

ISIN	JP3571400005
SEDOL	6895675

May 29, 2008

NOTICE OF FISCAL YEAR 2008 (the 45th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 45th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Limited ("TEL") will be held on Friday, June 20, 2008, at 10:00 a.m. Japan standard time, at the Hotel Okura Tokyo, located at 2-10-4 Toranomon, Minato-ku, Tokyo.

Shareholders will also be asked to vote upon the following Agenda:

- 1: Election of Fourteen Corporate Directors**
- 2: Election of Two Statutory Auditors**
- 3: Payment of Bonuses to Corporate Directors for the 45th Fiscal Year**
- 4: Issuance of Stock Options as Stock-Based Compensation to Corporate Directors**
- 5: Issuance of Stock Options as Stock-Based Compensation to Executives of the Company and its Subsidiaries**

As part of our ongoing effort to improve the quality of communications with our foreign investors and to increase the participation of those investors at the AGM, **Tokyo Electron Limited** has appointed IR Japan, Inc. as our Global Information Agent in connection with the shareholder meeting. We realize that many shareholders do not vote at Japanese Shareholders Meeting due to the volume of meetings and timing concerns. Therefore, we attach special importance to your vote, and hope that you will continue to distinguish yourselves from many institutions, who, unfortunately, do not participate.

Should you have any questions, please contact IR Japan, Inc.'s New York Branch at (1) -646-495-5059 or Tokyo Head Quarters at (81) -3-3796-1185, or bne@irjapan.co.jp. The English language proxy material is available on Tokyo Electron's website at "<http://www.tel.com/eng>", for your reference and convenience.

IT IS IMPORTANT THAT YOU PARTICIPATE AT THE 2008 AGM, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IF YOU ARE UNABLE TO ATTEND THE AGM, PLEASE CONTACT YOUR BROKER OR CUSTODIAN WITH YOUR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.

**NOTE: A shareholder is entitled to vote per unit of shares, with each unit consisting of one hundred (100) shares.*

Sincerely,

Tetsuro Higashi
Chairman & CEO
Tokyo Electron Limited

This is a summary translation of a notice in Japanese language circulated to Japanese shareholders and provided for the convenience of foreign shareholders. The Japanese version is the official, legal document. Please vote by voting form or Internet websites etc. until 5:30 p.m. on June 19, 2008 (Japan standard time).



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Information Relating to Annual General Meeting of Shareholders

Proposal and information

Items to be reported:

1. **Report on the business report, the consolidated financial statements for FY2008 (45th FY; from April 1, 2007 to March 31, 2008), and the reports of Accounting Auditors and the Board of Statutory Auditors on the results of audits for consolidated financial statements.**
2. **Report on the financial statements for FY2008 (45th FY; from April 1, 2007 to March 31, 2008).**

Proposal 1: Election of Fourteen Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 13 Corporate Directors will expire. Therefore, in order to strengthen our management system, we ask you to agree to add one outside director and elect 14 Corporate Directors (including three outside directors).

The candidates for Corporate Directors are as follows.

No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
1	Tetsuro Higashi (August 28, 1949)	<p><u>April 1977</u> Joined Tokyo Electron Limited</p> <p><u>December 1990</u> Corporate Director, Tokyo Electron Limited</p> <p><u>April 1994</u> Senior Vice President, Tokyo Electron Limited</p> <p><u>June 1996</u> President & CEO, Tokyo Electron Limited</p> <p><u>June 2003</u> Chairman of the Board, Tokyo Electron Limited</p> <p><u>January 2005</u> Chairman & CEO, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, Chairman & CEO (Representatives in other legal entities) Chairman & CEO, Tokyo Electron U.S. Holdings, Inc. Chairman, Semiconductor Equipment Association of Japan</p>	29,028



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
2	Tetsuo Tsuneishi (November 24, 1952)	<p><u>April 1976</u> Joined Tokyo Electron Limited</p> <p><u>June 1992</u> Corporate Director, Tokyo Electron Limited</p> <p><u>June 1996</u> Corporate Officer, Executive Vice President, Tokyo Electron Limited</p> <p><u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, Vice Chairman of the Board, IR, Legal and Intellectual Property, Customer Relation (Representatives in other legal entities) Chairman, Tokyo Electron (Shanghai) Limited Chairman, Tokyo Electron (Shanghai) Logistic Center Limited</p>	3,658
3	Kiyoshi Sato (April 2, 1956)	<p><u>April 1979</u> Joined Tokyo Electron Limited</p> <p><u>December 2001</u> Vice President & General Manager, Clean Track Business Unit, Tokyo Electron Limited</p> <p><u>April 2003</u> Senior Executive Officer, President Office, Tokyo Electron Limited</p> <p><u>June 2003</u> President & CEO, Tokyo Electron Limited</p> <p><u>January 2005</u> President & COO, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, President & COO (Representatives in other legal entities) CEO, Tokyo Electron America, Inc. Chairman & CEO, Timbre Technologies, Inc. Chairman & CEO, TEL Venture Capital, Inc. Chairman, Tokyo Electron Europe Limited Chairman, Tokyo Electron Korea Solution Limited</p>	2,000



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
4	Haruo Iwatsu (March 20, 1950)	<p><u>November 1984</u> Joined Tokyo Electron Limited</p> <p><u>April 1993</u> Corporate Director, Tokyo Electron Kyushu Limited</p> <p><u>April 1998</u> Senior Vice President, Tokyo Electron Kyushu Limited</p> <p><u>January 2000</u> Vice President & General Manager, Cleaning Systems Business Unit, Tokyo Electron Limited</p> <p><u>April 2003</u> President & Representative Director, Tokyo Electron Kyushu Limited</p> <p><u>June 2005</u> Corporate Director, Tokyo Electron Limited</p> <p><u>October 2006</u> Chairman of the Board, Tokyo Electron Kyushu Limited (Present Position)</p> <p><u>June 2007</u> Executive Vice President, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, Executive Vice President</p>	3,000
5	Mamoru Hara (August 14, 1946)	<p><u>April 1970</u> Joined Tokyo Electron Limited</p> <p><u>December 1989</u> Corporate Director, Tokyo Electron Limited</p> <p><u>April 1996</u> Executive Vice President, Tokyo Electron Tohoku Limited</p> <p><u>June 1996</u> Retired Corporate Director, Tokyo Electron Limited</p> <p><u>March 1999</u> President & Representative Director, Tokyo Electron EE Limited</p> <p><u>July 2001</u> Chairman & Representative Director, Tokyo Electron Device Limited</p> <p><u>February 2002</u> President & Representative Director, Tokyo Electron AT Limited</p> <p><u>June 2002</u> Corporate Director, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director</p>	6,000



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
6	Masao Kubodera (June 21, 1949)	<p><u>January 1979</u> Joined Tokyo Electron Limited</p> <p><u>April 1994</u> Corporate Director, TEL Engineering Limited</p> <p><u>July 1995</u> Senior Vice President, Tokyo Electron Yamanashi Limited</p> <p><u>April 1998</u> President & Representative Director, Tokyo Electron Miyagi Limited</p> <p><u>April 2001</u> Executive Vice President, Tokyo Electron AT Limited</p> <p><u>April 2003</u> Chairman & Representative Director, Tokyo Electron AT Limited</p> <p><u>June 2004</u> Corporate Director, Tokyo Electron Limited (Present Position)</p> <p><u>June 2007</u> Chairman of the board, Tokyo Electron AT Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, Technology & Development</p>	2,552
7	Yuichi Honda (August 22, 1947)	<p><u>July 1986</u> Joined Tokyo Electron Limited</p> <p><u>June 1994</u> Corporate Director, Tokyo Electron Limited</p> <p><u>April 1998</u> Corporate Senior Staff, Tokyo Electron Limited</p> <p><u>June 1998</u> Retired Corporate Director, Tokyo Electron Limited</p> <p><u>March 2002</u> Corporate Director, Tokyo Electron Europe Limited</p> <p><u>June 2005</u> Corporate Director, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, Finance & Accounting</p>	5,100



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
8	Hirofumi Kitayama (March 28, 1954)	<p><u>December 1983</u> Joined TEL-Thermco Engineering Co., Ltd.</p> <p><u>July 1995</u> Corporate Director, Tokyo Electron Tohoku Limited</p> <p><u>March 1999</u> Corporate Director, Tokyo Electron Yamanashi Limited</p> <p><u>April 2003</u> Senior Vice President, Tokyo Electron AT Limited</p> <p><u>February 2005</u> President & Representative Director, Tokyo Electron AT Limited</p> <p><u>April 2006</u> President & Representative Director, Tokyo Electron Tohoku Limited (Present Position)</p> <p>Vice President & General Manager, SPE-3 Division, Tokyo Electron Limited</p> <p><u>June 2007</u> Corporate Director , Senior Vice President & General Manager, SPE-3 Division,, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director , Senior Vice President</p> <p>(Representatives in other legal entities) President & Representative Director, Tokyo Electron Tohoku Limited</p>	1,000
9	Hiroshi Takenaka (February 5, 1961)	<p><u>April 1984</u> Joined Tokyo Electron Limited</p> <p><u>December 2001</u> Director, Single Wafer Deposition Dept., Tokyo Electron Limited</p> <p><u>April 2002</u> General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Limited</p> <p><u>April 2003</u> Vice President & General Manager, Tokyo Electron Limited</p> <p><u>April 2005</u> Vice President & General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Limited</p> <p><u>April 2006</u> Vice President & Deputy General Manager, SPE-3 Division, Tokyo Electron Limited</p> <p><u>June 2007</u> Corporate Director , Senior Vice President & Deputy General Manager, SPE-3 Division, and General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director , Senior Vice President</p>	1,200



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10	Kenji Washino (June 7, 1961)	<p><u>April 1984</u> Joined Tokyo Electron Limited</p> <p><u>October 2002</u> Director, Cleaning Systems Dept., Tokyo Electron Limited</p> <p><u>April 2003</u> Vice President & General Manager, Cleaning Systems Business Unit, Tokyo Electron Limited</p> <p><u>April 2005</u> Vice President & General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Limited</p> <p><u>April 2006</u> Vice President & Deputy General Manager, SPE-2 Division, Tokyo Electron Limited</p> <p><u>June 2007</u> Corporate Director , Senior Vice President & Deputy General Manager, SPE-2 Division, and General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director , Senior Vice President</p>	2,000
11	Hikaru Ito (August 30, 1961)	<p><u>April 1984</u> Joined Tokyo Electron Limited</p> <p><u>June 2001</u> Manager, Clean Track Business Unit, Tokyo Electron America, Inc.</p> <p><u>April 2003</u> Vice President & General Manager, Clean Track Business Unit, Tokyo Electron Limited</p> <p><u>April 2006</u> Vice President & Deputy General Manager, SPE-1 Division, Tokyo Electron Limited</p> <p><u>June 2007</u> Corporate Director , Senior Vice President & Deputy General Manager, SPE-2 Division, and General Manager, Etching Systems Business Unit, Tokyo Electron Limited (Present Position)</p> <p>(Position in the Company) Corporate Director , Senior Vice President</p>	2,100



