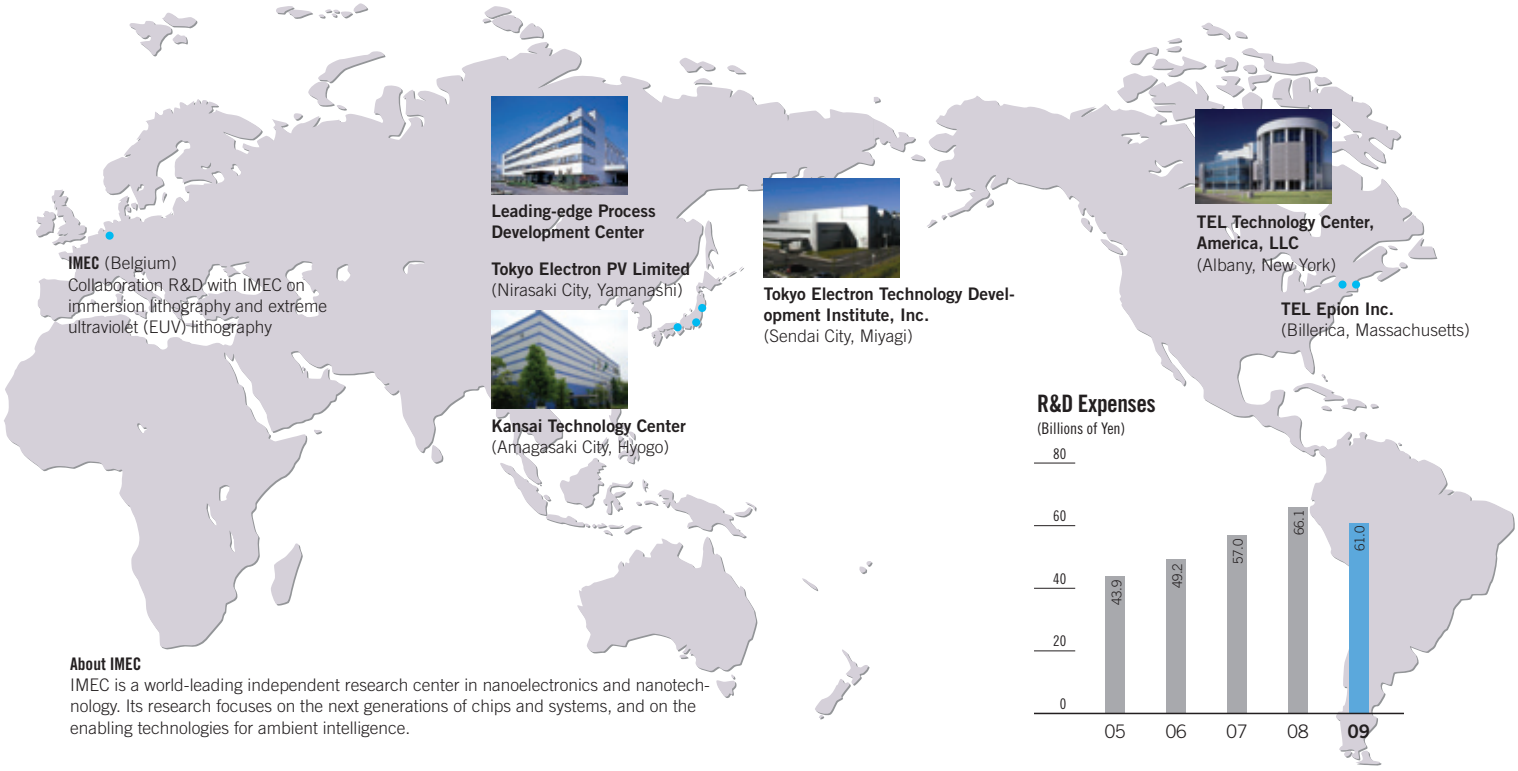
Unearthing the World's Most Promising Technologies

Technological development increasingly requires open innovation. Tokyo Electron participates in research programs at Japanese universities and

Tokyo Electron's R&D Framework (As of June 2009)

Product development in existing SPE and FPD business units	
Tokyo Electron AT Limited	Etch system, CVD system, FPD Etch/ash system
Tokyo Electron Kyushu Limited	Coater/developer, Cleaning system, FPD Coater/developer
Tokyo Electron Tohoku Limited	Thermal processing system
Tokyo Electron TS Limited	Wafer prober
Tokyo Electron Software Technologies Limited	Software technology
Timbre Technologies, Inc.	Integrated metrology
R&D for new and advanced technologies	
Tokyo Electron Technology Development Center	Research and development
Tokyo Electron Leading-edge Process Development Center	Process development
Tokyo Electron Technology Development Institute, Inc.	RLSA plasma technology
Tokyo Electron PV Limited	Thin-film silicon PV cell plasma CVD technology
TEL Technology Center, America, LLC	Process development
TEL Epion Inc.	Gas cluster ion beam technology
Identification of promising technologies	
TEL Venture Capital, Inc.	

R&D Locations



About IMEC
IMEC is a world-leading independent research center in nanoelectronics and nanotechnology. Its research focuses on the next generations of chips and systems, and on the enabling technologies for ambient intelligence.

R&D Expenses

overseas to discover outstanding research, and actively conducts domestic and international joint research on promising technologies.

The Group has also established TEL Venture Capital, Inc., a Silicon Valley-based company that works to uncover promising technologies. Investments and joint research are already underway at a number of companies.

Promoting More Efficient R&D Via Consortia Participation

In order to improve the efficiency of R&D, it is important to match industrial "needs" with the "seeds" of innovation. Consortia offer a promising venue for equipment manufacturers to learn about needs at the forefront of industry, and to generate synergy effects between devices and processes.

In Japan, Tokyo Electron participates in the MIRAI Project, while overseas the Company participates in the International SEMATECH project in the United States and the Albany NanoTech project promoted by the New York State government, as well as collaborating with IMEC in Belgium. These consortia allow the Company to come into contact with global semiconductor industry needs and refine Tokyo Electron's products through evaluation of equipment by other participating parties.

Tokyo Electron maintains a management philosophy that puts emphasis on maximizing corporate value and enhancing shareholder satisfaction. To this end, the Company is striving to enhance corporate governance by building an optimal corporate governance structure and managing it effectively. Efforts in this regard are founded on three basic principles.

Tokyo Electron's Basic Principles of Corporate Governance

1. Ensure the transparency and soundness of business operations
2. Facilitate quick decision-making and the efficient execution of business operations
3. Disclose information in a timely and suitable manner

The Corporate Governance Framework

Tokyo Electron uses the statutory auditor system, and has also adopted the executive officer system to separate the business execution function from the board of directors.

The Board of Directors

The board of directors consists of 13 directors, two of whom are external directors. During fiscal 2009, the board of directors met on 11 occasions. In order to ensure that the Company can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year.

The board of directors has two committees: the Compensation Committee and the Nomination Committee, whose activities are intended to improve corporate governance. The Compensation Committee proposes the remuneration to be paid to the Chairman & CEO and the President at the board meeting for approval. The Nomination Committee selects candidates for directorships for submission at the annual shareholders' meeting, as well as candidates for CEO, which it submits at the board meeting for approval. Each of these committees is composed of members of the board of directors, excluding the Chairman & CEO and the President.

The Board of Statutory Auditors

The Company has four statutory auditors, two of whom are outside auditors. The statutory auditors not only attend meetings of the board of directors and other important business meetings, but also conduct operations audits and accounting audits, and evaluate risk management, in addition to auditing the performance of duties by directors. During fiscal 2009, the board of statutory auditors met six times.

The Executive Officer System

In order to further clarify the roles of the board of directors and executives in charge of business operations, Tokyo Electron adopted the executive officer system in April 2003. This system promotes fast decision-making and the quick establishment and execution of business strategies.

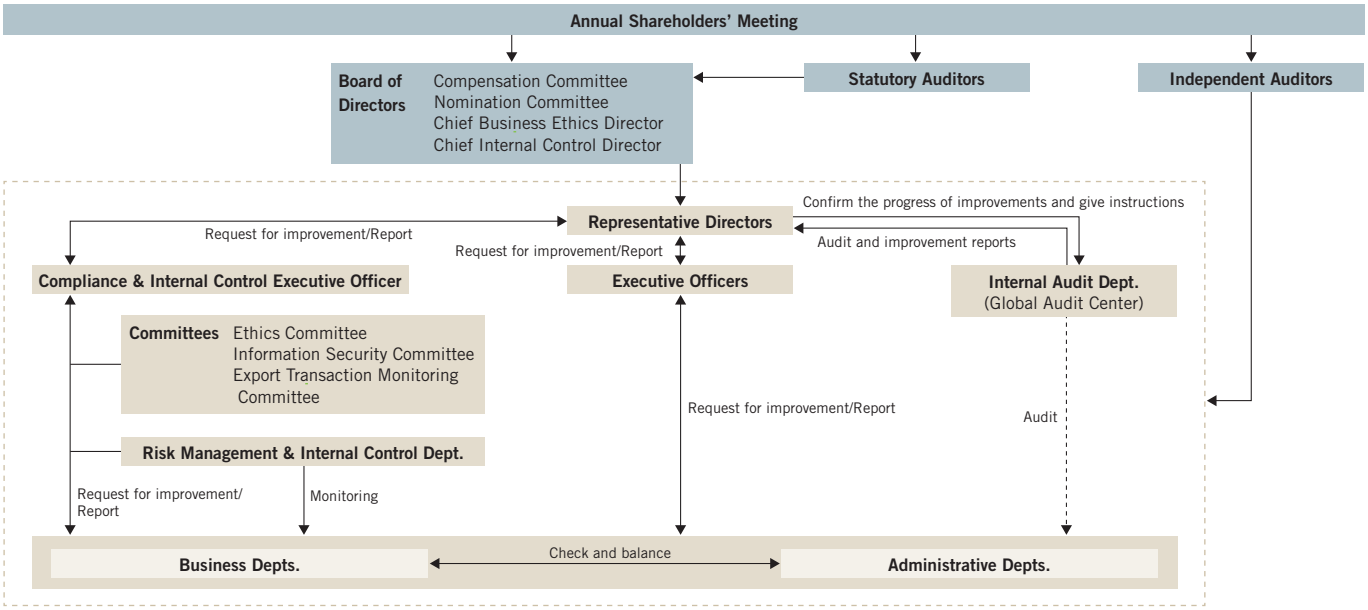
Internal Control and Risk Management System

In order to enhance corporate value and ensure that all business activities are carried out responsibly, in the interests of all stakeholders, Tokyo Electron is taking steps to strengthen its internal control systems, and make them more effective. The Company is implementing practical measures in line with the basic policy for internal control systems established in May 2006, which was partially revised in April 2008. It is also developing a system of internal control over financial reporting based on the Financial Instruments and Exchange Law.

Chief Internal Control Director

Tokyo Electron considers the improvement of internal control systems and the management structure to be of great importance. In June 2008, the Company appointed a Chief Internal Control Director

Diagram of the Corporate Governance Framework, Internal Control System and Risk Management System



who is working to strengthen internal control based on the basic policies for internal control decided by the Board of Directors.

