TO OUR STAKEHOLDERS

Addressing environmental issues with advanced technologies and supplying the world with ***High-value-added technologies*** and ***services***

Kiyoshi Sato, President & COO

Supported by brisk semiconductor capital expenditures over the past several years, Tokyo Electron posted higher sales and earnings again in fiscal 2008, posting record high numbers for the second consecutive year. By application, capital investment was concentrated on DRAM and NAND flash memory, and these categories were the major sales drivers. By region, sales increased in Asia and Japan but contracted in Europe and the U.S., indicative of further progress in the shift of semiconductor manufacturing to Asia. In 2007, the supply-demand balance for memory chips destabilized, and semiconductor production equipment orders started to decelerate. However, because of our ample order backlog, we were still able to clear our semiconductor production equipment sales target. Conversely, sales in the FPD production equipment division were weak. However, orders rebounded in the second half of the fiscal year, and this should contribute to sales in fiscal 2009. As a result, we achieved our initial target for sales of ¥900 billion and surpassed our target for the operating income margin with 18.6%. We thank all of you for your support in achieving and surpassing our goals.

For the fiscal year ending March 31, 2009, given that we are starting with a low order backlog, we assume that conditions will be challenging. Even so, because of the cyclical nature of the semiconductor and FPD production equipment markets, we are taking additional steps to control expenses while moving aggressively ahead with R&D aiming to generate substantial growth during the next upturn in the cycle.

Accomplishments outside of financial performance in the previous fiscal year include progress in plant reform. On the manufacturing side, we started operations at a new facility at Tokyo Electron Kyushu Limited, commencing high-efficiency production of key products. Moving forward with our objective of realizing plants with even higher efficiency, we procured a site for a new facility in Miyagi Prefecture, with plans to complete construction in 2010. On the development side, we established Tokyo Electron Technology Development Institute, Inc., and worked to develop product groups centered on new plasma technologies. We expect

these products to become the nucleus for the creation of new businesses. We also made inroads into new fields by establishing a joint venture with Sharp Corporation for the development of photovoltaic cell production equipment. Having declared improvement of the global environment as one of its corporate missions, Tokyo Electron views equipment for manufacturing energy-saving devices and photovoltaic cells in particular as fields in which it could apply its technologies. We intend to aggressively pursue these fields, as they have the potential to address societal demands as well as expand into major businesses over the long term.

With these moves, we are laying various stepping stones for Tokyo Electron to grow over the medium to long term. We ask for your continued support.

Kiyoshi Sato, President & COO