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
12*	[Outside Director] Hiroshi Inoue (January 5,1940)	<u>April 1963</u> Joined Tokyo Broadcasting System, Inc. <u>June 1993</u> Corporate Director, Tokyo Broadcasting System, Inc. <u>June 1996</u> Managing Director, Tokyo Broadcasting System, Inc. <u>June 1997</u> Senior Managing Director, Tokyo Broadcasting System, Inc. <u>June 2001</u> Executive Vice President, Tokyo Broadcasting System, Inc. <u>June 2002</u> President, Tokyo Broadcasting System, Inc. (Present Position) <u>June 2006</u> Corporate Director, Tokyo Electron Limited (Present Position) (Position in the Company) Corporate Director (Representatives in other legal entities) President, Tokyo Broadcasting System, Inc. President, Tokyo Broadcasting System Television, Inc.	0
13*	[Outside Director] Yasuhiro Tsunemi (January 21,1949)	<u>April 1973</u> Joined Hitachi, Limited <u>February 1998</u> Chief Researcher, Hitachi Research Institute (place of loan) <u>February 2006</u> Retired Hitachi, Limited <u>June 2006</u> Corporate Director, Tokyo Electron Limited (Present Position) (Position in the Company) Corporate Director	0

No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
14*	[Outside Director] Masahiro Sakane (January 7, 1941)	<u>April 1963</u> Joined Komatsu Limited <u>June 1989</u> Director, Komatsu Limited <u>June 1994</u> Managing Director, Komatsu Limited <u>June 1997</u> Executive Managing Director, Komatsu Limited <u>June 1999</u> Executive Vice President, Komatsu Limited <u>June 2001</u> President, Komatsu Limited <u>June 2003</u> President and Chief Executive Officer, Komatsu Limited <u>June 2007</u> Chairman of the Board, Komatsu Limited	0

Notes

1. The candidates have no special interests in the Company.
2. The candidates for outside directors are described below.
 - (1) Hiroshi Inoue, Yasuhiro Tsunemi and Masahiro Sakane are candidates for outside directors.
 - (2) Hiroshi Inoue is president of TBS and has extensive experience and knowledge as a corporate manager. Mr. Inoue is a candidate for outside director so he can utilize his experience and knowledge to provide advice concerning the Company's overall management from the perspective of objectively ensuring the effectiveness of decision-making by the Board of Directors. Mr. Inoue has been an outside director of the Company since June 2006.
 - (3) As a researcher of a private think tank, Yasuhiro Tsunemi has extensive knowledge of fields that include technology, economics, and society at large, and he has studied the effects of technological progress on the economy and society and published the results of his studies. Mr. Tsunemi is a candidate for outside director so that he can utilize his experience and knowledge from the perspective of objectively ensuring the effectiveness of decision-making by the Board of Directors. He has not been involved in corporate management, but for the reasons set forth above we have concluded that he can appropriately carry out the duties of outside director. Mr. Tsunemi has been an outside director for the Company since June 2006.
 - (4) Masahiro Sakane, representative director and Chairman of the Board at Komatsu Ltd., has a wealth of experience and knowledge as a corporate manager. Mr. Sakane is a candidate for outside director so that his experience and knowledge can be utilized to provide advice for the Company's overall management, from the perspective of objectively ensuring the effectiveness of decision-making by the Board of Directors.
 - (5) Hiroshi Inoue has been president of Tokyo Broadcasting System, Inc. (TBS) since June 2002. TBS received a strong warning from the Ministry of Internal Affairs and Communications (MIC) concerning the content of certain programming broadcast in 2006. TBS investigated the causes of this problem and has taken measures to prevent a recurrence. Also, it was discovered in November 2004 that TBS had owned shares of TV-U Fukushima, Inc. since 2002 in the name of a subsidiary that were in excess of the upper limit to equity investment stipulated in the Principle of Excluding Multiple Ownership of the Media specified in the MIC Ordinance. Corrective measures were completed by January 2005.
 - (6) Masahiro Sakane took office as president and representative director of Komatsu Ltd. in June 2001 and as representative director and chairman of the board, Komatsu Ltd. in June 2007. In July 2005, Komatsu repurchased its own shares before the dissolution of the business operations of its overseas subsidiary was publicly announced, failing to recognize that the dissolution fell into the category of

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“important facts” (i.e., facts that affect investment decisions by investors) stipulated under the Securities and Exchange Law (current Financial Instruments and Exchange Law). The repurchase was said to correspond to trading and other activities prohibited under the Securities and Exchange Law. Komatsu paid a fine to the Financial Services Agency in April 2007 in accordance with the recommendation of the Securities and Exchange Surveillance Commission and implemented measures to prevent the recurrence of similar incidents.

In February 2005, it was found that Komatsu engaged in inappropriate acts for 41 of the rail/road vehicles sold between February 1994 and September 2003, including the acquisition of car inspection certificates based on the declaration of inaccurately low vehicle weights. The acquisition of car inspection certificates for 12 of the 41 vehicles during the period from March 2001 to March 2003 was said to be a violation of the Road Trucking Vehicle Law. The manufacturer was punished with a fine for this violation in April 2006 and subsequently took measures to prevent the recurrence of similar incidents.

(7) At the 43rd General Meeting of Shareholders held on June 23, 2006, the Company revised its Articles of Incorporation to include a provision concerning the conclusion of liability limiting contracts with outside directors. In accordance with its Articles of Incorporation, the Company has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Corporation Law with Hiroshi Inoue and Yasuhiro Tsunemi. The liability limitation under these agreements is the maximum amount specified in Article 425, Paragraph 1 of the Corporation Law, provided that the outside directors perform their duties in good faith without gross negligence.

Masahiro Sakane will enter into a similar agreement with the Company after this proposed resolution is approved and he takes office as an outside director.

Proposal 2: Election of Two Statutory Auditors

At the conclusion of the Annual General Meeting of Shareholders, the term of office of Statutory Auditors Takeo Tanaka and Hiroshi Maeda will expire. Therefore, we ask you to agree to elect two Statutory Auditors.

The candidates for Statutory Auditors are as follows.

No.	Name (Date of birth)	Brief Personal History (Position in the Company and Representatives in other legal entities)	Number of the Company's shares owned by Candidate
1	Takeo Tanaka (January 23, 1946)	<u>October 1972</u> Joined Tokyo Electron Limited <u>October 1991</u> Corporate Director, Tokyo Electron Kyushu Limited <u>April 1994</u> Senior Vice President, Tokyo Electron Kyushu Limited <u>October 1994</u> Senior Vice President, Tokyo Electron Tohoku Limited <u>June 1996</u> Corporate Officer, Senior Vice President, Tokyo Electron Limited <u>February 2002</u> Corporate Director, Tokyo Electron Limited <u>February 2002</u> Chairman & Representative Director, Tokyo Electron Kyushu Limited <u>June 2004</u> Statutory Auditor, Tokyo Electron Limited (Present Position)	9,952
2*	[Outside Auditor] Hiroshi Maeda (May 10, 1954)	<u>April 1981</u> Attorney-at-Law (admitted in Japan) <u>August 1989</u> Joined, "Mitsui, Yasuda, Wani & Maeda" <u>June 2001</u> Statutory auditor, Tokyo Electron Limited (Present Position) <u>October 2004</u> Joined, "Nishimura & Partners" (currently "Nishimura & Asahi") (Present Position)	0

Notes

1. The candidates have no special interests in the Company.
2. The Board of Auditors has consented to this proposal.
3. The candidates for outside auditor are described below.
 - (1) Hiroshi Maeda is candidate for outside auditor.
 - (2) Hiroshi Maeda is an attorney at the law firm Nishimura & Asahi, where he has gained a wealth of experience and expertise. Mr. Maeda is a candidate for outside corporate auditor so that his experience and expertise can be utilized to objectively ensure the appropriateness of audits. In the past, apart from serving as an outside corporate auditor he has not been involved in corporate management, but for the reason just noted we have determined that he is capable of appropriately performing his duties as an outside corporate auditor. He has been an outside corporate auditor of TEL since June 2001.



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(3) At the 43rd Annual General Meeting of Shareholders held on June 23, 2006, the Company revised its Articles of Incorporation to include a provision concerning the conclusion of liability limiting contracts with outside auditors. In accordance with its Articles of Incorporation, the Company has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Corporation Law with Hiroshi Maeda. The liability limitation under these agreements is the maximum amount specified in Article 425, Paragraph 1 of the Company Law, provided that the outside directors perform their duties in good faith without gross negligence.

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<In Relation to Proposals 3 to 5>

Because Proposals 3 to 5 concern compensation, this section gives an overview of the relation between those three proposals and performance-linked compensation (annual bonuses) under the TEL Group's executive compensation system (see page 37, "Policies concerning Decisions Relating to Methods of Calculating Executive Compensation").

1. Range of executives covered by the TEL Group's executive compensation system

TEL's directors

TEL's executive officers

Directors and executive officers of domestic subsidiaries (excluding public companies)

Chairmen, presidents, and executive vice presidents of overseas subsidiaries

2. Upper limit to annual bonuses

The company-wide upper limit for performance-linked compensation (annual bonuses) for the executives mentioned in Section 1 above is 3% of consolidated net income for the current fiscal year. For the 45th fiscal year, since consolidated net income was 106,271 million yen, the upper limit is 3,188 million yen(3% of the net income).

3. Form of payment for annual bonuses

Performance-linked compensation (annual bonuses) consists of bonuses in cash and stock-based compensation, with the rate of the former to the later at 2:1. For the 45th fiscal year, the Company plans to pay two-thirds of annual bonuses in cash (2,125 million yen or less) and the remaining one-third (1,063 million yen or less) in stock-based compensation.

4. Relation between bonuses in cash and Proposal 3

The payment for the portion of the bonuses in cash referred to above in Section 3 that are paid to TEL's directors will be brought before the General Meeting of Shareholders as Proposal 3. Bonuses paid in cash to TEL's executive officers, as well as directors and executive officers of TEL's subsidiaries, are not considered to be a matter that requires a resolution of the General Meeting of Shareholders.

5. Relation between stock-based compensation and Proposals 4 and 5

Since stock-based compensation involves the issuance of subscription rights, it will be submitted to the General Meeting of Shareholders as Proposals 4 and 5 in accordance with the provisions of the Corporation Law.