Compliance & Internal Control Executive Officer and Section for Risk Management

To structure its internal control and risk management systems more effectively and improve them further, Tokyo Electron appointed a Compliance & Internal Control Executive Officer in April 2009, at the same time establishing the Risk Management & Internal Control Department.

The Risk Management & Internal Control Department evaluates and analyzes the various risks which could affect the Group, and manages major risks from a Group-wide perspective.

Internal Audit Department (Global Audit Center)

The Global Audit Center oversees the internal auditing activities of Tokyo Electron and its corporate group. The Center is responsible for auditing the business activities of the Group's domestic and overseas bases, as well as their compliance and systems, and evaluating the effectiveness of internal control systems. When necessary, the Global Audit Center also provides guidance to operating divisions.

Coordination Between Statutory Auditors and Internal Audit Department

The statutory auditors coordinate with the department responsible for internal auditing activities primarily by attending the Global Audit Center's report meetings, which are held 22 times per year.

Coordination Between Statutory Auditors and Independent Auditors

The statutory auditors receive audit plans for the fiscal year from the independent auditors, as well as explanations regarding auditing methods and particular areas of focus, among other matters. The independent auditors audit the year-end financial statements and review the quarterly financial statements, and report the results of their audits to the statutory auditors.

The Company provides KPMG AZSA & Co., its independent auditor, with all necessary information and data to ensure that it can conduct its audits during the fiscal year promptly and correctly.

Compliance Framework

Trust is the cornerstone of Tokyo Electron's business foundation. The fundamental requirements for maintaining trust are rigorous conformity to ethical standards and compliance with the law, by individual employees and by each of our organizations. The Group maintains high standards of ethics and a clear awareness of compliance, placing the utmost priority on compliance with laws, regulations and international business standards in all of its corporate activities.

Ethical Standards, Chief Business Ethics Director and Ethics Committee

Recognizing the need to establish uniform standards to govern all of its global business activities, in 1998, the Company formulated the "Tokyo Electron Code of Ethics," which concretely describes the Company's basic views on ethics. The same year, the Company appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the Company.

In June 2007, the Tokyo Electron Code of Ethics was rewritten to make it easier to understand, and to reflect the changing ethical norms of the current era. To ensure full awareness of the Code, it was compiled into a booklet, which the Company distributes to all Group employees, including those overseas.

Compliance & Internal Control Executive Officer

In April 2009, Tokyo Electron appointed a Compliance & Internal Control Executive Officer to raise awareness of compliance across the Group, and further improve its implementation.

Compliance Regulations

Tokyo Electron has drawn up compliance regulations setting out basic compliance-related requirements in line with its code of ethics.

The compliance regulations are intended to ensure that all individuals who take part in business activities for the Group clearly understand the pertinent laws, regulations, international standards and internal company rules, and continuously apply these rules in all of their activities.

Compliance Education for Employees

Information on compliance issues is available to employees via the Company intranet. The Company also conducts web-based training programs for employees, and takes other steps to promote broad awareness of compliance throughout the Company.

Internal Reporting System: Hotline

In the event that an employee becomes aware of any activity which may violate laws, regulations or principles of business ethics, the Company operates an internal reporting system (Hotline) that employees may use to report their concerns. Strict confidentiality is maintained to protect the whistleblower, and ensure that they are not subject to any disadvantage or repercussions.

Remuneration for Directors, Executive Officers and Statutory Auditors

The Company and its subsidiaries (excluding listed companies) have introduced incentive systems, such as business results-based remuneration, and stock options linked to share prices. Effective from fiscal 2006, the Company revised its executive remuneration system to link remuneration more closely to financial performance and shareholder value and also improve management transparency and its competitive strength.

Remuneration System for Executives

1. The remuneration for Company directors and executive officers is composed of two elements: a fixed monthly salary, and an annual bonus which is linked to earnings performance.

2. The total amount of performance-linked remuneration (annual bonuses) for directors and executive officers of the Group is set at a maximum of 3% of consolidated net income. This remuneration is split between cash bonuses and stock-based remuneration (stock options), at a ratio of roughly two to one. The stock-based remuneration takes the form of new stock warrant contracts with an exercise price of one yen per share. This is because current securities and exchange regulations make it difficult to introduce and implement direct share issuance, or the sort of transfer-restricted shares that are used in countries such as the United States. The restricted period on exercising stock options is set at three years.
3. The earnings-linked remuneration (annual bonuses) of external directors does not include stock options.
4. In order to ensure that statutory auditors maintain full independence from management pressures, the compensation of statutory auditors consists of a fixed monthly salary only.
5. Retirement allowances for directors, statutory auditors and executive officers were abolished at the end of fiscal 2005, as part of the revisions to Tokyo Electron's remuneration system for executives.

Remuneration linked to corporate performance comprises a relatively large share of executives' total remuneration. Tokyo Electron believes this will give executives a strong incentive to improve the Company's earnings performance and elevate the share price, since they share in both the benefits and the risks experienced by shareholders.

Disclosure of the Individual Compensation of Representative Directors

In order to increase transparency and reflect shareholders' interests, Tokyo Electron discloses the remuneration paid to each representative director (Chairman & CEO and President & COO), as well as the aggregate remuneration paid to directors and statutory auditors, in its business report, which is sent to shareholders along with the Notice of Annual General Meeting of Shareholders.

Disclosure Policy

Tokyo Electron is committed to disclosing information about the Company in a fair, prompt and accurate manner, to ensure that all stakeholders, including shareholders and other investors, can obtain an accurate, in-depth understanding of the Company and its activities, and evaluate the Company's corporate value appropriately. The Company also solicits feedback from its stakeholders as part of its information disclosure activities, and uses the feedback as a point of reference to guide corporate management.

Information Disclosure Standards

Tokyo Electron complies fully with the Financial Instruments and Exchange Law, and the Tokyo Stock Exchange's listing regulations pertaining to marketable securities.

Furthermore, even when the information is not subject to the listing regulations pertaining to marketable securities, the Company discloses the information proactively, in a fair, prompt and accurate manner if the information is deemed useful in providing stakeholders with an accurate understanding of the Company.

Disclosure Practices

If it is subject to the marketable securities listing regulations (material information), Tokyo Electron will release information simultaneously in a press release, and via the Tokyo Stock Exchange's "Timely Disclosure Network" (TDnet), and will post the information on its website as soon as possible, following the official announcement.

Even when it does not fall into the category of "material information," the Company will voluntarily disclose information which may be of interest to stakeholders, in a fair, accurate, and easy-to-understand manner, either on its website or in printed form, through various means of communication.

Tokyo Electron conducts meetings to discuss its financial results with securities analysts and investors; these meeting are also open to members of the press. The company makes audio and video recordings of its fiscal year-end and mid-term financial results meetings, and posts these recordings on the Company's website. All of the documents distributed at its quarterly financial results meetings are also posted on the website.

To ensure that foreign investors have fair and equal access to the information, the Company strives to disclose all information simultaneously in Japanese and English. However, due to the time required for translation, there may be cases where the posting of English information to the website is delayed slightly.

IR Spokespersons

To ensure that information is accurate and disclosure is fair, the Company's major investor relations activities will be undertaken by official IR spokespersons—either the CEO, the COO, the IR director, or representatives of the IR department. In principle, information on the Company shall not be provided to the press, or to persons connected with the securities market, by any executive or employee of Tokyo Electron acting alone other than official IR spokespersons. When necessary, IR spokespersons may formally appoint other executives or employees to speak on their behalf.

Shareholder Measures

Tokyo Electron mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting, as one of its measures to vitalize these meetings and to promote smooth and efficient voting. It also sets the date of the Company's meeting to avoid days on which many such meetings are concentrated. In addition, shareholders are free to cast their votes via the Internet. Moreover, Tokyo Electron participates in the web-based voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ). To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries notices, resolutions and presentation materials of shareholders' meetings. An English version of the Notice of Annual General Meeting of Shareholders is also provided.

BOARD OF DIRECTORS, STATUTORY AUDITORS AND EXECUTIVE OFFICERS

(As of June 19, 2009)

Board of Directors

Tetsuro Higashi
Chairman & CEO

Tetsuo Tsuneishi [2]
Vice Chairman of the Board

Kiyoshi Sato [1]
Vice Chairman of the Board

Hiroshi Takenaka
President

Mamoru Hara [1]
Corporate Director

Masao Kubodera
Corporate Director

Haruo Iwatsu [2]
Corporate Director

Hirofumi Kitayama
Corporate Director

Kenji Washino
Corporate Director

Hikaru Ito
Corporate Director

Takashi Nakamura [2, 3, 4]
Corporate Director

Hiroshi Inoue *
Corporate Director/ Chairman, Tokyo Broadcasting System Holdings, Inc.

Masahiro Sakane [1] *
Corporate Director/ Chairman of the Board, Komatsu Ltd.

Statutory Auditors

Mitsutaka Yoshida
Statutory Auditor

Yuichi Honda
Statutory Auditor

Togo Tajika *
Statutory Auditor

Hiroshi Maeda *
Statutory Auditor/ Attorney-at-Law, Nishimura & Asahi

Notes:
1. Member of Compensation Committee
2. Member of Nomination Committee
3. Chief Business Ethics Director
4. Chief Internal Control Director
** External Director, External Statutory Auditor*

Executive officers

Chairman & CEO

Tetsuro Higashi

Vice Chairman of the Board

Tetsuo Tsuneishi
Assistant to Chairman & President, SPE IR/ Legal and Intellectual Property/ Strategic Alliance

Kiyoshi Sato
Assistant to Chairman & President, FPD/PVE

President

Hiroshi Takenaka

Executive Vice President

Hirofumi Kitayama
General Manager, Manufacturing Division (Quality)

Kenji Washino
General Manager, SPE Business Strategy Division

Hikaru Ito
General Manager, SPE Division

Mitsuru Onozato
General Manager, FPD/PVE Division

Senior Vice President

Takashi Nakamura
General Manager, Corporate Administration Division, Compliance/Internal Control

Hiroki Takebuchi
General Manager, Corporate Strategic Planning, Human Resources Development

Masami Akimoto
General Manager, Development Division

Takashi Ito
General Manager, PVE BU, FPD/PVE Division

Vice President

Yoshikazu Nunokawa
General Manager, Finance/Export and Logistics Control

Yutaka Nanasawa
General Manager, HR/General Affairs/Accounting

Tetsuro Hori
General Manager, Legal/Intellectual Property

Toshihiko Nishigaki
General Manager, Clean Track BU, SPE Division

Hideyuki Tsutsumi
General Manager, Etching Systems BU, SPE Division

Masaaki Hata
General Manager, Surface Preparation Systems BU, SPE Division

Seisu Ikeda(Yoh)
General Manager, Thermal Processing Systems BU, SPE Division

Takeshi Okubo
General Manager, Single Wafer Deposition BU, SPE Division

Kiyoshi Sunohara
General Manager, Post Sales BU, SPE Division

Chiaki Yamaguchi
General Manager, Sales & Services Division

Hirofumi Murakami
Deputy General Manager, Sales & Services (Services)

Yasuyuki Kuriki
General Manager, Sales & Services, Korea

Shunro Nagasawa
General Manager, Sales & Services, Asia

Tsuguhiko Matsuura
General Manager, FPD BU, FPD/PVE Division

Shigetoshi Hosaka
General Manager, Corporate Development, Development Division

*BU stands for "business unit"

Tokyo Electron's corporate missions include placing the highest priority on people's health and safety and taking the global environment into account when conducting business activities.

Fundamental Policy

Tokyo Electron positions environmental, health and safety activities as one of its most important management issues to achieve sustained corporate growth and continued development of society. With that in mind, Tokyo Electron is committed to reducing environmental loads across its activities, and to ensuring absolute safety in the Company's business premises and in those of its customers. Tokyo Electron embodied these commitments in "TEL's Credo and Principles on Environmental Preservation" and "TEL's Safety and Health Credo and Principles" formulated in 1998. The former statement was reviewed and revised in May 2006 in light of the direction the business was taking and the Company's evolving approach to these issues. Also, recognizing the need to deal with current global warming and climate change issues, in October 2007, Tokyo Electron inaugurated an environmental steering committee in order to accelerate environmental response activities.

In May 2008, we codified Tokyo Electron's environmental commitment, with "Technology for Eco Life" as the slogan guiding our environmental activities. One of the stipulated goals of this commitment is to develop production equipment that will enable customers to cut the total environmental load of their factories in half by 2015, and to cut the Company's own environmental load from business activities and logistics in half by the same date. In fiscal 2009, we researched the criteria and roadmaps to establish in preparation for fulfilling this commitment. In fiscal 2010, we intend to flesh out the details of the plans and standards for reaching our goal.

Technology for Eco Life

EHS Management

Since 1997, Tokyo Electron has developed and implemented environmental management systems based on ISO 14001 standards, mainly for manufacturing operations, and obtained certification.

Adoption of Environmental Accounting

Tokyo Electron has introduced an environmental accounting system that quantifies the cost of its activities in respect of environmental protection, and uses this as the basis for developing corporate action policies.

For details of results for fiscal 2009, please refer to the Tokyo Electron website.

Product-related Environmental Initiatives

Proactive Environmentally Conscious Product Design

As clearly set forth in our revised TEL's Credo and Principles on Environmental Preservation, Tokyo Electron believes that promotion of product designs sensitive to the environment is vital. Tokyo Electron has positioned promotion of energy conservation in its products, as well as reduction and replacement of hazardous chemicals, as priority issues.

1. Reducing Environmental Loads During Equipment Usage

In fiscal 2009, we established a roadmap for reducing environmental loads in all business departments. When developing this roadmap, we positioned reducing the energy requirements of our products, addressing chemical substance-related matters, reducing the number of parts and processes required, reducing the use of processing gases and liquid chemicals, and improving the environmental performance of existing equipment as essential categories. We also set reductions in the processes required to start up equipment as a voluntary category. In line with reducing both materials and processes, we are reviewing them as a part of development and promoting relevant improvements.

Tokyo Electron follows the SEMI S23 Guide for Conservation of Energy, Utilities and Materials Used by Semiconductor Manufacturing Equipment that was adopted as the global standard by the semiconductor industry. Tokyo Electron assesses the energy consumption of its products in accordance with these guidelines.

Items in the Environmental Road Map for Each Division

1. Reducing the energy consumption of our products
2. Addressing chemical substance-related matters
3. Reducing the number of parts and processes in our products
4. Reducing the use of processing gases and liquid chemicals
5. Improving the environmental performance of existing equipment

ISO-14001-Certified Plants and Offices

Company/plant	Plant	Certification date	Certification number
Tokyo Electron AT Limited Tokyo Electron PS Limited	Sagami Plant	December 10, 1997	1110-1997-AE-KOB-RvA
Tokyo Electron Tohoku Limited	Tohoku Plant	February 19, 1998	1118-1998-AE-KOB-RvA
Tokyo Electron Kyushu Limited	Kumamoto/Koshi/Ozu/Saga plants	March 26, 1998	1120-1998-AE-KOB-RvA
Tokyo Electron AT Limited	Yamanashi Plant (Fujii/Hosaka area)	May 15, 1998	1124-1998-AE-KOB-RvA
	Miyagi Plant	March 1, 2005	01245-2005-AE-KOB-RvA
Tokyo Electron Device Limited	Yokohama Office	July 14, 2004	EC04J0144

2. Hazardous Substances in Products

As an environmental measure, Tokyo Electron promotes efforts to reduce hazardous chemical substances in its products. Chemical substances found in the units and parts used in products are managed through a specialized database. One widely known measure targeting such chemical substances is Europe's RoHS*1 directive. Although semiconductor and FPD production equipment are not targets of the directive, we use it as a reference point in our drive to limit the use of legally restricted chemical substances. This is in addition to maintaining full compliance with compulsory laws and regulations such as the China RoHS directive.

Tokyo Electron has positioned those products in which at least 98.5% of the constituent parts meet standards stipulated by the Europe RoHS directive as "equipment with reduced chemical substances." Shipment of these products has been ongoing since October 1, 2008, with plans to gradually increase volume going forward. Tokyo Electron remains committed to further promoting the development and manufacture of eco-conscious products with the aim of becoming a more environmentally friendly company.

*1 Refers to the "Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment" directive in Europe (2002/95/EC) and its amended version. With the exception of certain applications excluded from its scope, this directive prohibits the inclusion of lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE over a maximum prescribed amount in products. (European Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment)

Health and Safety Activities

Tokyo Electron promotes health and safety in all of its operations. This includes giving top priority to the health and safety of our employees and customers and designing products with safety in mind. TEL's Safety and Health Credo and Principles clearly state that all employees are responsible for being constantly aware of health and safety considerations in all their business activities.

In fiscal 2009, we reduced the number of injuries excluding those requiring first-aid alone across the Tokyo Electron Group by approximately 20% year on year, and injuries requiring first-aid by more than 40%. Promoting activities aimed at curbing the number of accidents further will remain our policy going forward.

Communicating With Stakeholders

The Tokyo Electron Group actively promotes communication with all stakeholders. To develop environmental, health and safety initiatives, we believe that it is vital to share information as much as possible with all parties related to our business activities and to receive feedback.

One example is efforts to give back to local communities. Our philosophy states, "We place the highest priority on gaining the trust and acceptance of customers, suppliers, investors, and communities around the world" and "We therefore strive to be a faithful and cooperative member of the communities and nations where we do business." In line with this philosophy, we engage in activities to contribute to society and build relationships of trust with governments and local communities around our facilities. These activities are conducted both in Japan and overseas.

For further details, see "Environmental and Social Report 2009" (to be published in September 2009).
http://www.tel.com/eng/citizenship/ehsreport.htm

Preventing Global Warming

Initiative for Coater/Developer CLEAN TRACK™ LITHIUS Pro™

A coater/developer is used to coat photoresist and develop the exposed pattern simultaneously in the lithography process (where the same photo development technology is applied) in manufacturing semiconductors. When we developed the CLEAN TRACK LITHIUS Pro coater/developer by redesigning CLEAN TRACK™ LITHIUS™, we concurrently worked to reduce the environmental impact of the overall LITHIUS series. Specifically, we adopted a new exhaust system for hot plate chambers which directly uses exhaust air from the factory. We previously exhausted air by using compressed-air powered ejectors. This shift enabled us to reduce the use of compressed air by 35% or more compared to the previous system. We also worked to achieve a proper volume of nitrogen gas purge in this coater/developer, resulting in at least a 70% reduction in the use of nitrogen gas. Through these improvements, the revised models' energy requirement per unit area of wafer was reduced by approximately 20%. When developing the new LITHIUS Pro, we incorporated energy-saving features, such as introducing an inverter-equipped automatic control system for the humidifying heater and the freezer within the temperature and humidity controller, and reducing the number of pumps used. As a result, LITHIUS Pro requires 32% less electricity than the initial LITHIUS model. Its energy use per unit area of wafer was also slashed by 35% from the existing LITHIUS model. We will continue to incorporate a greater number of energy efficient designs in all new products and adopt such "green" features for existing models.

Process and mechatronics technologies used in the manufacture of semiconductors and flat panel displays represent Tokyo Electron's core technologies. Tokyo Electron devotes considerable resources to developing technologies that bolster the competitiveness of its products. As part of its efforts to drive growth, Tokyo Electron is promoting three themes: (1) bolstering development of new technologies to create and expand sales of new products (2) enhancing cost competitiveness through highly efficient manufacturing, and (3) expanding operational scale by entering new businesses domains. In pursuing these strategies, it is vital to protect the intellectual property rights of independently developed proprietary technologies and products to ensure the smooth growth of businesses. The integration of our intellectual property strategy with our technological and product strategies is thus important to realizing maximum benefits from development efforts.

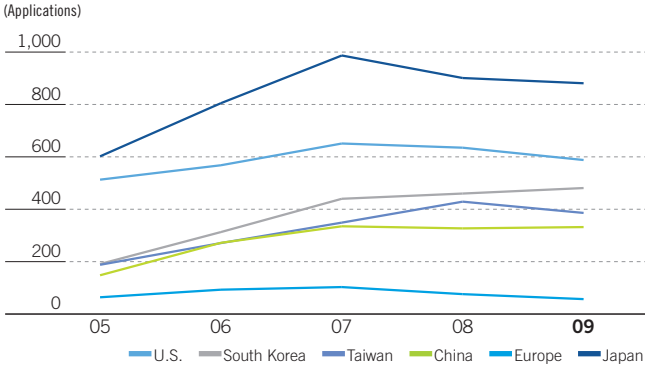
Recently, the needs of device manufacturers, our customers, have been diversifying, and they are also emphasizing reliable process performance and higher productivity on products. Consequently, the role of equipment manufacturers such as Tokyo Electron in developing semiconductor manufacturing technology is increasing. Within this context, Tokyo Electron strives to bolster the protection of its intellectual property by actively filing patent applications for equipment recipe, software technologies, process management technologies for various types of manufacturing equipment, and other technologies.

Policies on Acquiring and Managing Intellectual Property, Managing Trade Secrets and Preventing Technology Leakage

Tokyo Electron has a set of internal rules that define the management of its intellectual property. Under these rules, Tokyo Electron provides compensation for employees who have invented or created something new through their work within the Company. We make lump-sum payments when applications are submitted for patents, utility model rights, designs and other property rights. Compensation is also given if such creations are implemented at Tokyo Electron or licensed to third parties.

Management of trade secrets is rigorous, conducted according to Tokyo Electron's "Internal Rules on Managing Technology and Marketing Information" and "Manual for Managing Technology and Marketing Information." The provisions of these measures are approximately equivalent to those of the government's "Policies Regarding Managing Trade Secrets" and "Policies Regarding the Prevention of Technology Leakage" (both issued by the Ministry of Economy, Trade and Industry). Furthermore, to raise the effectiveness of trade secret management, Tokyo Electron runs an in-house training program and monitors the subsequent status of trade secret handling to ensure strict adherence to the rules.

Number of Patent Applications



Status of Intellectual Property Application

The graph in this section shows the number of patent applications filed worldwide by Tokyo Electron as of March 31, 2009. In addition to filing applications for core technologies vital to our strategies in each business division, we vigorously promote the development of patent portfolio that encompass peripheral technologies. We are also strengthening our patent filings outside of Japan in step with market and competitor trends in our business fields. Most notably in South Korea, Tokyo Electron is ranked 6th among foreign companies in the number of patent applications filed (434 applications from January 1 to December 21, 2008), according to results announced by the Korean Intellectual Property Office. These filings reflect South Korea's growing importance in our recent business strategies, as well as our patent strategies in response to increased filings from Korean semiconductor and FPD production equipment manufacturers.