Proposal 3: Payment of Bonuses to Corporate Directors for the 45th Fiscal Year

Based on the TEL Group's executive compensation system and consolidated net income for the 45th fiscal year, the Company seeks shareholder approval to pay 639 million yen (including 14 million yen for outside directors) as the cash bonus portion of performance-linked compensation (annual bonuses) to 13 Corporate Directors in office (including two outside directors) at the end of the 45th fiscal year.

Corporate Directors' bonuses for which the Company seeks shareholder approval through this proposal correspond to the portion of bonuses paid in cash to group executives (2,125 million yen or less). These cash bonuses to group executives are calculated based on the TEL Group's executive compensation system.

Proposal 4: Issuance of Stock Options as Stock-Based Compensation to Corporate Directors

Based on the TEL Group's executive compensation system and consolidated net income for the 45th fiscal year, the Company seeks shareholder approval to authorize the Board of Directors to make decisions related to solicitation of applications for the right to subscribe to new shares to be issued in accordance with the provisions of Articles 236, 238 and 239 of the Corporation Law, with the objective of granting stock options as the stock-based compensation portion of performance-linked compensation (annual bonuses) to Corporate Directors.

Cash bonuses for Corporate Directors will be brought before the General Meeting of Shareholders as Proposal 3. Since stock-based compensation (i.e., granting stock options) to Corporate Directors corresponds to "non-monetary compensation" specified in Article 361, Paragraph 1, Item 3 of the Corporation Law, the Company seeks shareholder approval to grant subscription rights as the stock-based compensation portion of performance-linked compensation (annual bonuses) of no more than 330 million yen annually to Corporate Directors (excluding outside directors), in addition to Proposal 3. There are currently 13 Corporate Directors (including two outside directors), but if Proposal 1 is approved as proposed, there will be 11 Corporate Directors (excluding outside directors) covered by this Proposal 1.

The total value of subscription rights to be granted was calculated based on 4,880 yen per share of common stock (the assessed value as of March 31, 2008 using the Black-Scholes model).

1. Reason for granting share subscription rights to non-shareholders under particularly favorable conditions

In the past, the Company and its subsidiaries have actively introduced incentive systems such as compensation that is linked to business performance and stock options. Starting in the fiscal year ended March 2006, however, the Company changed its executive compensation system to link executive compensation more closely to its stock prices, consolidated net income and shareholder value, while tying that compensation to efforts to enhance the transparency of management and corporate competitiveness.

The TEL Group's revised executive compensation system is as described in "Policies Concerning Decisions Relating to Methods of Calculating Executive Compensation" on page 37 and "In Relation to Proposals 3 to 5" on page 13. The revised system combines fixed monthly compensation with performance-linked compensation and has abolished the payment of retirement allowances, which was a sort of fixed compensation. In addition, the TEL Group has turned part of executive compensation into performance-linked compensation (annual bonuses) and has clearly correlated it to its consolidated net income, thus increasing the compensation's linkage to consolidated financial results and stock prices.

Approximately one-third of the performance-linked compensation (annual bonuses) is non-monetary (stock-based compensation) in order for executives to have incentive for share prices to rise through better business performance and to share the risks of share price fluctuations with shareholders.

Introducing and implementing stock options as stock-based compensation that can be directly exchanged for shares and transfer-restricted shares in the United States and other countries is problematic under current law, and therefore, we will issue stock options with a set strike price of one

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yen per share based on the financial results in the fiscal year ended March 2008, which will have the same effect.

2. Outline of the Issuance of Share Subscription Rights (the "Options")

(1) Eligible persons:

The Company's corporate directors (excluding outside directors).

(2) Total number and type of shares to be issued or transferred by exercise of Options:

Not more than 67,000 shares of common stock of the Company.

In the event of share splitting or consolidation, the number of shares will be adjusted pursuant to the formula below; provided, however, that this adjustment will be made only with respect to shares not yet exercised at the time of splitting or consolidation. In this calculation, any fraction of a share smaller than one share will be disregarded.

Adjusted number of shares= Number of shares before adjustment x Ratio applicable to the splitting or consolidation of shares.

In the event it becomes necessary to adjust the number of shares for any other reason, the Company will make adjustments to the number of shares to a reasonable extent from time to time based on a resolution of a meeting of the Board of Directors of the Company.

(3) Aggregate number of units of Options:

Not more than 670 units.

(100 shares will be equivalent to one Option. The Company will otherwise adjust the number of shares as described in paragraph (2) above.)

(4) Amount paid for Options:

The Company will grant the Options to eligible persons without charge.

(5) Value of assets to be contributed for the exercise of Options:

The value of the assets to be contributed for the exercise of each Option shall be 1 yen per share, multiplied by the number of shares to be issued or transferred for each Option as described in paragraph (3) above.

(6) Exercise period of Options:

The exercise period is to be set by the Board of Directors within twenty years from the allocation date of the Options, including a three-year restriction from the allocation date of the Options.

(7) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of Options:

a) The amount of capital to be increased upon the issuance of shares by the exercise of the Options shall be one-half of the maximum limit for the increase in capital, etc., computed in accordance with Article 40, paragraph 1 of the Company Calculation Regulations (Ordinance of the Ministry of Justice No. 13 of 2006), and any fraction of a yen arising from such calculation shall be rounded up.

b) The amount of capital reserve to be increased upon the issuance of shares by the exercise of the Options shall be the amount obtained by subtracting the amount of capital to be increased as referred to in paragraph (7)a) above from the maximum limit for the increase in capital, etc., as referred to in paragraph (7)a) above.

(8) Conditions for exercising Options:

a) Eligible persons for the Options may not exercise a part of an Option by separating their Options.

b) Other conditions related to the exercise of the Options not specified herein shall be set out based on a resolution adopted at a meeting of the Board of Directors of the Company that determines the matters regarding an offer of the Options or in a respective agreement concerning the grant of the Options entered into between each eligible person and the Company in accordance with the board resolution (the "Stock Option Agreement").

(9) Acquisition of Options:

The Company may acquire the Options without payment on a date separately designated by the Board of Directors when the Company approves at its meeting of shareholders a (if approval at a meeting of shareholders is unnecessary, then a meeting of the Board of Directors of the Company) (i) proposal for approval of a merger agreement causing the Company to cease to exist, (ii) proposal for approval of a demerger agreement or demerger plan making the Company a demerging company, (iii) proposal for approval of a stock-for-stock exchange agreement making the Company a wholly-owned subsidiary, or a stock-transfer plan.

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(10) Restriction of acquisition by way of transfer:

The acquisition of the Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Company.

(11) Extinguishment of Options upon organizational restructure and determination policy regarding delivery of New Options of Restructuring Company

In the event that a merger (only if the Company will extinguish due to the merger), absorption-type demerger or incorporation-type demerger (only if the Company will become the demerging company in each case), stock-for-stock exchange, or stock-transfer (only if the Company becomes the wholly-owned subsidiary in each case)(collectively, "Organizational Restructure") occurs, the share subscription rights (the "New Options") of the joint stock company(ies) (kabushiki kaisha) listed in Article 236, paragraph 1, Items 8 (i) through 8 (ho) of the Companies Act (the "Restructuring Company") may be delivered to eligible persons who are holders of the remaining Options (the "Remaining Options") immediately prior to the effective date of the Organizational Restructure (the effective date of the absorption-type merger in the case of an absorption-type merger; the incorporation date of the company incorporated in the case of an incorporation-type merger; the effective date of the absorption-type demerger in the case of an absorption-type demerger; the incorporation date of the company incorporated in the case of an incorporation-type demerger; the effective date of the stock-for-stock exchange in the case of a stock-for-stock exchange; and the incorporation date of the wholly-owning parent company incorporated in the case of a stock-transfer). In the event the New Options of the Restructuring Company are to be delivered, the Remaining Options shall extinguish, and the Restructuring Company shall newly issue New Options. Provided, however that delivery of the New Options of the Restructuring Company is subject to determination of such delivery pursuant to the following conditions in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, stock-for-stock exchange agreement or stock-transfer agreement.

a) Number of New Options to be delivered

The same number as the number of Remaining Options held by eligible persons shall be delivered respectively.

b) Type of shares of the Restructuring Company to be issued or transferred by exercise of the New Options.

Common stock of the Restructuring Company

c) Number of shares of the Restructuring Company to be issued or transferred by exercise of the New Options.

Number of shares of the Restructuring Company to be issued or transferred by exercise of the New Options shall be determined by applying (2) above mutatis mutandis, taking into consideration the conditions of the Organizational Restructure. In this calculation, any fraction of a share smaller than one share will be disregarded.

d) Value of assets to be contributed for exercise of New Options:

The value of the assets to be contributed for the exercise of each New Options shall be the amount obtained by multiplying the following amount to be paid upon exercise of the New Options after the restructure (1 yen) by the number of shares of Restructuring Company to be issued or transferred for each New Option determined pursuant to paragraph (11)c) above. The amount to be paid upon exercise of the New Options after the restructure shall be 1 yen per share of the Restructuring Company which may be delivered by exercising each New Option.

e) Exercise period of New Options:

The exercise period of the New Options shall be from the later date of the initial date of the Exercise period of the Options as set forth in paragraph (6) above and the effective date of the Organizational Restructure, through the end of the Exercise period of the Options as set forth in paragraph (6).

f) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of New Options:

Paragraph (7) above shall apply mutatis mutandis.

g) Restriction of acquisition of New Options by way of transfer:

The acquisition of the New Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Restructuring Company.

h) Conditions for exercising New Options and acquisition of New Options

Paragraphs (8) and (9) above shall apply mutatis mutandis.

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(12) Entrustment of determination of matters regarding an offer:

In addition to those matters provided above, further matters including those regarding an offer and any details of the Options shall be determined at a meeting of the Board of Directors of the Company scheduled to be held after the Fiscal Year 2008 (the 45th FY) General Meeting of Shareholders.

Proposal 5: Issuance of Stock Options as Stock-Based Compensation to Executives of the Company and its Subsidiaries

Based on the TEL Group's executive compensation system and consolidated net income for the 45th fiscal year, the Company seeks shareholder approval to authorize the Board of Directors to make decisions related to solicitation of applications for the right to subscribe to new shares to be issued in accordance with the provisions of Articles 236, 238 and 239 of the Corporation Law, with the objective of (1) granting stock options as the stock-based compensation portion of performance-linked compensation (annual bonuses) to its executive officers as well as the directors, executive officers, etc. of its subsidiaries and (2) granting stock options to executives (including officers) and senior executive employees of its overseas affiliates to maintain competitiveness in hiring outstanding personnel.

As in the case of Proposal 4, the total value of subscription rights to be granted was calculated on the basis of 4,880 yen per share of common stock (the assessed value as of March 31, 2008 using the Black-Scholes model).