As of March 31, 2009, Tokyo Electron held 3,336 patents in Japan and 8,544 patents overseas. As part of proper asset management, we periodically assess the Company's patent portfolio, relinquishing the rights to any patents with limited potential for contributing to products from Tokyo Electron or other companies.

Contribution of License-related Activities

In building and implementing our intellectual property rights strategy, we do not view intellectual property rights acquired by filing applications and securing rights for proprietary products and developed technologies as a source of income from licensing to other companies. Rather, we view this as a method of differentiating our own products and bolstering our competitive advantages. Semiconductor and FPD manufacturing technologies are becoming increasingly advanced and sophisticated. To effectively develop new products incorporating leading-edge technologies, and bring them to market as quickly as possible, it is essential to utilize all available intellectual properties. Tokyo Electron places high value on introducing cutting edge technology, constantly enhancing the efficiency of research and development, and quickly launching new products. We also respect the intellectual property rights of others, just as we do our own, and effectively use them through licensing. Tokyo Electron is also exploring the feasibility of licensing or selling its proprietary technology to third parties in other business fields and to cooperating partners.

External Recognition

On April 18, 2008 (Inventors' Day in Japan), Tokyo Electron was awarded 2008 Minister of Economy, Trade and Industry's Award for Contribution to Intellectual Property by the Japan Patent Office. Tokyo Electron was commended particularly for its high patent approval rate and high proportion of global applications, as well as for its efforts to pursue strategic intellectual property initiatives led by the Vice Chairman of the Board, who is responsible for legal and intellectual property-related activities.

The Company adopted the following revised accounting standards and business segments.

- Effective beginning fiscal 2005, the policy for revenue recognition of semiconductor and FPD production equipment was changed from the time of shipment of products to, in principle, the time of confirmation of set-up and testing of products. The effect of this change decreased net sales, operating income and income before income taxes and minority interests by ¥80,956 million, ¥20,541 million and ¥20,563 million, respectively, for fiscal 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.
- Effective beginning fiscal 2005, the accounting treatment of after-sale repair expenses incurred during the warranty period for semiconductor and FPD production equipment was changed. In the past, the Company charged such expenses to income as incurred. Effective from the fiscal year ended March 31, 2005, the Company provides accrued warranty expenses for estimated expenses, calculated on the basis of after-sale repair expenses incurred in the past. The effect of this change decreased operating income and income before income taxes and minority interests by ¥635 million and ¥13,106 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.
- On October 1, 2006, Tokyo Electron's computer networks division was transferred to Tokyo Electron Device Limited. Accordingly, sales from computer networks, which were formerly included in the industrial electronic equipment segment, are now included as part of the electronic components and computer networks segment (formerly the electronic components segment), effective from fiscal 2007.
- Effective beginning fiscal 2009, the name of the former FPD production equipment division was changed to the FPD/PV production equipment division. In addition to production equipment for flat-panel displays, this division includes production equipment for photovoltaic cells, a market Tokyo Electron entered in 2008.

Sales and Income

Operating environment

During fiscal 2009, the global economy was shaken by a financial crisis, which emerged from a wave of defaults on subprime loans in the U.S., but soon spread worldwide and caused a sharp economic downturn. The slump affected not only the U.S., but also caused a sudden drop in economic growth in Europe, which had been growing steadily up to that point, and Asia, which had been registering buoyant growth. This sort of simultaneous downturn in all regions of the world is unprecedented.

The electronics industry, of which Tokyo Electron is a part, was forced to cut production levels as demand for PCs, mobile phones, digital home electronics and other electronic equipment stagnated due to the economic downturn. This reduced demand for the semiconductors used in electronic equipment, and pushed down unit prices. In response, semiconductor manufacturers postponed or cut back new capital investment plans.

These business conditions severely affected Tokyo Electron's earnings results. Sales in the Company's mainstay semiconductor production equipment division were particularly affected, and both sales and profits fell far below fiscal 2008's record high levels. However, the Company responded promptly to changing conditions in the business environment: since early 2008, Tokyo Electron has been taking steps to cut fixed costs and implement other measures to stabilize earnings. As a result, the Company was able to remain profitable for the full fiscal year.

	Millions of Yen				
	2005	2006	2007	2008	**2009**
Net sales	¥635,710	¥673,686	¥851,975	¥906,092	**¥508,082**
Gross profit	175,913	189,732	272,649	311,298	**137,408**
Gross profit margin	27.7%	28.2%	32.0%	34.4%	**27.0%**
Selling, general and administrative expenses	111,930	114,029	128,670	142,800	**122,697**
Operating income	63,983	75,703	143,979	168,498	**14,711**
Operating margin	10.1%	11.2%	16.9%	18.6%	**2.9%**
Income before income taxes	55,775	75,328	144,414	169,220	**9,637**
Net income	61,601	48,006	91,263	106,271	**7,543**

Effective from fiscal 2005, the Company made certain changes in accounting policies as discussed in this financial review.

Sales

Net sales declined 43.9% year on year in fiscal 2009, to ¥508.1 billion, a slightly sharper drop than the 42.3% decline registered in fiscal 2002, when the IT bubble collapsed. Domestic sales were down 35.5% year on year, to ¥208.9 billion, and overseas sales dropped 48.6%, to ¥299.2 billion. Overseas sales declined as a share of total consolidated sales, from 64.2% of the total in fiscal 2008 to 58.9% in fiscal 2009. Orders received during the fiscal year declined by 50.9%, to ¥366.0 billion, and the orders backlog at the end of March fell 43.7% year on year, to ¥182.8 billion. This was the second consecutive year-on-year decline for both orders and the orders backlog.

Gross Profit, SG&A Expenses and Operating Income

Cost of sales for the period was down 37.7% year on year, to ¥370.7 billion, and the cost of sales ratio stood at 73.0%, 7.4 percentage points higher than in fiscal 2008. Tokyo Electron acted swiftly to cut fixed production costs, including outsourcing costs, but the ratio of fixed production costs to sales increased as plant capacity utilization ratios were reduced, particularly in the latter half of the fiscal year. Gross profit decreased by 55.9% year on year, to ¥137.5 billion, and the gross profit margin dropped to 27.0%, from 34.4% in fiscal 2008.

Efforts to reduce SG&A expenses allowed Tokyo Electron to decrease this total cost by 14.1% year on year, to ¥122.7 billion. As a percentage of consolidated net sales, however, the SG&A ratio rose to 24.1%, from 15.8% in the previous year. Consequently, operating income fell 91.3% year on year, to ¥14.7 billion, and the operating margin declined from 18.6% in fiscal 2008 to 2.9% in fiscal 2009.

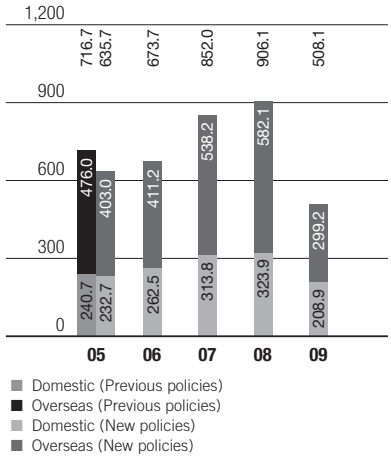
Research & Development

R&D expenses are included as a portion of SG&A expenses. The Company views these expenses as the source of future growth and therefore tries to maintain a high level of R&D investment even during periods of economic difficulty. Total R&D expenses amounted to ¥61.0 billion in fiscal 2009, down 7.7% year on year.

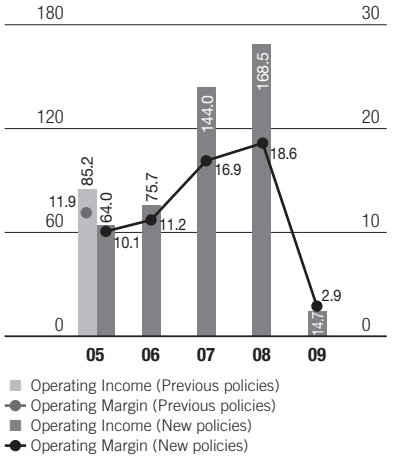
Breaking down these costs by division, R&D investment in the semiconductor production equipment business focused on the development of new technology and new production equipment that helps to promote further chip miniaturization, and also responses to new materials for realizing higher speeds and lower electricity consumption. Development of equipment that uses an RLSA*1 plasma source is one example. Tokyo Electron's R&D investments focused not only on existing business segments, but also on the development of production equipment for OLED*2, photovoltaic (solar power) cells and other new product segments.

*1 RLSA: Radial Line Slot Antenna
*2 OLED: Organic Light-Emitting Diode

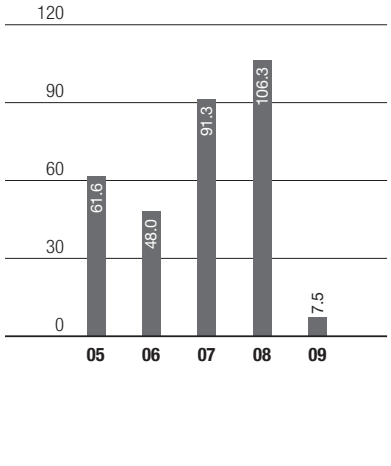
Domestic and Overseas Sales



Operating Income and Operating Margin



Net Income



Other Income (Expenses) and Net Income

During fiscal 2009, Tokyo Electron posted ¥7.4 billion in losses on provision of allowance for doubtful accounts and ¥2.4 billion in losses on devaluation of investment securities. As a result, other income (expenses) was a net expense of ¥5.1 billion. This contributed to a 94.3% drop in income before income taxes and minority interests, to ¥9.6 billion. Net income for fiscal 2009 declined 92.9% year on year, to ¥7.5 billion, and net income per share fell from ¥594.01 in fiscal 2008 to ¥42.15 per share in fiscal 2009.

Dividend Policy and Dividends

It is the policy of Tokyo Electron to pay dividends on the basis of business performance and earnings results. In principle, the dividend payout ratio is set at 20% of consolidated net income.

In fiscal 2009, the Company paid an interim dividend of ¥20 per share and a year-end dividend of ¥4 per share, making the total dividend for the period ¥24 per share. If the Company had applied its basic dividend policy to results for the period, the year-end dividend would have been ¥0, since Tokyo Electron posted a loss in the second half. However, in the interest of ensuring continuity in shareholder returns, year-end dividends were set at ¥4 per share.

Meanwhile, the Company uses retained earnings to fund research and development, capital investment, overseas business expansion and other activities aimed at stimulating future earnings growth.