1. Reason for granting stock options under particularly favorable conditions to non-shareholders

Please refer to Item 1: "Reason for granting stock options under particularly favorable conditions to non-shareholders" under Proposal 4: "Issuance of Stock Options as Stock-Based Compensation to Corporate Directors." We seek to issue share subscriptions rights as stock-based compensation type stock options to executives (including officers) and senior executive employees of overseas subsidiaries to the extent necessary to maintain our competitiveness in hiring outstanding personnel.

2. Outline of the Issuance of Share Subscription Rights (the "Options")

(1) Eligible persons:

a) Stock-linked compensation to be paid to corporate directors and executive officers, etc., of the Company and its subsidiaries as a part of performance-linked compensation systems under the Company group's compensation system for executives.

- Those executive officers of the Company in office as of the end of the 45th FY (excluding those who also serve as Company directors in office as of the allocation date), to whom payment is considered necessary.

- Those corporate directors and executive officers of the Company's domestic subsidiaries, as well as chairmen, presidents, and vice presidents of overseas subsidiaries in office as of the end of the 45th FY, to whom payment is considered necessary.

b) Stock options for stock-linked compensation with the aim of maintaining its competitive strength to secure superior personnel.

- Executives (including corporate officers) and senior executive employees of the Company's overseas affiliates in office as of the end of 45th FY.

(2) Total number and type of shares to be issued or transferred by exercise of Options:

Not more than 150,000 shares of common stock of the Company.

In the event of share splitting or consolidation, the number of shares will be adjusted pursuant to the formula below; provided, however, that this adjustment will be made only with respect to shares not yet exercised at the time of splitting or consolidation. In this calculation, any fraction of a share smaller than one share will be disregarded.

Adjusted number of shares= Number of shares before adjustment x Ratio applicable to the splitting or consolidation of shares.

In the event it becomes necessary to adjust the number of shares for any other reason, the Company will make adjustments to the number of shares to a reasonable extent from time to time based on a resolution of a meeting of the Board of Directors of the Company.

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(3) Aggregate number of units of Options:

Not more than 1,500 units.

(100 shares will be equivalent to one Option. The Company will otherwise adjust the number of shares as described in paragraph (2) above.)

(4) Amount paid for Options:

The Company will grant the Options to eligible persons without charge.

(5) Value of assets to be contributed for the exercise of Options:

The value of the assets to be contributed for the exercise of each Option shall be 1 yen per share, multiplied by the number of shares to be issued or transferred for each Option as described in paragraph (3) above.

(6) Exercise period of Options:

The exercise period is to be set by the Board of Directors within twenty years from the allocation date of the Options, including a three-year restriction from the allocation date of the Options.

(7) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of Options:

a) The amount of capital to be increased upon the issuance of shares by the exercise of the Options shall be one-half of the maximum limit for the increase in capital, etc., computed in accordance with Article 40, paragraph 1 of the Company Calculation Regulations (Ordinance of the Ministry of Justice No. 13 of 2006), and any fraction of a yen arising from such calculation shall be rounded up.

b) The amount of capital reserve to be increased upon the issuance of shares by the exercise of the Options shall be the amount obtained by subtracting the amount of capital to be increased as referred to in paragraph (7)a) above from the maximum limit for the increase in capital, etc., as referred to in paragraph (7)a) above.

(8) Conditions for exercising Options:

a) Eligible persons for the Options may not exercise a part of an Option by separating their Options.
b) Other conditions related to the exercise of the Options not specified herein shall be set out based on a resolution adopted at a meeting of the Board of Directors of the Company that determines the matters regarding an offer of the Options or in a respective agreement concerning the grant of the Options entered into between each eligible person and the Company in accordance with the board resolution (the "Stock Option Agreement").

(9) Acquisition of Options:

The Company may acquire the Options without payment on a date separately designated by the Board of Directors when the Company approves at its meeting of shareholders a (if approval at a meeting of shareholders is unnecessary, then a meeting of the Board of Directors of the Company) (i) proposal for approval of a merger agreement causing the Company to cease to exist, (ii) proposal for approval of a demerger agreement or demerger plan making the Company a demerging company, (iii) proposal for approval of a stock-for-stock exchange agreement making the Company a wholly-owned subsidiary, or a stock-transfer plan.

(10) Restriction of acquisition by way of transfer:

The acquisition of the Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Company.

(11) Extinguishment of Options upon organizational restructure and determination policy regarding delivery of New Options of Restructuring Company

In the event that a merger (only if the Company will extinguish due to the merger), absorption-type demerger or incorporation-type demerger (only if the Company will become the demerging company in each case), stock-for-stock exchange, or stock-transfer (only if the Company becomes the wholly-owned subsidiary in each case)(collectively, "Organizational Restructure") occurs, the share subscription rights (the "New Options") of the joint stock company(ies) (kabushiki kaisha) listed in Article 236, paragraph 1, Items 8 (i) through 8 (ho) of the Companies Act (the "Restructuring Company") may be delivered to eligible persons who are holders of the remaining Options (the "Remaining Options") immediately prior to the effective date of the Organizational Restructure (the effective date of the absorption-type merger in the case of an absorption-type merger; the incorporation date of the company incorporated in the case of an incorporation-type merger; the effective date of the absorption-type demerger in the case of an absorption-type demerger; the incorporation date of the company incorporated in the case of an incorporation-type demerger; the effective date of the stock-for-stock exchange in the case of a stock-for-stock exchange; and the incorporation date of the

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wholly-owning parent company incorporated in the case of a stock-transfer). In the event the New Options of the Restructuring Company are to be delivered, the Remaining Options shall extinguish, and the Restructuring Company shall newly issue New Options. Provided, however that delivery of the New Options of the Restructuring Company is subject to determination of such delivery pursuant to the following conditions in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, stock-for-stock exchange agreement or stock-transfer agreement.

a) Number of New Options to be delivered

The same number as the number of Remaining Options held by eligible persons shall be delivered respectively.

b) Type of shares of the Restructuring Company to be issued or transferred by exercise of the New Options.

Common stock of the Restructuring Company

c) Number of shares of the Restructuring Company to be issued or transferred by exercise of the New Options.

Number of shares of the Restructuring Company to be issued or transferred by exercise of the New Options shall be determined by applying (2) above mutatis mutandis, taking into consideration the conditions of the Organizational Restructure. In this calculation, any fraction of a share smaller than one share will be disregarded.

d) Value of assets to be contributed for exercise of New Options:

The value of the assets to be contributed for the exercise of each New Options shall be the amount obtained by multiplying the following amount to be paid upon exercise of the New Options after the restructure (1 yen) by the number of shares of Restructuring Company to be issued or transferred for each New Option determined pursuant to paragraph (11)c) above. The amount to be paid upon exercise of the New Options after the restructure shall be 1 yen per share of the Restructuring Company which may be delivered by exercising each New Option.

e) Exercise period of New Options:

The exercise period of the New Options shall be from the later date of the initial date of the Exercise period of the Options as set forth in paragraph (6) above and the effective date of the Organizational Restructure, through the end of the Exercise period of the Options as set forth in paragraph (6).

f) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of New Options:

Paragraph (7) above shall apply mutatis mutandis.

g) Restriction of acquisition of New Options by way of transfer:

The acquisition of the New Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Restructuring Company.

h) Conditions for exercising New Options and acquisition of New Options

Paragraphs (8) and (9) above shall apply mutatis mutandis.

(12) Entrustment of determination of matters regarding an offer:

In addition to those matters provided above, further matters including those regarding an offer and any details of the Options shall be determined at a meeting of the Board of Directors of the Company scheduled to be held after the Fiscal Year 2008 (the 45th FY) General Meeting of Shareholders.

Business Report

(From April 1, 2007 to March 31, 2008)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

An overview of the trends in the world economy during the fiscal year indicates that the U.S. economy began to show signs of slowing down in the second half of the year due to the deterioration of the housing market, financial turmoil, and other irregularities triggered by the subprime mortgage problem. In Asia, the Chinese economy maintained its high level of growth, and the Taiwanese, South Korean and other economies continued to be brisk. Japanese economy continued to slowly expand, backed by increased exports, improved corporate earnings, and steady capital investments; but the future of the economy is increasingly uncertain, in part because of chaotic financial markets worldwide as well as the sharp rises in the prices of oil and raw materials.

In the electronics industry, in which the Company operates, mobile and information equipment sectors (including digital home appliances, mobile phones, and PCs) further expanded, due in part to the effects of growing demand among emerging economies centered on the BRIC countries. Capital investment in the semiconductor related industry, which incorporates those electronic devices, continued to be robust.

In this business environment, the TEL Group actively and continually worked to introduce high-function, state-of-the-art technologies and products into the market and increase sales of them. As a result, consolidated financial results for the current fiscal year were as described below. Net sales were 906,091 million yen (up 6.4% compared to the previous fiscal year), and operating income was 168,498 million yen (up 17.0%) with the operating income margin at 18.6%. Ordinary income was 172,713 million yen (up 20.0%), and net income for the current fiscal year was 106,271 million yen (up 16.4%). Thus, revenues and profit margins attained record highs for the fiscal year.

By division

(1) Industrial electronic equipment business

Net sales in this segment during the fiscal year grew 6.8% compared to the previous fiscal year, to 794,910 million yen.

(a) Semiconductor production equipment

The need for semiconductors' memory chips has increased dramatically due to the larger capacity of DRAMs used for PCs and other devices and the use of flash memory chips for a wider range of applications because of the enhanced functions of information and communications equipment (including mobile phone handsets). Manufacturers of cutting-edge semiconductors are actively involved in strategic capital investments, mainly to reinforce advanced processes for further circuit miniaturization and integration and 300-mm wafer mass-production lines. As a result, sales of the Company's semiconductor production equipment during the fiscal year continued to be strong, as in the previous fiscal year. Orders slowed down in the second half of the year due to sharp falls in the price of semiconductor memory, but the high level of backlogs of orders at the beginning of the fiscal year contributed to sales chiefly during the first half of the year. This and other factors boosted consolidated net sales for this division by 13.0%, to 726,439 million yen, which is an all-time high.

(b) FPD production equipment

Due to the deterioration of the supply-demand balance for panels during the past year, the FPD production equipment market, which had experienced a high level of demand in the previous fiscal year, underwent a temporary market correction. As a result, consolidated net sales for this division during the fiscal year decreased by 32.5%, to 68,016 million yen. Meanwhile, the market for flat-panel TV sets, PCs, and monitor equipment continued to achieve substantial growth, which reflected the continued recovery of the market for LCD panels used for these devices. In this environment, manufacturers of leading-edge panels planned to make large-scale capital investments this summer and thereafter in

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order to offer larger and flatter panels that provide higher definition images and reduce power consumption. In this backdrop, this division received a high level of orders, which would lead directly to sales during the next fiscal year.

(2) Electronic Components and Computer Networks Business

The Company, which positions “industrial equipment” as the strategic priority market in this segment, focused on sales of high-value-added devices such as custom and general-purpose ICs (analog ICs), strove to expand consigned design services, and stepped up efforts to develop its own products (under the brand name “Inrevium”). With respect to computer systems and networks and IT-related software, the Company made efforts to strengthen its sales and maintenance service capabilities in order to provide customers with solutions that optimally suit their corporate strategies. In terms of development of operational bases, Tokyo Electron Device Limited, which is a consolidated subsidiary of the Company, established its Singaporean subsidiary in January 2008 to bolster sales structures in the ASEAN region and its domestic subsidiary in February 2008, in order to upgrade its product lineups to meet customer needs and establish firm supply structures. As a result, net sales from external customers in this segment during the fiscal year grew 3.5% compared to the previous fiscal year, to 111,181 million yen.

(2) Capital Investment and Procurement of Funds

During the current fiscal year, the TEL Group acquired tangible fixed assets worth 22,703 million yen, but all of those acquisitions were covered by its own funds, requiring no procurement of new funds. Major capital investments included the construction of a new building at the Koshi Plant of a manufacturing and development subsidiary in Kumamoto Prefecture in order to increase production capacity and improve production efficiency, including logistics; the acquisition of neighboring tracts of land at the research and development base in Sendai City, Miyagi Prefecture; the installation of development and process assessment facilities in the United States; and the purchase of machinery and metrology tools to bolster research and development capabilities.

(3) Management Tasks

The Company has gained a high level of trust from customers and has established a strong reputation by providing products with state-of-the-art technologies and comprehensive after-sales technical support. It has also contributed to worldwide growth of the semiconductor-related industries as a market leader.

Semiconductors and FPD products are found not only in PCs and mobile phones, but in most everyday electronics devices, whether TVs, audio players, automotive devices, or household electric appliances. The use of these products has also begun expanding in emerging economies (including the BRIC countries) and rapid market growth is expected to continue.

Meanwhile, expectations towards equipment manufacturers such as ourselves from device manufacturers, which are our customers, have diversified more than ever, not only with respect to the supply of equipment and after-sales support but also for the development of device manufacturing processes and other areas. As a result, it is essential that the Company continue to release production equipment that incorporates differentiation technology capable of exhibiting process, mass-production, and energy-saving performance at high levels.

Under these circumstances, the Company recognizes that responding flexibly and appropriately to the pace of change in markets and customer needs as well as the business environment while taking measures to reinforce business foundations, expand the scope of business, and improve profitability are key management tasks.

To deal with such issues, the Company will reinforce technology and development activities in major product areas and continue to market highly-competitive new products. We will also work to reinforce manufacturing capabilities by improving product quality, reducing manufacturing periods, and cutting manufacturing costs. In addition to those measures, the Company will also focus on discovering and developing new fields that can become core businesses in the future and actively promoting businesses that propose solutions in areas related to equipment.

With respect to finances, the Company will work to promptly collect accounts receivable and to keep inventory at a proper level, with the aim of maximizing cash flows to build the foundations for robust future growth.

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In addition, in order to ensure the transparency and objectivity of management, the TEL Group will continue to implement policies from the perspective of corporate governance such as establishment of the Compensation Committee and Nomination Committee, disclosure of representative director compensation, and introduction of an executive officer system. In accordance with the basic internal control policy established by the resolution of the Board of Directors, the Group will further ensure and promote regulatory compliance, corporate ethical standards, and risk management so that they take hold in daily operations.

In the future as well, the TEL Group will strive to build a corporate structure that enables it to increase its value by (1) a policy of placing customers first; (2) strengthening its product development and technology development capabilities; (3) invigorating its employees; and (4) efforts for profit-oriented operations. The continued support and understanding of shareholders will be greatly appreciated.

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(4) Changes in the business performance and property

Changes in the business performance and assets of the TEL Group

Items	FY2005 (42nd FY; from April 1, 2004 to March 31, 2005)	FY2006 (43rd FY; from April 1, 2005 to March 31, 2006)	FY2007 (44th FY; From April 1, 2006 to March 31, 2007)	FY2008 (45th FY; current fiscal year) (From April 1, 2007 to March 31, 2008)
Net sales (million yen)	635,710	673,686	851,975	906,091
Operating income (million yen)	63,982	75,703	143,978	168,498
Ordinary income (million yen)	65,632	75,951	143,940	172,713
Net income (million yen)	61,601	48,005	91,262	106,271
Net income per share (yen)	343.63	267.61	511.27	594.01
Total assets (million yen)	644,319	663,242	770,513	792,817
Net assets (million yen)	332,165	376,900	469,810	545,244

Changes in the business performance and assets of TEL

Items	FY2005 (42nd FY; from April 1, 2004 to March 31, 2005)	FY2006 (43rd FY; from April 1, 2005 to March 31, 2006)	FY2007 (44th FY; From April 1, 2006 to March 31, 2007)	FY2008 (45th FY; current fiscal year) (From April 1, 2007 to March 31, 2008)
Net sales (million yen)	536,711	572,019	720,163	767,505
Operating income (million yen)	28,118	37,861	71,045	86,233
Ordinary income (million yen)	33,227	44,836	76,664	95,926
Net income (million yen)	33,805	29,256	51,699	51,471
Net income per share (yen)	188.51	163.02	289.63	287.71
Total assets (million yen)	555,987	543,082	594,933	598,762
Net assets (million yen)	262,814	285,357	327,715	354,607

Notes

1. The Company has applied Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8) starting in the 44th fiscal year.

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2. During the 42nd fiscal year, in addition to the animated digital home appliance market, replacement demand for PCs and mobile phones drove the economy, allowing the market for semiconductors and FPDs mounted on these devices to remain strong. Thus the business environment that surrounded the Company was generally favorable. As a result, it posted significant increases in revenues and profits. Starting with the 42nd fiscal year, in principle, the standard for revenue recognition of semiconductor production equipment and FPD production equipment was changed from the time of shipment to that of confirmation of set-up and testing of products. As a result, net sales, operating income, ordinary income and net income before income taxes for the Company's Group decreased by 80,956 million yen, 20,541 million yen, 20,568 million yen and 20,562 million yen, respectively, as compared to when reported using the previous method. Net sales, operating income, ordinary income and net income before income taxes for the Company decreased by 80,956 million yen, 16,090 million yen, 16,117 million yen and 16,112 million yen, respectively. In addition, starting with the 42nd fiscal year, after-sales service expenses for semiconductor production equipment and FPD production equipment during the warranty period, which had theretofore been reported as expenses when such expenses were defrayed, were reported as accruals for product warranties estimated based on the amounts of after-sales service expenses actually defrayed in the past. As a result, for the Company's Group, all of the provision for accruals for product warranties of 12,470 million yen, which corresponded to revenues for the 41st fiscal year and earlier, was reported as extraordinary loss. Consequently, operating income and ordinary income and net income before income taxes for the Group decreased by 635 million yen and 635 million yen and 13,105 million yen, respectively, as compared to when reported using the previous method. For the Company alone, all of the provision for accruals for product warranties of 11,608 million yen, which corresponded to revenues for the 41st fiscal year and earlier, was reported as extraordinary loss. Consequently, operating income and ordinary income and net income before income taxes for the Company decreased by 3,897 million yen and 3,897 million yen and 15,505 million yen, respectively.

3. In the 43rd fiscal year, the scope of the digital home appliance market expanded even further, and PCs and mobile phones started to rapidly penetrate emerging economies such as the BRIC countries, which are new markets. The market for the semiconductors and FPDs used in these devices was generally strong and as a result we experienced higher income.

4. During the 44th fiscal year, as demand for digital home appliances continued to grow, and mobile phones and PCs maintained strong sales, as exemplified by their spread and expanded use in emerging economies, the TEL Group actively worked to sell high-function, state-of-the-art technologies and products. As a result, the Group posted the highest-ever sales, operating income, operating income margin, and net income.

5. The business performance and property of TEL and its group for FY2008 (45th FY; current fiscal year) are described in (1) "Business Developments and Results."



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(5) Major business of the TEL Group (As of March 31, 2008)

The major business of the TEL Group include the manufacture and sale of semiconductor and FPD production equipment using electronic technology, as well as the purchase and sales of Electronic components and Computer networks. Major product items handled by each division are as follows:

Division		Major products
Industrial electronic equipment	Semiconductor production equipment	Thermal Processing system, Coater/Developer, Plasma Etch system, Cleaning system, Single Wafer Deposition system, Wafer Prober, various types of measuring equipment
	FPD production equipment	FPD Coater/Developer, FPD Plasma Etching/Ashing system
Electronic Components and Computer Networks		semiconductor products, board computer products, middleware, software, general electronic components, computer network products

(6) Employees at TEL and in the TEL Group (As of March 31, 2008)

(i) Number of employees in the TEL Group

Number of Employees	Year-on-year change
10,488	+877

(ii) Number of employees at TEL

Number of employees	Year-on-year change	Average age	Average length of service in years
919	-22	38.4	12.4

(Note) Figures do not include 656 employees transferred to other companies on loan and 20 employees on leave of absence.