Performance by Segment

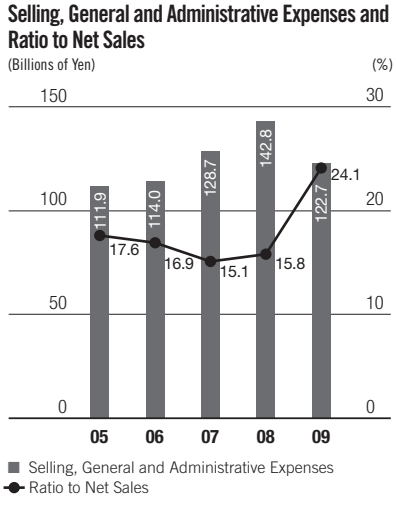
Industrial Electronic Equipment Segment

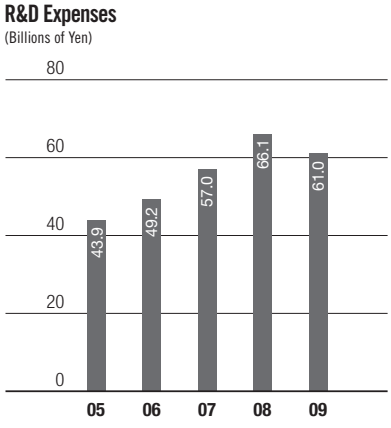
Sales in the industrial electronic equipment segment (including inter-segment sales) were down 47.9% year on year in fiscal 2009, to ¥414.8 billion. Operating income fell 92.2%, to ¥12.8 billion and the operating margin declined to 3.1%, compared with 20.7% in fiscal 2008. Sales to outside customers (excluding inter-segment sales) were down by 47.9% year on year, to ¥413.9 billion.

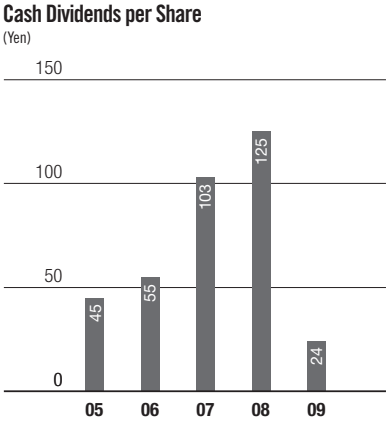
■ Semiconductor Production Equipment

The market for memory ICs deteriorated in fiscal 2009, as global demand for semiconductor devices in general was reduced, causing manufacturers to cut back sharply on capital investment. As a result, the market for semiconductor production equipment registered a dramatic contraction, and Tokyo Electron's sales to outside customers fell 55.2% year on year, to ¥325.4 billion.

Sales declined year on year in every region, with a particularly sharp drop of 80.7% in sales to Taiwan.







New products introduced during fiscal 2009 included a new, more efficient model of the *CLEAN TRACK™ LITHIUS Pro™ V* coater/developer, and the *Trias™ SPAi* Single Wafer Plasma Process System, which enables higher productivity and reduces environmental impact. The Company also launched the *NS300+*, a new model of scrubber system, which offers higher performance. In addition, the Company established and demonstrated double-patterning technology by using a sequence of Tokyo Electron products, an adoption of which will be introduced from NAND flash memory production.

Orders in this division dropped off sharply in the second half, resulting in a 57.4% year on year decline for the full fiscal year, to ¥214.5 billion. The orders backlog fell 60.0%, to ¥73.8 billion.

■ FPD/PV Production Equipment*

During fiscal 2009, capital investment for large-screen LCDs, used in flat-screen TVs, remained strong throughout the period, and sales to outside customers rose 29.5% year on year, to ¥88.1 billion. However, the market for LCD panels began to weaken beginning in the summer of 2008, depressing orders.

A sales breakdown by region showed particularly strong increases in sales to Korea and Taiwan. In the latter half of the fiscal year, Tokyo Electron began shipping production equipment for large 10th-generation substrates.

The photovoltaic (PV) cell production equipment business encompasses the Company's joint venture with Sharp Corp., which is developing CVD systems for thin-film silicon PV. In addition, in February 2009 Tokyo Electron strengthened its business foundation by signing a contract with Oerlikon Solar—a Swiss-based manufacturer of photovoltaic cell production equipment—to be Oerlikon's exclusive sales representative in the Asia and Oceania regions.

Orders in this division fell sharply in the latter half of the year, producing an overall orders decline of 53.4% year on year, to ¥60.6 billion. The orders backlog at the end of the fiscal year was down 21.7%, to ¥99.6 billion.

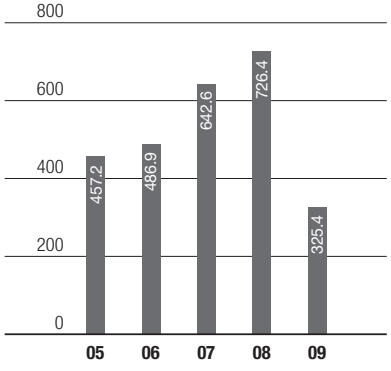
* In 2009, the name of the former FPD (flat-panel display) Production Equipment Segment was changed to the FPD/PV (flat-panel display and photovoltaic cell) Production Equipment Segment.

■ Others

Sales in the "Others" segment mainly include non-life insurance operations, travel services and other in-house services. Net sales in the segment fell 15.4% year on year in fiscal 2009, to ¥0.4 billion.

Semiconductor Production Equipment Sales

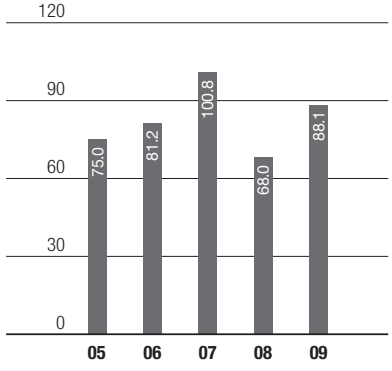
(Billions of Yen)



Notes: 1. Since fiscal 2005, sales of FPD production equipment have been shown separately from SPE Division sales, in which they were previously included.
2. Effective from fiscal 2005, the Company made certain changes in accounting policies as discussed on page 22.

FPD/PV Production Equipment Sales

(Billions of Yen)



Notes: 1. Since fiscal 2005, sales of FPD production equipment have been shown separately from SPE Division sales, in which they were previously included.
2. Effective from fiscal 2005, the Company made certain changes in accounting policies as discussed on page 22.

Electronic Components and Computer Networks (Tokyo Electron Device Ltd.*)

Net sales in this segment (including inter-segment sales) declined 15.5% year on year in fiscal 2009, to ¥94.7 billion. Operating income fell 49.7%, to ¥1.8 billion, and the operating margin contracted to 1.9%, compared with 3.3% in fiscal 2008. Sales to outside customers were down 15.3% year on year, to ¥94.2 billion.

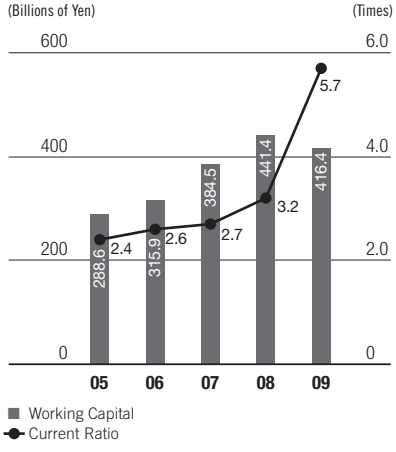
During the first half of the fiscal year, the semiconductor and electronic device business benefited from relatively strong demand for custom ICs used in mobile phone base stations and memory chips used in PCs. However, market conditions deteriorated rapidly in the second half, pushing down sales. Earnings in the computer networks business were threatened by weak corporate earnings and the sluggish economy, which caused clients to restrain capital spending and postpone new IT-related investments.

* Tokyo Electron Device Ltd. is listed on the Second Section of the Tokyo Stock Exchange.

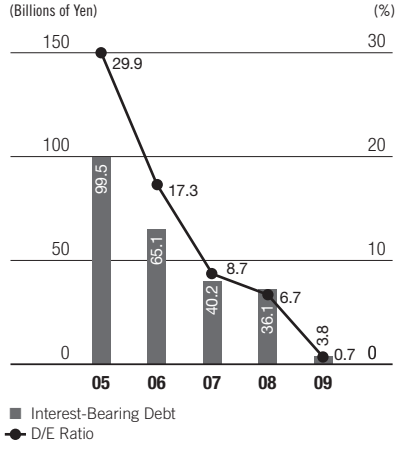
Business Segment Information

	Millions of yen				
2009:	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	**¥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**

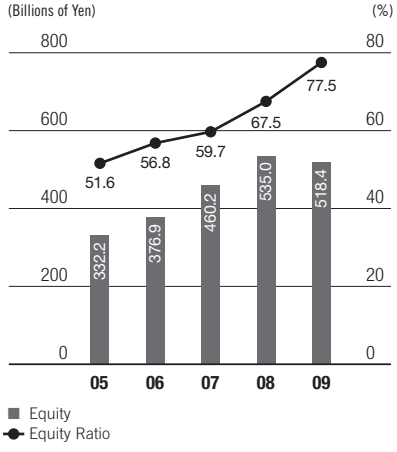
Working Capital and Current Ratio



Interest-Bearing Debt, D/E Ratio



Equity and Equity Ratio



Financial Position and Cash Flows

Assets, Liabilities and Net Assets

■ Assets

As of March 31, 2009, total assets stood at ¥669.0 billion, a decline of ¥123.8 billion year on year.

Current assets decreased by ¥134.5 billion from the end of the previous year, to ¥505.7 billion, but liquidity on hand (cash and cash equivalents + short-term investments) was almost unchanged from the previous year, at ¥210.2 billion. On the other hand, lower sales resulted in a ¥104.5 billion year-on-year drop in trade notes and accounts receivable, and inventories were down by ¥26.9 billion. The turnover period for trade notes and accounts receivable was reduced from 90 days in fiscal 2008 to 86 days in fiscal 2009, but the inventory turnover period increased to 96 days, from 65 days in fiscal 2008, largely because many delivery dates were postponed at the client's request.

Net property, plant and equipment declined by ¥4.2 billion year on year, to ¥99.9 billion, as ¥18.1 billion in fixed asset acquisitions were offset by ¥23.1 billion in depreciation. Investments and other assets increased by ¥14.9 billion year on year, to ¥63.4 billion, which mainly reflected a ¥17.1 billion increase in deferred tax assets.

■ Liabilities and Net Assets

As of the end of March 2009, total liabilities stood at ¥139.7 billion, a decline of ¥107.8 billion year on year.

Current liabilities were reduced by ¥109.5 billion, from the end of fiscal 2008, to ¥89.3 billion. This reflected a ¥35.6 billion decline in trade notes and accounts payable, as well as the redemption of unsecured straight bond, amounting to ¥30.0 billion, and a ¥26.5 billion decrease in income taxes payable. The balance of interest-bearing debt, which consists only of short-term borrowings, stood at ¥3.8 billion as of March 31, 2009. As a result, Tokyo Electron reduced its debt/equity ratio to just 0.7%, compared with 6.7% at the end of March 2008.

Non-current liabilities increased by ¥1.7 billion, to ¥50.5 billion.

Net assets declined by ¥16.0 billion year on year, to ¥529.3 billion. This reflected a ¥7.5 billion increase from fiscal 2009 net income, a ¥13.4 billion outflow in dividends paid, and a valuation and translation adjustment loss of ¥10.1 billion. As a result, the equity ratio rose from 67.5% at the end of March 2008 to 77.5% as of in March 31, 2009, and return on equity was reduced to 1.4%, from 21.4% in fiscal 2008.