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(7) Major subsidiaries (As of March 31, 2008)

Company	Capital fund	Investment ratio (Indirect investment ratio)	Main business
Tokyo Electron AT Ltd.	4,000 million yen	(%) 100.00	Manufacture of semiconductor and FPD production equipment
Tokyo Electron Kyushu Ltd.	2,000 million yen	100.00	Manufacture of semiconductor and FPD production equipment
Tokyo Electron Tohoku Ltd.	1,000 million yen	100.00	Manufacture of semiconductor production equipment
Tokyo Electron TS Ltd.	100 million yen	100.00	Manufacture of semiconductor production equipment
Tokyo Electron Technology Development Institute, Inc.	100 million yen	100.00	Development, manufacture of semiconductor production equipment, etc.
Tokyo Electron FE Ltd.	100 million yen	100.00	Maintenance services for semiconductor and FPD production equipment
Tokyo Electron PS Ltd.	100 million yen	100.00	Modification, repair and relocation of semiconductor production equipment and FPD production equipment
Tokyo Electron Device Ltd.	2,495 million yen	55.42	Sales of electronic components and other products
Tokyo Electron U.S. Holdings, Inc.	10 U.S. dollars	100.00	Holding company for five subsidiaries in the U.S.
Tokyo Electron America, Inc.	10 U.S. dollars	0.00 (100.00)	Sales of and maintenance services for semiconductor production equipment
Tokyo Electron Europe Ltd.	17 million euros	100.00	Sales of and maintenance services for semiconductor production equipment
Tokyo Electron Korea Ltd.	3,000 million won	100.00	Sales of and maintenance services for semiconductor and FPD production equipment
Tokyo Electron Taiwan Ltd.	200 million NT dollars	96.00 (98.00)	Sales of and maintenance services for semiconductor and FPD production equipment
Tokyo Electron (Shanghai) Ltd.	6,000 thousand U.S. dollars	100.00	Sales of and maintenance services for semiconductor and FPD production equipment



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(Note)

1. New companies listed below were established during the current fiscal year.

Company	Date of establishment	Capital fund	Investment ratio(%) (Indirect investment ratio)	Main business
Tokyo Electron Technology Development Institute, Inc.	June 2007	100 million yen	(%) 100.00	Development, manufacture of semiconductor production equipment, etc.
Tokyo Electron PV Ltd.	February 2008	50 million yen	51.00	Development of Photovoltaic Cell production equipment
Tokyo Electron Device Singapore Pte. Ltd.	January 2008	250 thousand Singapore dollars	0.00 (55.42)	Sales of electronic components and other products
Pan Electron Ltd.	February 2008	50 million yen	0.00 (55.42)	Sales of electronic components and other products

2. The liquidation of Tokyo Electron Nederland B.V. was completed on August 6, 2007.

(8) Major Corporate Splits and Acquisitions of the Shares of Other Companies

- In conjunction with the division of the Company, Tokyo Electron Technology Development Institute, Inc. was established and acquired a portion of the Company's business as of June 11, 2007
- The Company acquired the 18,000 new shares (issue value: 900 million yen) issued by its subsidiary Tokyo Electron Tohoku, Ltd. to increase its capital as of September 6, 2007.

(9) Major lenders (As of March 31, 2008)

There is no relevant item.

(10) Major offices of the TEL Group (As of March 31, 2008)

(i) Tokyo Electron Ltd.

Name	Location
World Headquarters	Minato-ku, Tokyo
Fuchu Technology Center	Fuchu City, Tokyo
Osaka Branch Office	Osaka City, Osaka
Kansai Technology Center	Amagasaki City, Hyogo
Kyushu Branch Office	Koshi City, Kumamoto
Yamanashi Regional Office (Fujii) (Hosaka)	Nirasaki City, Yamanashi Nirasaki City, Yamanashi
Sendai Regional Office	Sendai City, Miyagi



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(ii) Subsidiaries

Name	Location
Tokyo Electron AT Ltd. Miyagi Plant (Head Office) Fujii Plant Hosaka Plant Kansai Technology Center	Matsushima-machi, Miyagi-gun, Miyagi Nirasaki City, Yamanashi Nirasaki City, Yamanashi Amagasaki City, Hyogo
Tokyo Electron Kyushu Ltd. Saga Plant (Head Office) Koshi Plant Ozu Plant Kumamoto Plant	Tosu City, Saga Koshi City, Kumamoto Ozu-machi, Kikuchi-gun, Kumamoto Kikuyo-machi, Kikuchi-gun, Kumamoto
Tokyo Electron Tohoku Ltd.	Oshu City, Iwate
Tokyo Electron TS Ltd.	Nirasaki City, Yamanashi
Tokyo Electron Technology Development Institute, Inc.	Sendai City, Miyagi
Tokyo Electron FE Ltd.	Fuchu City, Tokyo
Tokyo Electron PS Ltd.	Fuchu City, Tokyo
Tokyo Electron Device Ltd.	Yokohama City, Kanagawa
Tokyo Electron U.S. Holdings, Inc.	Austin, Texas, U.S.A.
Tokyo Electron America, Inc.	Austin, Texas, U.S.A.
Tokyo Electron Europe Ltd.	Crawley, West Sussex, U.K.
Tokyo Electron Korea Ltd.	Suwon-City, Gyeonggi-Do, Korea
Tokyo Electron Taiwan Ltd.	Hsin-chu City, Taiwan
Tokyo Electron (Shanghai) Ltd.	Shanghai, China

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2. TEL shares (As of March 31, 2008)

(i) Total number of shares authorized to be issued	300,000,000
(ii) Total number of issued shares	180,610,911
(iii) Number of shareholders	43,324
(iv) Major shareholders	

Shareholder	Equity investment in TEL by shareholder	
	Number of shares held (thousands of shares)	Investment ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	19,052	10.54
Japan Trustee Services Bank, Ltd. (trust account)	14,423	7.98
Tokyo Broadcasting System, Inc.	8,727	4.83
The Dai-ichi Mutual Life Insurance Company	4,800	2.65
Deutsche Securities Inc.	4,347	2.40
Nomura Securities Co., Ltd.	4,183	2.31
Trust & Custody Services Bank, Ltd. (trust account)	3,488	1.93
Japan Trustee Services Bank, Ltd. (trust account 4)	3,021	1.67
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	1.66
BNP Paribas Securities(Japan) Ltd.	2,790	1.54

(Notes) 1. Any fractional sum of less than 1,000 shares is disregarded when the number of shares owned is indicated.

2. The investment ratio is indicated by discarding all numbers after the second decimal place.

3. In accordance with the system for "Disclosing the Status of Holding a Large Amount of Share Certificates, etc." under the Securities and Exchange Law, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and four of its affiliated companies submitted a report of change dated March 31, 2008 to inform that they held 13,004 thousand shares in the Company as of March 24, 2008. Similarly, Barclays Global Investors Japan Ltd. and five of its affiliated companies submitted a report of change dated January 18, 2008 to inform that they held 11,150 thousand shares in the Company as of January 14, 2008. Nomura Securities Co., Ltd. and two of its affiliated companies submitted a report of change dated April 7, 2008 to inform that they held 10,687 thousand shares in the Company as of March 31, 2008. Deutsche Bank Aktiengesellschaft, London and three of its affiliated companies submitted a report of change dated April 7, 2008 to inform that they held 10,216 thousand shares in the Company as of March 31, 2008. Capital Guardian Trust Company and four of its affiliated companies submitted a report of change dated May 9, 2007 to inform that they held 8,974 thousand shares in the Company as of April 30, 2007. JP Morgan Asset Management (Japan) Ltd. and four of its affiliated company submitted a report of change dated October 19, 2007 to inform that it held 5,954 thousand shares as of October 15, 2007. But the table above does not include the portion of shares that the Company cannot confirm that it practically holds as of March 31, 2008.

3. Matters concerning Share Subscription Rights

(i) Status of share subscription rights as of the end of the fiscal year

	1st share subscription rights	2nd share subscription rights
Allocation date	July 3, 2002	August 8, 2003
Allocation number of share subscription rights	4,950 units	9,783 units
Balance at end of fiscal year	4,013 units	6,189 units
Ownership by Corporate Directors of the Company (excluding outside directors)	363 units (11 persons)	538 units (9 persons)
Ownership by outside directors of the Company	-	-
Ownership by Statutory Auditors of the Company	100 units (2 persons)	55 units (2 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 401,300 shares	Common stock of the Company 618,900 shares
Amount paid for the exercise of Share Subscription Rights	8,807 yen per share	6,794 yen per share
Exercise period of Share Subscription Rights	From August 1, 2004 to June 30, 2010	From August 1, 2005 to June 30, 2011

	3rd share subscription rights	4th share subscription rights
Allocation date	August 9, 2004	August 8, 2005
Allocation number of share subscription rights	7,997 units	852 units
Balance at end of fiscal year	3,993 units	835 units
Ownership by Corporate Directors of the Company (excluding outside directors)	590 units (8 persons)	247 units (11 persons)
Ownership by outside directors of the Company	-	-
Ownership by Statutory Auditors of the Company	40 units (1 person)	24units (4 persons)
Type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 399,300 shares	Common stock of the Company 83,500 shares
Amount paid for the exercise of Share Subscription Rights	5,884 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From August 1, 2006 to June 29, 2012	From August 1, 2008 to June 30, 2025



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	5th share subscription rights	6th share subscription rights
Allocation date	August 8, 2005	June 24, 2006
Allocation number of share subscription rights	920 units	669 units
Balance at end of fiscal year	788 units	651 units
Ownership by Corporate Directors of the Company (excluding outside directors)	-	162 units (11 persons)
Ownership by outside directors of the Company	-	-
Ownership by Statutory Auditors of the Company	-	11 units (1 person)
Type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 78,800 shares	Common stock of the Company 65,100 shares
Amount paid for the exercise of Share Subscription Rights	6,468 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From August 1, 2007 to June 28, 2013	From July 1, 2009 to May 29, 2026

	7th share subscription rights
Allocation date	June 23, 2007
Allocation number of share subscription rights	1,004 units
Balance at end of fiscal year	1,004 units
Ownership by Corporate Directors of the Company (excluding outside directors)	321 units (11 persons)
Ownership by outside directors of the Company	-
Ownership by Statutory Auditors of the Company	-
Type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 100,400 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2010 to May 31, 2027



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(ii) The status of share subscription rights granted to Company employees as of the end of the fiscal year

	7th share subscription rights
Allocation date	June 23, 2007
Allocation number of share subscription rights	1,004 units
number of share subscription rights allocated to employees of the Company	226 units(13 persons)
number of share subscription rights allocated to executives and employees of subsidiaries	457 units(65 persons)
Type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 100,400 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1,2010 to May 31,2027

4. Matters concerning TEL's directors and other officers

(i) Condition of Corporate Directors and Statutory Auditors (As of March 31, 2008)

Position in the Company	Name	Responsibilities, major occupations, representatives in other legal entities
Chairman & CEO	Tetsuro Higashi	Chairman & CEO, Tokyo Electron U.S. Holdings, Inc. Chairman, Semiconductor Equipment Association of Japan
Vice Chairman of the Board	Tetsuo Tsuneishi	Corporate Director, Vice Chairman of the Board, IR, Legal and Intellectual Property, Customer Relation Chairman, Tokyo Electron (Shanghai) Limited Chairman, Tokyo Electron (Shanghai) Logistic Center Limited
President & COO	Kiyoshi Sato	CEO, Tokyo Electron America, Inc. Chairman & CEO, Timbre Technologies, Inc. Chairman & CEO, TEL Venture Capital, Inc. Chairman, Tokyo Electron Europe Ltd. Chairman, Tokyo Electron Korea Solution Ltd.
Executive Vice President	Haruo Iwatsu	Chairman of the Board, Tokyo Electron Kyushu Ltd.
Corporate Director	Mamoru Hara	
Corporate Director	Masao Kubodera	Technology & Development Chairman of the Board, Tokyo Electron AT Ltd.
Corporate Director	Yuichi Honda	Finance & Accounting
Corporate Director	Hirofumi Kitayama	Senior Vice President President & Representative Director, Tokyo Electron Tohoku Limited
Corporate Director	Hiroshi Takenaka	Senior Vice President
Corporate Director	Kenji Washino	Senior Vice President
Corporate Director	Hikaru Ito	Senior Vice President
Corporate Director	Hiroshi Inoue	President, Tokyo Broadcasting System, Inc. President, Tokyo Broadcasting System Television, Inc.
Corporate Director	Yasuhiro Tsunemi	
Statutory Auditor	Takeo Tanaka	
Statutory Auditor	Mitsutaka Yoshida	
Statutory Auditor	Togo Tajika	
Statutory Auditor	Hiroshi Maeda	Attorney-at-Law

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Members of the Compensation Committee:

Mamoru Hara, Yuichi Honda, Hikaru Ito, Yasuhiro Tsunemi

Members of the Nomination Committee:

Tetsuo Tsuneishi, Haruo Iwatsu, Hirofumi Kitayama, Kenji Washino

Chief Business Ethics Director:

Yuichi Honda

Notes

1. Corporate Directors Hiroshi Inoue and Yasuhiro Tsunemi are outside directors.
2. Statutory Auditors Togo Tajika and Hiroshi Maeda are outside statutory auditors.
3. Statutory Auditor Takeo Tanaka has experience as director in the Company's finance and accounting departments and has extensive knowledge concerning finance and accounting matters.

(ii) Condition of Executive officers

(As of March 31, 2008)

Name	Position & Responsibilities
Tetsuro Higashi	Chairman & CEO
Tetsuo Tsuneishi	Vice Chairman of the Board
Kiyoshi Sato	President & COO
Haruo Iwatsu	Executive Vice President, General Manager. Development & Manufacturing, IT
Hirofumi Kitayama	Senior Vice President, General Manager, Development & Manufacturing (Quality), General Manager, SPE-3 Division
Takashi Ito	Senior Vice President, Deputy General Manager, SPE-1 Division and General Manager, Clean Track BU
Kenji Washino	Senior Vice President, Deputy General Manager, SPE-2 Division and General Manager, Single Wafer Deposition BU
Hikaru Ito	Senior Vice President, Deputy General Manager, SPE-2 Division and General Manager, Etch Systems BU
Hiroshi Takenaka	Senior Vice President, Deputy General Manager, SPE-3 Division and General Manager, Thermal Processing Systems BU
Hiroki Takebuchi	Senior Vice President, Corporate Strategic Planning Dept. , Human Resources Development Center
Mitsuru Onozato	Senior Vice President, General Manager, FPD Division
Masami Akimoto	Senior Vice President, General Manager, Development Chairman & CEO, TEL Technology Center, America, LLC
Yoshiteru Harada	VP & General Manager, Administration
Yoshikazu Nunokawa	VP & General Manager, HR, Finance



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Name	Position & Responsibilities
Masaaki Hata	VP & Deputy General Manager, SPE-1 Division and General Manager, Surface Preparation Systems BU
Shunro Nagasawa	VP & Deputy General Manager, SPE-4 Division and General Manager, Test Systems BU
Hideyuki Tsutsumi	VP & General Manager, Sales & Services, Japan
Yasuyuki Kuriki	VP & General Manager, Sales & Services, Korea President, Tokyo Electron Korea Ltd.
Chiaki Yamaguchi	VP & General Manager, Sales & Services, Asia Vice Chairman, Tokyo Electron (Shanghai) Limited Vice Chairman, Tokyo Electron (Shanghai) Logistic Center Limited
Jinzaburo Sakamoto	VP & Deputy General Manager, Sales & Services Division (Global Services) and General Manager, Post Sales President & Representative Director, Tokyo Electron FE Ltd. President & Representative Director, Tokyo Electron PS Ltd.
Kiyoshi Sunohara	VP & General Manager, Marketing
Yoshinori Inoue	VP & General Manager, MEMS Business
Shigetoshi Hosaka	VP & General Manager, Technology & Development Center, Leading Edge Process Development Center, and Development Planning Dept.

(Notes) 1. BU stands for “business unit”

2. On April 1, 2008, new responsibilities were assigned as follows:

Name	Position & Responsibilities
Hirofumi Kitayama	Senior Vice President, General Manager, Development & Manufacturing (Quality, Miyagi New Factory Project), General Manager, SPE-3 Division
Jinzaburo Sakamoto	VP & Deputy General Manager, Sales & Services Division (Global Services) and General Manager, Post Sales Division President & Representative Director, Tokyo Electron FE Ltd. President & Representative Director, Tokyo Electron PS Ltd.

3. On May 1, 2008, Mr. Hirofumi Murakami was newly appointed as VP & General Manager, new responsibilities were assigned as follows:

Name	Position & Responsibilities
Hirofumi Murakami	VP & Deputy General Manager, Sales & Services Division (Global Services) President & Representative Director, Tokyo Electron FE Ltd.
Jinzaburo Sakamoto	VP & General Manager, Post Sales Division President & Representative Director, Tokyo Electron PS Ltd.

(iii) Amount of Compensation Summary to Corporate Directors and Statutory Auditors

	Fixed Compensation: Monthly Salary	Compensation linked to business performance		(Reference) Number of stock options for stock linked compensation approved by resolution at the 44th Annual General Meeting of Shareholders held on June 22, 2007
	Amount paid during FY2008 (Note 3)	Annual Bonus (Note 4)	Stock options for stock linked compensation (Note 5)	
Total amount of Corporate Director compensation (13 persons)	(million yen) 445	(million yen) 639	(million yen) 96	(unit) 321
Portion of outside directors compensation (2 persons)	12	14	-	-
Total amount of Statutory Auditor compensation (4 persons)	94	-	-	-
Portion of outside Auditors compensation (2 persons, including one full-time auditor)	33	-	-	-

Notes

1. It was resolved at the 44th Annual General Meeting of Shareholders held on June 22, 2007 that the maximum amount of Corporate Director fixed compensation for a fiscal year should be 560 million yen (including 20 million yen for outside directors). The Company does not pay a salary to Corporate Directors as employees in addition to their Corporate Director compensation.
2. It was resolved at the 43rd Annual General Meeting of Shareholders held on June 23, 2006 that the maximum amount of Statutory Auditor fixed compensation for a fiscal year should be 10 million yen per month (120 million yen annually)
3. Amounts indicated are amounts paid from April 2007 to March 2008.
4. The proposed amount of bonuses for Corporate Directors, which will be brought before the 45th General Meeting of Shareholders held on June 20, 2008, is indicated.
5. The amount of expenses incurred during the current fiscal year by the sixth share subscription rights issued to Corporate Directors (stock-based compensation type of stock options) in accordance with a resolution of the 43rd Annual General Meeting of Shareholders and the seventh share subscription rights issued to Corporate Directors (stock-based compensation type of stock options) in accordance with a resolution of the 44th Annual Meeting of Shareholders, is indicated. Specifically, in accordance with the Accounting Standard for Stock Options (ASBJ Statement No. 8), the fair market value is distributed to the fiscal years during the period from the date the options are granted up to the date the options are exercised, based on calculations by a third party agency fair market value of the stock option .

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(Reference)

Individual Compensation of Representative Directors

	Fixed Compensation: Monthly Salary	Compensation linked to business performance	(Reference) Number of stock options for stock linked compensation approved by resolution at the 44th Annual General Meeting of Shareholders held on June 22, 2007
	Amount paid during FY2008 (Note 2)	Amount paid during FY2008 (Note 3)	
	(million yen)	(million yen)	(unit)
Tetsuro Higashi Chairman & CEO	72	100	59
Kiyoshi Sato President & COO	66	92	54

Notes

1. A Compensation Committee has been established within the Board of Directors to set the compensation of the Chairman & CEO and the President & COO.
2. Amounts paid from April 2007 to March 2008 are indicated.
3. Amounts of bonuses paid pursuant to a resolution adopted at the 44th Annual General Meeting of Shareholders held on June 22, 2007 are indicated.

(iv) Policies Concerning Decisions Relating to Methods of Calculating Executive Compensation

The Company has adopted the following executive compensation program with the intention of linking compensation more closely to financial results and shareholder value, enhancing management transparency, and raising corporate competitiveness.

Corporate Director compensation consists of a fixed monthly salary and performance-linked compensation. Statutory Auditor compensation consists of a fixed monthly salary only. Payment of retirement allowances, which constituted a significant portion of fixed compensation, was abolished in the 43rd fiscal year, and payment of retirement benefits calculated according to the length of service through the 42nd fiscal year was approved at the 42nd Annual General Meeting of Shareholders held on June 24, 2005.

The performance-linked compensation system, which consists of annual bonuses, is more closely linked to financial results by clearly tying it to consolidated net income. Persons subject to the system are Corporate Directors and executive officers of the Company and its subsidiaries. The total compensation that is linked to business performance is limited to 3% of consolidated net income. A major portion of annual bonuses is paid in cash. To provide incentives for higher share prices resulting from better business performance and to have executives share with shareholders the risks of share price fluctuations, a portion of compensation will be non-monetary (stock-based compensation), with the ratio of cash bonuses to stock-based compensation of approximately 2:1 (stock-based compensation is not paid to outside directors).

Introducing and implementing stock options as stock-based compensation that can be directly exchanged for shares and restricted stocks in the United States and other countries is problematic under current law, and therefore, we will grant stock options with a set strike price of one yen per share and set a three-year limit on the exercise of options, which will have the same effect.

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(v) Matters concerning Outside Directors and Outside Auditors

a. Outside directors also serving as executive directors of other companies (As of March 31, 2008)

Position in the Company	Name	Company where other post is held and details of other post
Outside Director	Hiroshi Inoue	President, Tokyo Broadcasting System, Inc. President, Tokyo Broadcasting System Television, Inc.