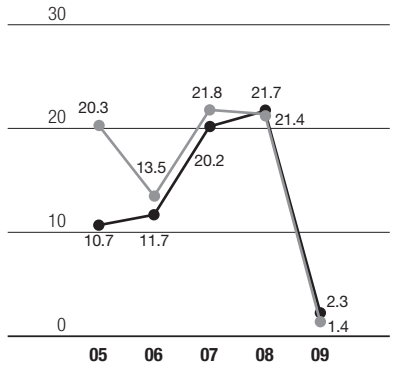
Capital Expenditures*1 and Depreciation and Amortization*2

Total capital expenditures declined by 20.2% year on year in fiscal 2009, to ¥18.1 billion. Spending focused on evaluation and measuring equipment used for research and development of semiconductor and FPD/PV production equipment, as well as the construction of buildings. Depreciation rose by 7.7% year on year, to ¥23.1 billion.

*1 Capital expenditures represent only the gross increase in property, plant and equipment.

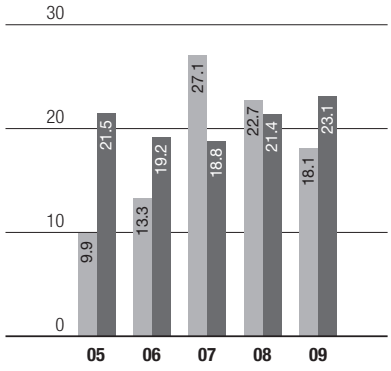
*2 Depreciation and amortization does not include amortization and losses on impairment of goodwill.

ROE and ROA



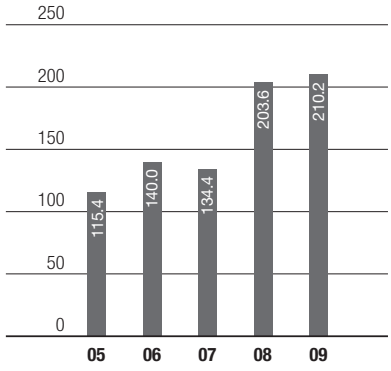
Return on equity ratio (ROE)
Return on assets ratio (ROA)
ROA=(Operating income+Interest and dividend income)/Average total assets x100

Capital Expenditures and Depreciation and Amortization



Capital Expenditures
Depreciation and Amortization

Total liquidity on hand



Total liquidity on hand
=cash and cash equivalents+short-term investments

Cash Flows

Cash flows from operating activities showed a net inflow of ¥81.0 billion, ¥36.0 billion less than in fiscal 2008. The main cash inflows included a ¥9.6 billion inflow from income before income taxes and minority interests, ¥23.1 billion in depreciation and amortization, a ¥102.4 billion inflow from reductions in trade notes and accounts receivable, and a ¥21.3 billion reduction in inventories. Major outflows included a ¥29.9 billion reduction in trade notes and accounts payable and ¥40.8 billion expenditure on income taxes.

Cash flows from investing activities showed a ¥134.4 billion outflow from an increase in short-term investments, and a ¥17.2 billion outflow to purchase tangible fixed assets. As a result, there was a net outflow of ¥160.6 billion, compared with a ¥30.2 billion outflow in fiscal 2008.

Cash flows from financing activities included a ¥30.0 billion outflow to redeem the unsecured straight bond, and a ¥13.4 billion outflow for dividends paid. The net outflow for fiscal 2009 was ¥46.0 billion, compared with a ¥27.0 billion outflow in fiscal 2008.

As a result, the balance of cash and cash equivalents at the end of March 2009 stood at ¥65.9 billion, a decline of ¥127.7 billion from the ¥193.5 billion balance at the end of fiscal 2008. However, total liquidity on hand, which includes short-term investments as well as cash and cash equivalents, increased by ¥6.6 billion year on year, from ¥203.6 billion at the end of March 2008 to ¥210.2 billion at the end of March 2009.

Business-related and Other Risks

The following are possible risks that may have an impact on Tokyo Electron's business performance, stock price, or financial position.

(1) Impact From Changes in the Semiconductor Market

Tokyo Electron has achieved a high profit margin by concentrating resources in high-tech fields, including semiconductor production equipment, where technological innovation is rapid but Tokyo Electron can effectively use its strengths. Although technological change is responsible for the semiconductor market's rapid growth, Tokyo Electron has actively undertaken structural reforms to be able to generate profits under any circumstances, including when the market contracts temporarily due to imbalance of supply and demand. However, order cancellations, excess capacity and personnel and increased inventories resulting from an unexpectedly large market contraction could adversely affect Tokyo Electron's business performance.

(2) Impact From Concentration of Transactions on Particular Customers

Tokyo Electron has been successful at increasing transactions with the leading semiconductor manufacturers worldwide, including those in Japan, through the provision of products featuring outstanding, cutting-edge technology and of services offering a high level of customer satisfaction. However, Tokyo Electron's sales may from time to time be temporarily concentrated on particular customers due to the timing of large capital investments of major semiconductor manufacturers. The resulting escalation in sales competition could adversely affect Tokyo Electron's business performance.

(3) Impact From Research and Development

Through ongoing and proactive R&D investment and activities in cutting-edge technologies—miniaturization, vacuum, plasma, thermal processing, coating/developing, cleaning, wafer-transfer and clean technologies—Tokyo Electron has created advanced technologies. At the same time, by quickly bringing to market new products incorporating these technologies, Tokyo Electron has successfully captured a high market share in each of the product fields it has entered and generated a high profit margin. However, delays in the launch of new products and other factors could adversely affect Tokyo Electron's business performance.

(4) Safety-related Impacts

Tokyo Electron's basic philosophy is to always bear in mind safety and health in the execution of business activities, including development, manufacturing, sales, services and management. In accordance with this philosophy, Tokyo Electron works actively and continuously to improve the safety of its products and to eliminate any harmful impact on health. However, harm to customers, order cancellations or other circumstances resulting from safety or other problems related to Tokyo Electron's products could adversely affect Tokyo Electron's business performance.

(5) Impact From Quality Issues

Tokyo Electron actively develops outstanding, cutting-edge technologies for incorporation in new products that are brought quickly to market. At the same time, Tokyo Electron works to establish a quality assurance system, efforts that include obtaining ISO 9001 certification, as well as to establish a world-class service system. These actions have resulted in a large number of customers adopting Tokyo Electron's products. However, because Tokyo Electron's products are based on cutting-edge technologies, and due to other factors, many of the technologies developed are in unfamiliar fields. The occurrence of unforeseen defects or other issues could adversely affect Tokyo Electron's business performance.

(6) Impact of Intellectual Property Rights

In order to distinguish its products and make them more competitive, Tokyo Electron has promoted its R&D strategy for the early development of cutting-edge technologies together with its business and intellectual property strategies. This approach has enabled Tokyo Electron to obtain sole possession of many proprietary technologies that have been instrumental to the Company's ability to capture a high market share and generate high profit margins in each of its product fields. Tokyo Electron's products incorporate and optimize many of these proprietary cutting-edge technologies. There may be cases in which, by avoiding the use of third-party technologies and intellectual property rights, Tokyo Electron's business performance could be adversely affected.

(7) Impact of Fluctuating Foreign Exchange Rates

Success in the development of overseas operations has increased the share of sales generated overseas. As a rule, Tokyo Electron conducts export transactions on a yen basis to avert exposure to foreign currency risks. However, some exports are denominated in foreign currencies. In these cases, Tokyo Electron hedges foreign currency risk by using a forward foreign exchange contract when an order is received or by other means. However, foreign exchange rate risks can arise from fluctuations in prices due to sudden foreign exchange movements, which could have an indirect adverse effect on Tokyo Electron's business performance.

(8) Other Risks

Tokyo Electron is actively engaged in reforming its corporate structure so that it can generate profits even when markets contract. These reforms have entailed creating new high-growth and high-return businesses and pursuing higher earnings from existing businesses. At the same time, Tokyo Electron has promoted activities to preserve the environment and worked to restructure its compliance and risk management systems. However, as long as it conducts business activities, as with peer companies or companies in different industries, Tokyo Electron is subject to the effect of many other factors. These include the world and regional economic environments, natural disasters, war, terrorism, unavoidable occurrences (such as infectious diseases), financial or stock markets, government or other regulations, supply systems of suppliers, market conditions for products and real estate, the ability to recruit personnel in Japan and overseas, competition over standardization, and loss of key personnel. Any of these factors could adversely affect Tokyo Electron's business performance.

CONSOLIDATED ELEVEN-YEAR SUMMARY

Tokyo Electron Limited and Subsidiaries
As of and for the years ended March 31

	Thousands of U.S. dollars			
	2009	**2009**	2008	2007
Net sales[1]	**$5,172,371**	**¥ 508,082**	¥ 906,092	¥ 851,975
Semiconductor production equipment	**3,312,461**	**325,383**	726,440	642,625
FPD/PV production equipment[2]	**896,946**	**88,107**	68,016	100,766
Computer networks	**–**	**–**	–	19,169
Electronic components and computer networks	**959,045**	**94,207**	111,181	88,294
Other	**3,919**	**385**	455	1,121
Operating income (loss)	**149,761**	**14,711**	168,498	143,979
Income (loss) before income taxes	**98,106**	**9,637**	169,220	144,414
Net income (loss)	**76,789**	**7,543**	106,271	91,263
Domestic sales	**2,126,346**	**208,871**	323,946	313,816
Overseas sales	**3,046,025**	**299,211**	582,146	538,159
Depreciation and amortization[3]	**234,837**	**23,068**	21,413	18,820
Capital expenditures[4]	**184,343**	**18,108**	22,703	27,129
R&D expenses	**620,869**	**60,988**	66,073	56,962
Total assets	**6,810,526**	**668,998**	792,818	770,514
Total net assets (Total shareholders' equity)	**5,388,018**	**529,265**	545,245	469,811
Number of employees		**10,391**	10,429	9,528
	U.S. dollars			
Net income (loss) per share of common stock:[5]				
Basic	**$ 0.43**	**¥ 42.15**	¥ 594.01	¥ 511.27
Diluted[6]	**0.43**	**42.07**	592.71	509.84
Net assets per share of common stock	**29.49**	**2,896.55**	2,989.70	2,573.72
Cash dividends per share of common stock	**0.24**	**24.00**	125.00	103.00
Number of shares outstanding (thousands)		**180,611**	180,611	180,611
Number of shareholders		**42,509**	43,324	41,289
ROE		**1.4**	21.4	21.8
Operating margin		**2.9**	18.6	16.9
Equity ratio		**77.5**	67.5	59.7
Asset turnover (times)		**0.70**	1.16	1.19
	U.S. dollars			
Net sales per employee	**$ 497,771**	**¥ 48,896**	¥ 86,882	¥ 89,418

1 Until fiscal 2004, the FPD (Flat Panel Display) division was included in Semiconductor production equipment. From fiscal 2008, Computer networks is included in Electric components and computer networks.

2 From fiscal 2009, the FPD division was renewed to the FPD /PV production equipment division. The Photovoltaic Cell (PV) production equipment is included in FPD/PV production equipment.

3 Depreciation and amortization does not include amortization and loss on impairment of goodwill.

4 Capital expenditures until fiscal 1999 represent the gross increase in property, plant and equipment, intangible assets and other depreciable assets. Capital expenditures after fiscal 2000 only represent the gross increase in property, plant and equipment.

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

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

7 Effective from fiscal 2005, Tokyo Electron changed its method of revenue recognition upon receiving customer confirmation of product set-up and testing of products for Semiconductor and FPD production equipment. The effect of this change decreased net sales, operating income and income before income taxes by ¥80,956 million, ¥20,541 million and ¥20,563 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.

8 Effective from fiscal 2005, Tokyo Electron changed its method to account for after-sale repair expenses by recording accrued warranty expenses for Semiconductor and FPD production equipment. The effect of this change decreased operating income and income before income taxes by ¥635 million and ¥13,106 million, respectively, for the year ended March 31, 2005, compared with the corresponding amounts which would have been recorded if the previous method had been applied.

2006	2005	2004	2003	2002	2001	2000	1999
			Millions of yen				
¥ 673,686	¥ 635,710	¥ 529,654	¥ 460,580	¥ 417,825	¥ 723,880	¥ 440,729	¥ 313,820
486,883	457,191	425,747	364,689	325,715	619,001	355,103	242,240
81,176	75,038	–	–	–	–	–	–
17,497	15,966	18,448	17,193	17,031	14,054	12,357	12,878
86,881	86,249	84,229	77,380	73,658	89,211	72,051	57,734
1,249	1,266	1,230	1,318	1,421	1,614	1,218	968
75,703	63,983	22,280	1,119	(18,310)	121,086	35,816	6,383
75,328	55,775	14,936	(23,010)	(22,919)	99,132	29,689	6,038
48,006	61,601	8,297	(41,554)	(19,938)	62,012	19,848	1,866
262,532	232,678	242,318	190,513	186,516	299,272	183,987	149,838
411,154	403,032	287,336	270,067	231,309	424,608	256,742	163,982
19,170	21,463	24,963	27,374	26,294	21,679	19,446	17,921
13,335	9,876	11,007	12,359	30,946	49,403	18,999	23,478
49,182	43,889	44,150	50,123	53,827	52,911	37,135	26,842
663,243	644,320	561,632	524,901	556,915	729,511	499,499	414,903
376,900	332,165	275,800	252,904	307,579	333,281	273,603	257,716
8,901	8,864	8,870	10,053	10,171	10,236	8,946	7,835
			Yen				
¥ 267.61	¥ 343.63	¥ 46.37	¥ (238.57)	¥ (113.85)	¥ 353.76	¥ 113.53	¥ 10.70
267.32	343.54	45.78	–	–	344.75	110.64	–
2,112.30	1,863.28	1,543.73	1,456.23	1,756.73	1,901.38	1,560.27	1,477.93
55.00	45.00	10.00	8.00	8.00	38.00	14.00	12.00
180,611	180,611	180,611	175,698	175,691	175,691	175,660	174,624
46,272	60,857	60,873	49,259	37,116	42,781	7,147	8,576
			Percent				
13.5	20.3	3.1	(14.8)	(6.2)	20.4	7.5	0.7
11.2	10.1	4.2	0.2	(4.4)	16.7	8.1	2.0
56.8	51.6	49.1	48.2	55.2	45.7	54.8	62.1
1.03	1.05	0.97	0.85	0.65	1.18	0.96	0.69
			Thousands of yen				
¥ 75,687	¥ 71,718	¥ 59,713	¥ 45,815	¥ 41,080	¥ 70,719	¥ 49,265	¥ 40,054

CONSOLIDATED BALANCE SHEETS

Tokyo Electron Limited and Subsidiaries
As of March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets:			
Cash and cash equivalents	**¥ 65,883**	¥193,493	**$ 670,701**
Short-term investments	**144,275**	10,070	**1,468,747**
Trade notes and accounts receivable	**119,687**	224,171	**1,218,436**
Allowance for doubtful accounts	**(21)**	(63)	**(214)**
Inventories	**134,242**	161,152	**1,366,609**
Deferred income taxes	**11,481**	24,140	**116,879**
Prepaid expenses and other current assets	**30,140**	27,271	**306,831**
Total current assets	**505,687**	640,234	**5,147,989**
Property, plant and equipment:			
Land	**20,678**	20,729	**210,506**
Buildings	**121,569**	119,578	**1,237,596**
Machinery and equipment	**104,473**	99,735	**1,063,555**
Construction in progress	**4,708**	4,199	**47,928**
Total property, plant and equipment	**251,428**	244,241	**2,559,585**
Less: Accumulated depreciation	**151,522**	140,135	**1,542,523**
Net property, plant and equipment	**99,906**	104,106	**1,017,062**
Investments and other assets:			
Investment securities	**9,131**	8,837	**92,956**
Deferred income taxes	**31,940**	14,846	**325,155**
Intangible assets	**10,761**	13,254	**109,549**
Other assets	**19,119**	11,843	**194,635**
Allowance for doubtful accounts	**(7,546)**	(302)	**(76,820)**
Total investments and other assets	**63,405**	48,478	**645,475**
Total assets	**¥668,998**	¥792,818	**$6,810,526**

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current liabilities:			
Short-term borrowings	**¥ 3,807**	¥ 6,070	**$ 38,756**
Current portion of long-term debt	**–**	30,000	**–**
Trade notes and accounts payable	**31,227**	66,794	**317,897**
Customer advances	**28,562**	24,029	**290,767**
Income taxes payable	**1,751**	28,239	**17,825**
Accrued employees' bonuses	**4,965**	12,727	**50,545**
Accrued warranty expenses	**6,116**	9,816	**62,262**
Accrued expenses and other current liabilities	**12,844**	21,146	**130,754**
Total current liabilities	**89,272**	198,821	**908,806**
Accrued pension and severance costs	**47,687**	44,370	**485,462**
Other liabilities	**2,774**	4,382	**28,240**
Total liabilities	**139,733**	247,573	**1,422,508**
Contingent liabilities			
Net assets:			
Shareholders' equity			
Common stock	**54,961**	54,961	**559,514**
Authorized: 300,000,000 shares Issued: 180,610,911 shares as of March 31, 2009 and 2008			
Capital surplus	**78,114**	78,393	**795,215**
Retained earnings	**404,435**	410,867	**4,117,225**
Treasury stock, at cost	**(11,112)**	(11,370)	**(113,122)**
1,643,398 and 1,678,927 shares as of March 31, 2009 and 2008, respectively			
Valuation and translation adjustments			
Unrealized gains (losses) on investment securities	**(842)**	2,172	**(8,572)**
Deferred gains on hedges	**67**	460	**682**
Foreign currency translation adjustments	**(7,236)**	(530)	**(73,664)**
Share subscription rights	**1,149**	484	**11,697**
Minority interests	**9,729**	9,808	**99,043**
Total net assets	**529,265**	545,245	**5,388,018**
Total liabilities and net assets	**¥668,998**	¥792,818	**$6,810,526**

CONSOLIDATED STATEMENTS OF INCOME

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Net sales	**¥ 508,082**	¥ 906,092	**$5,172,371**
Cost of sales	**370,674**	594,794	**3,773,532**
Gross profit	**137,408**	311,298	**1,398,839**
Selling, general and administrative expenses	**122,697**	142,800	**1,249,078**
Operating income	**14,711**	168,498	**149,761**
Other income (expenses):			
Interest and dividend income	**1,806**	1,491	**18,385**
Interest expenses	**(175)**	(343)	**(1,782)**
Revenue from development grants	**2,701**	2,170	**27,497**
Gain on sale of property, plant and equipment	**67**	2,365	**682**
Gain on reversal of forfeited warrants	**–**	467	**–**
Provision of allowance for doubtful accounts	**(7,361)**	(1)	**(74,936)**
Loss on devaluation of investment securities	**(2,432)**	(17)	**(24,758)**
Loss on disposal of property, plant and equipment	**(352)**	(885)	**(3,584)**
Loss on impairment of property, plant and equipment	**–**	(808)	**–**
Loss on impairment of goodwill	**–**	(4,072)	**–**
Other, net	**672**	355	**6,841**
Income before income taxes and minority interests	**9,637**	169,220	**98,106**
Income taxes:			
Current	**4,553**	56,569	**46,350**
Deferred	**(2,762)**	5,374	**(28,118)**
Minority interests	**303**	1,006	**3,085**
Net income	**¥ 7,543**	¥ 106,271	**$ 76,789**

Per share of common stock:	Yen		U.S. dollars
Net income — basic	**¥ 42.15**	¥ 594.01	**$ 0.43**
Net income — diluted	**42.07**	592.71	**0.43**
Net assets	**2,896.55**	2,989.70	**29.49**
Cash dividends	**24.00**	125.00	**0.24**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen									
	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2007	¥ 54,961	¥ 78,347	¥ 328,027	¥ (12,168)	¥ 5,853	¥ (177)	¥ 5,333	¥ 584	¥ 9,051	¥ 469,811
Cash dividends	–	–	(23,431)	–	–	–	–	–	–	(23,431)
Net income	–	–	106,271	–	–	–	–	–	–	106,271
Repurchase of treasury stocks	–	–	–	(40)	–	–	–	–	–	(40)
Disposal of treasury stocks	–	46	–	838	–	–	–	–	–	884
Other, net	–	–	–	–	(3,681)	637	(5,863)	(100)	757	(8,250)
Balance as of March 31, 2008	¥ 54,961	¥ 78,393	¥ 410,867	¥ (11,370)	¥ 2,172	¥ 460	¥ (530)	¥ 484	¥ 9,808	¥ 545,245
Effect of change in accounting policies for foreign subsidiaries	**–**	**–**	**(552)**	**–**	**–**	**–**	**–**	**–**	**–**	**(552)**
Cash dividends	**–**	**–**	**(13,420)**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,420)**
Net income	**–**	**–**	**7,543**	**–**	**–**	**–**	**–**	**–**	**–**	**7,543**
Repurchase of treasury stocks	**–**	**–**	**–**	**(38)**	**–**	**–**	**–**	**–**	**–**	**(38)**
Disposal of treasury stocks	**–**	**(279)**	**–**	**296**	**–**	**–**	**–**	**–**	**–**	**17**
Effect of newly consolidated subsidiaries	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**
Other, net	**–**	**–**	**–**	**–**	**(3,014)**	**(393)**	**(6,706)**	**665**	**(79)**	**(9,527)**
Balance as of March 31, 2009	**¥54,961**	**¥78,114**	**¥404,435**	**¥(11,112)**	**¥ (842)**	**¥ 67**	**¥(7,236)**	**¥1,149**	**¥9,729**	**¥529,265**

	Thousands of U.S. dollars									
	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on investment securities	Deferred gains on hedges	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2008	$ 559,514	$ 798,055	$ 4,182,704	$ (115,749)	$ 22,111	$ 4,683	$ (5,396)	$ 4,927	$ 99,847	$ 5,550,696
Effect of change in accounting policies for foreign subsidiaries	**–**	**–**	**(5,619)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,619)**
Cash dividends	**–**	**–**	**(136,618)**	**–**	**–**	**–**	**–**	**–**	**–**	**(136,618)**
Net income	**–**	**–**	**76,789**	**–**	**–**	**–**	**–**	**–**	**–**	**76,789**
Repurchase of treasury stocks	**–**	**–**	**–**	**(387)**	**–**	**–**	**–**	**–**	**–**	**(387)**
Disposal of treasury stocks	**–**	**(2,840)**	**–**	**3,014**	**–**	**–**	**–**	**–**	**–**	**174**
Effect of newly consolidated subsidiaries	**–**	**–**	**(31)**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**
Other, net	**–**	**–**	**–**	**–**	**(30,683)**	**(4,001)**	**(68,268)**	**6,770**	**(804)**	**(96,986)**
Balance as of March 31, 2009	**$559,514**	**$795,215**	**$4,117,225**	**$(113,122)**	**$ (8,572)**	**$ 682**	**$(73,664)**	**$11,697**	**$99,043**	**$5,388,018**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 9,637**	¥169,220	**$ 98,106**
Depreciation and amortization	**23,068**	21,413	**234,837**
Amortization of goodwill	**242**	1,601	**2,464**
Loss on impairment of goodwill	**–**	4,072	**–**
Loss on impairment of property, plant and equipment	**–**	808	**–**
Increase in accrued pension and severance costs	**3,401**	3,753	**34,623**
(Increase) decrease in prepaid pension expenses	**52**	(4,036)	**529**
Increase in allowance for doubtful accounts	**7,333**	–	**74,651**
Decrease in accrued employees' bonuses	**(7,762)**	(1,404)	**(79,019)**
Decrease in accrued warranty expenses	**(3,346)**	(4,323)	**(34,063)**
Interest and dividend income	**(1,806)**	(1,491)	**(18,385)**
Interest expenses	**175**	343	**1,782**
Gain on sale of property, plant and equipment	**(67)**	(2,365)	**(682)**
Loss on disposal of property, plant and equipment	**352**	885	**3,583**
Loss on devaluation of investment securities	**2,432**	17	**24,758**
Gain on reversal of forfeited warrants	**–**	(467)	**–**
Decrease in trade notes and accounts receivable	**102,413**	2,473	**1,042,584**
Decrease in inventories	**21,282**	28,343	**216,655**
(Increase) decrease in prepaid consumption tax	**4,509**	(1,446)	**45,902**
Decrease in trade notes and accounts payable	**(29,942)**	(27,373)	**(304,815)**
Increase in customer advances	**5,322**	2,130	**54,179**
Increase in specific doubtful receivables	**(7,355)**	–	**(74,875)**
Other, net	**(9,620)**	(2,516)	**(97,934)**
Subtotal	**120,320**	189,637	**1,224,880**
Receipts from interest and dividends	**1,749**	1,372	**17,805**
Interest paid	**(202)**	(348)	**(2,056)**
Income taxes paid	**(40,837)**	(73,722)	**(415,728)**
Net cash provided by operating activities	**81,030**	116,939	**824,901**
Cash flows from investing activities:			
Purchases of short-term investments	**(353,804)**	(44,070)	**(3,601,792)**
Proceeds from short-term investments	**219,429**	34,000	**2,233,829**
Payment for purchase of property, plant and equipment	**(17,228)**	(19,338)	**(175,384)**
Proceeds from sale of property, plant and equipment	**656**	4,270	**6,678**
Payment for acquisition of intangible assets	**(1,182)**	(4,042)	**(12,033)**
Payment for purchase of investment securities	**(7,815)**	(458)	**(79,558)**
Other, net	**(678)**	(548)	**(6,902)**
Net cash used in investing activities	**(160,622)**	(30,186)	**(1,635,162)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	**(2,263)**	4,352	**(23,038)**
Redemption of unsecured bonds	**(30,000)**	(5,500)	**(305,406)**
(Increase) decrease in treasury stock, net	**(21)**	844	**(214)**
Dividends paid	**(13,420)**	(23,431)	**(136,618)**
Repayment of long-term debt	**–**	(3,000)	**–**
Other, net	**(312)**	(298)	**(3,176)**
Net cash used in financing activities	**(46,016)**	(27,033)	**(468,452)**
Effect of exchange rate changes on cash and cash equivalents	**(2,069)**	(617)	**(21,063)**
Net increase (decrease) in cash and cash equivalents	**(127,677)**	59,103	**(1,299,776)**
Cash and cash equivalents at beginning of year	**193,493**	134,390	**1,969,795**
Effect of newly consolidated subsidiaries	**67**	–	**682**
Cash and cash equivalents at end of year	**¥ 65,883**	¥193,493	**$ 670,701**

See accompanying Notes to Consolidated Financial Statements.

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:

	Millions of yen				
2009:	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	**¥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**

	Millions of yen				
2008:	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	¥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:	Thousands of U.S. dollars				
	Japan	Other regions	Total	Eliminations and corporate	Consolidated
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.

KPMG

To the Board of Directors of
Tokyo Electron Limited:

We have audited the accompanying consolidated balance sheets of Tokyo Electron Limited and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokyo Electron Limited and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 19, 2009

GROUP COMPANIES

As of March 31, 2009, the Tokyo Electron Group was made up of the parent company and 32 subsidiaries.

Company	Main business
JAPAN	
Consolidated subsidiaries	
Tokyo Electron AT Limited	Manufacture and development
Tokyo Electron Kyushu Limited	Manufacture and development
Tokyo Electron Tohoku Limited	Manufacture and development
Tokyo Electron TS Limited	Manufacture and development
Tokyo Electron Technology Development Institute, Inc.	Manufacture and development
Tokyo Electron Software Technologies Limited	Development
Tokyo Electron PV Limited	Development
Tokyo Electron FE Limited	Field engineering
Tokyo Electron PS Limited	Refurbishment, modification and relocation
Tokyo Electron Device Limited	Sales
Tokyo Electron BP Limited	Logistics, leasing, facility management, etc.
Tokyo Electron Agency Limited	Nonlife insurance
PAN ELECTRON LTD.	Sales
AMERICA	
Consolidated subsidiaries	
Tokyo Electron U.S. Holdings, Inc.	Holding company
Tokyo Electron America, Inc.	Sales and field engineering
Tokyo Electron Massachusetts, LLC	Manufacture and development
Tokyo Electron Arizona, LLC	Manufacture and development
Timbre Technologies, Inc.	Manufacture and development
TEL Technology Center, America, LLC	Development
TEL Epion Inc.	Development
TEL Venture Capital, Inc.	Identification and evaluation of new technologies
EUROPE	
Consolidated subsidiaries	
Tokyo Electron Europe Limited	Sales and field engineering
Tokyo Electron Deutschland GmbH	Field engineering
Tokyo Electron Israel Limited	Field engineering
ASIA	
Consolidated subsidiaries	
Tokyo Electron Korea Limited	Sales and field engineering
Tokyo Electron Korea Solution Limited	Refurbishment, modification and relocation
Tokyo Electron Taiwan Limited	Sales and field engineering
Tokyo Electron (Shanghai) Limited	Sales and field engineering
Tokyo Electron (Shanghai) Logistic Center Limited	Logistics
Tokyo Electron Device Hong Kong Limited	Sales
Tokyo Electron Device Singapore Pte. Ltd.	Sales
Tokyo Electron India Private Limited	Sales and field engineering

INVESTOR INFORMATION

(As of March 31, 2009)

Corporate Name and Head Office:

Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan

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	180,610,911 shares
Number of shareholders	42,509

Common Stock Listed on:

The Tokyo Stock Exchange 1st Section (#8035)

Independent Auditors:

KPMG AZSA & Co.

Administrator of Shareholders' Register:

The Chuo Mitsui Trust and Banking Co., Ltd.
33-1 Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

For Further Information, Contact:

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URL:

http://www.tel.com

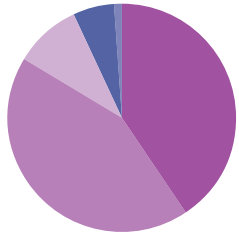
Principal Shareholders:

	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	22,509	12.46
Japan Trustee Services Bank, Ltd. (trust account)	14,755	8.16
Tokyo Broadcasting System, Inc.	8,727	4.83
Japan Trustee Services Bank ,Ltd. (trust acount 4G)	6,926	3.83
State Street Bank and Trust Company 505225	3,760	2.08
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	1.66
Trust & Custody Services Bank, Ltd. (Investment trust account)	2,986	1.65
BBH for VIP Contrafund Info tech sub	2,937	1.62
JP Morgan Securities Japan Co., Ltd.	2,810	1.55
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,544	1.40

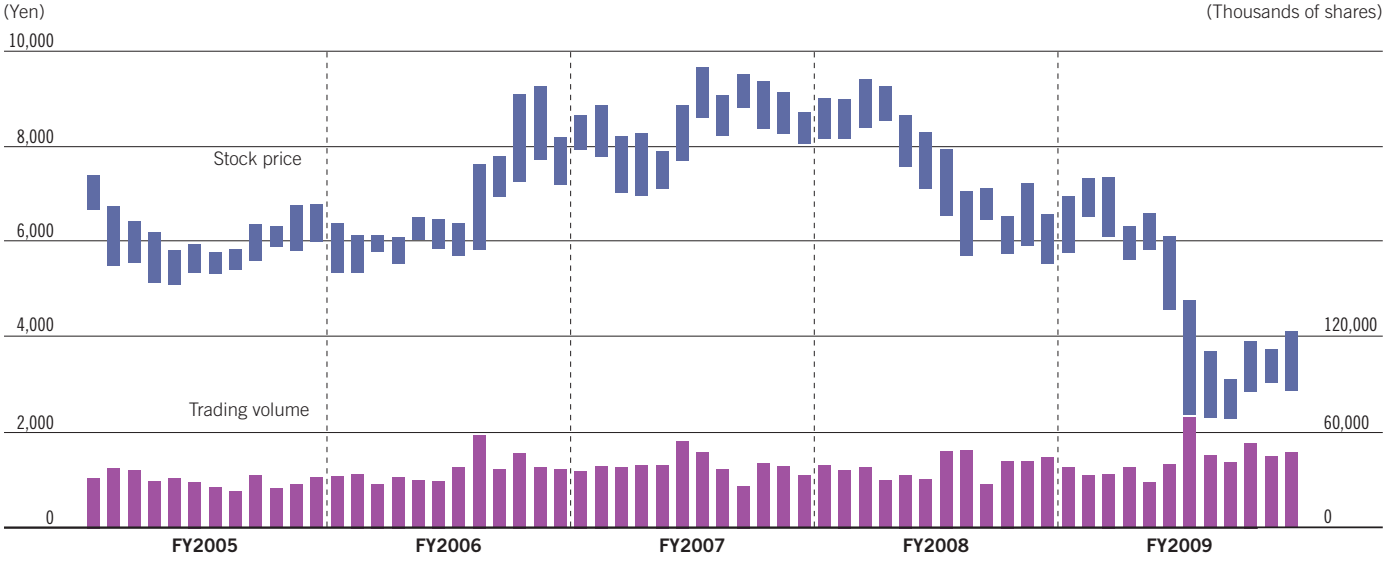
Shares of less than one thousand have been rounded down in the "Number of shares held"

Distribution of Ownership Among Shareholders:

- Japanese financial institutions and securities companies
  73,325,281 shares 40.60%
- Foreign institutions and others
  77,898,333 shares 43.13%
- Individuals and others
  16,958,499 shares 9.39%
- Other Japanese corporations
  10,785,400 shares 5.97%
- Treasury stock
  1,643,398 shares 0.91%



Stock Price and Trading Volume



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Printed in Japan on recycled paper
PR47–107