Notes

1. The Company entered into an office building lease agreement with Tokyo Broadcasting System, Inc. (TBS) and occupied an office building owned by TBS until February 2008.
2. Tokyo Broadcasting System Television, Inc. does not engage in any significant business with the Company.

b. Outside Directors and Outside Auditors also serving as outside directors, outside Auditors of other companies (As of March 31, 2008)

Position in the Company	Name	Company where other post is held and details of other post
Outside Director	Hiroshi Inoue	Outside Director, Mainichi Newspapers Co., Ltd. Outside Director, Mainichi Broadcasting System, Inc. Outside Auditor, RKB Mainichi Broadcasting Corporation Outside Director, ATV Aomori Television Broadcasting Co. Outside Director, Iwate BroadCasting, Inc. Outside Director, Minaminihon Broadcasting Co., Ltd. Outside Director, Video Research Ltd.
Outside Auditor	Hiroshi Maeda	Outside Auditor, Footwork Express Co., Ltd. Outside Auditor, AsMediX Co.,Ltd. Outside Auditor, Ridgeway Capital Partners Ltd. Outside Auditor, UCO Corporation Outside Auditor, Kokusai Kogyo Holdings Co. Ltd.

c. Main activities during the current fiscal year

The Board of Directors met a total of 12 times during the current fiscal year. Outside director Hiroshi Inoue attended 9 meetings, and outside director Yasuhiro Tsunemi attended 12 meetings. Outside Statutory Auditor Togo Tajika attended 12 meetings, and outside Statutory Auditor Hiroshi Maeda attended 11 meetings. In addition, the Board of Statutory Auditors met a total of 7 times during the current fiscal year. Outside Statutory Auditors Togo Tajika attended all 7 meetings, and outside Statutory Auditor Hiroshi Maeda attended 6 meetings. Each person made necessary statements for discussion on resolutions as appropriate based on their professional perspectives.

d. Overview of liability-limiting agreements

The Company revised its Articles of Incorporation at the 43rd Annual General Meeting of Shareholders held on June 23, 2006 to include a provision concerning the conclusion of liability limiting contracts with outside directors and auditors. In accordance with its Articles of Incorporation, the Company has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Corporation Law with its outside directors and statutory auditors. The limitation of liability under these agreements is the maximum amount specified in Article 425, Paragraph 1 of the Corporation Law, provided that the individuals in question perform their duties in good faith and without gross negligence.

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5. Condition of accounting auditors

(1) Name of accounting auditors

KPMG Azsa & Company

(2) Amount of Compensation Paid to Accounting Auditors

(million yen)

i	Amount of compensation to be paid by the Company for audit services pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law	70
ii	Total monetary compensation and other benefits to be paid to accounting auditors by the Company and its subsidiaries	109

Notes

1. The audit agreement concluded by the Company and its accounting auditors does not distinguish between compensation to be paid for audits pursuant to the Corporation Law, and that pursuant to the Financial Instruments and Exchange Law and these amounts cannot practically be separated, and as a result the amount indicated in (i) above is the total of these two amounts.

2. The Company entrusts advisory services for internal control assessments and other activities related to financial reports to its accounts auditors and pays the auditors for their services. These are non-audit services other than services as provided for in Article 2, Paragraph 1 of the Certified Public Accountants Law.

3. Of the Company's main subsidiaries, the following subsidiaries undergo audits by certified public accountants or audit companies other than the Company's accounting auditors.

Tokyo Electron Device Limited
 Tokyo Electron U.S. Holdings, Inc.
 Tokyo Electron Europe Limited
 Tokyo Electron Korea Limited
 Tokyo Electron Taiwan Limited
 Tokyo Electron (Shanghai) Limited

(3) Policy Concerning Decisions to Discharge or to Not Reappoint the Accounting Auditors

If any of the circumstances set forth in Article 340, Paragraph 1 of the Corporation Law apply to the accounting auditors, the Board of Statutory Auditors may discharge the accounting auditors with the unanimous consent of all Statutory Auditors. In addition, if it is determined that it would be difficult for the accounting auditors to perform proper audits, the Board of Directors may, with the consent of or upon request from the Board of Auditors, submit to the General Meeting of Shareholders the resolution to discharge or not to reappoint the accounting auditors.

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6. Corporate Structures and Policies

(1) Structures for Ensuring the Proper Performance of Business

In accordance with the Article 362, Paragraph 5 of the Corporation Law, the Company decided, at the meeting of its Board of Directors held on May 12, 2006, to adopt a basic policy for systems to ensure appropriate operations. Subsequently, the Company resolved to revise part of the policy at the meeting of its Board of Directors held on April 25, 2008, as described below. The purpose of the revision was to confirm the Company's basic stance of having no relations with antisocial movements and establishing internal control systems related to financial reports in accordance with the Financial Instruments and Exchange Law.

Fundamental Policies concerning Internal Controls within the Tokyo Electron Group

1. Systems to ensure that actions by directors and employees in the performance of their duties comply with applicable laws and the Articles of Incorporation
 - (1) TEL Group directors and employees are required to act in compliance with applicable laws and the Articles of Incorporation and with a high sense of ethics.
 - (2) TEL Group directors and employees shall consider regulations concerning compliance structures, including Code of Ethics and Compliance Regulations, to guide their standard of conduct and shall put such standards into practice.
 - (3) The Chief Business Ethics Director shall have as his mission ensuring compliance with corporate ethics and shall report periodically to the Board of Directors on the Ethics Committee and activities to ensure legal compliance.
 - (4) The Internal Audit Dept., which shall be under the direct authority of the president & COO, shall perform internal audits of actions taken in the performance of their duties. Such audits shall include checking on the existence of compliance violations.
 - (5) The statutory auditors shall perform audits of the actions of directors in the performance of their duties, and if any action that violates an applicable law or the Articles of Incorporation, or potential violation, is discovered, the statutory auditors shall take necessary measures that include the provision of advice or reports to the directors.
 - (6) An internal reporting system ("hotline") shall be operated and maintained as a measure for employees to directly provide information on any conduct that seems questionable with regard to legality. Confidentiality shall be maintained upon the request of the employee making a report, and it will be guaranteed that the employee will not be subject to any disadvantage.
 - (7) We will establish a system to ensure the appropriateness and reliability of the Group's financial reporting, while periodically enhancing it and evaluating the effectiveness of its operations.
 - (8) Based on our corporate stance of avoiding all contact with antisocial movements that might threaten the order and security of civil society, we categorically refuse all unreasonable demands and other forms of solicitation from such organizations.
2. Structures for the preservation and management of information relating to actions taken by directors in the performance of their duties
 - (1) Information relating to actions taken by directors in the performance of their duties shall be recorded in writing or via electronic media and shall be preserved in accordance with the Document Management Regulations.
 - (2) Documents, etc. relating to actions taken by directors in the performance of their duties shall be maintained in a format that can be viewed immediately.

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3. Regulations concerning management of the risk of loss and other structures
 - (1) Risk Management Regulations shall be formulated, the types of risks that should be managed shall be identified, and risk management systems clarified.
 - (2) The department responsible for each risk specified in the above regulations shall be determined, group-wide risks shall be managed, and risk management structures shall be described in detail and implemented properly.
 - (3) Efforts to develop preparedness for risks related to such events as earthquakes, in order to ensure the continuity of business, shall be continually promoted.
 - (4) The responsible directors shall report periodically to the Board of Directors concerning the status of major risks and measures taken to counter them.

4. Structures to ensure the efficient performance of the duties of directors
 - (1) The Board of Directors shall determine key items of the company's management including management policies and matters specified by law and shall oversee the status of their implementation.
 - (2) The company shall take measures to have outside (independent) directors join the Board to objectively ensure efficient decision-making by the Board of Directors.
 - (3) The Board of Directors shall by resolution of the Board have representative directors, executive directors, and executive officers carry out their respective duties.

5. Structures to ensure the appropriateness of operations by the corporate group consisting of TEL and its subsidiaries
 - (1) Various regulations applicable to the entire group shall be prepared as necessary to ensure the proper and efficient performance of business activities as a corporate group.
 - (2) The statutory auditors shall establish a structure for cooperation with the statutory auditors of other group companies to facilitate the effective and proper performance of supervision and audits of the TEL Group as a whole.
 - (3) The Internal Audit Dept. shall perform audits of the appropriateness of the activities of the corporate group.

6. Matters relating to employees when the assignment of employees is necessary to assist in the performance of the statutory auditors' duties and matters relating to the independence of such employees from directors
 - (1) When the statutory auditors request the assignment of employees to assist them in the performance of their duties, employees shall be assigned to the statutory auditors.
 - (2) Employees assigned to the statutory auditors shall perform work duties in accordance with instructions from the statutory auditors.
 - (3) To ensure the independence of the employees specified above, matters relating to personnel administration, such as appointment and dismissal, transfers, and performance evaluations, shall require the consent of a full-time statutory auditor.

7. Structures for reports by directors and employees to the statutory auditors and for other reports to the statutory auditors
 - (1) If a director or employee discovers any facts in violation of applicable laws or any matter that will have a material impact on TEL and the TEL Group, the director or employee must immediately report to the statutory auditors.
 - (2) Each statutory auditors shall attend key meetings and shall review significant documents submitted for approval, and when necessary request reports from directors, responsible executive officers, and other departments.
 - (3) The Board of Auditors shall receive reports from the Internal Audit Dept. concerning the results of internal audits.

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8. Other structures to ensure the effective implementation of audits by the statutory auditors
- (1) A forum for the periodic exchange of ideas and opinions among the statutory auditors and representative directors shall be created with the objective of creating effective internal controls.
 - (2) The Board of Auditors shall share information with the accounting auditors and the Internal Audit Dept. with the objective of creating effective internal controls.
 - (3) The company shall take measures to have outside (independent) auditors join the Board of Auditors to objectively ensure the appropriateness of audits.
 - (4) The Board of Auditors may when necessary use the company's funds for legal, accounting and other professionals to form independent opinions when performing audits.

(2) Policy concerning decisions regarding the distribution of surplus earnings

The Company's dividend policy is to link dividends to business results and revenues on a continuous basis. Our basic policy for returning surplus earnings to shareholders is to maintain a payout ratio of 20% based on consolidated net income. A portion of income is retained and used effectively for research and development, capital investment, and the development of overseas business to ensure the expansion of our business in the future.

Consolidated Balance Sheet

(Millions of yen)

	As of	As of	Increase	
	March 31, 2007	March 31, 2008	(Decrease)	
	Amount	Amount	Amount	(%)
(Assets)				
Current assets	610,363	640,233	29,870	4.9
Cash and cash equivalents	134,389	67,540		
Trade notes and accounts receivable	228,688	224,170		
Securities	19	136,022		
Inventories	194,840	161,151		
Deferred income taxes	28,325	24,140		
Others	24,225	27,271		
Allowance for doubtful accounts	(127)	(62)		
Long-term assets	160,150	152,584	(7,566)	(4.7)
Tangible fixed assets	104,930	104,105	(824)	(0.8)
Buildings and structures	52,935	52,297		
Machinery and carriers	18,263	18,429		
Tools, furniture and fixtures	7,174	8,449		
Land	20,495	20,729		
Construction in progress	6,061	4,199		
Intangible fixed assets	19,399	13,253	(6,145)	(31.7)
Goodwill	6,400	727		
Others	12,998	12,525		
Investments and other assets	35,821	35,224	(596)	(1.7)
Investment securities	14,642	8,837		
Deferred income taxes	13,691	14,846		
Others	7,784	11,843		
Allowance for doubtful accounts	(297)	(301)		
Total assets	770,513	792,817	22,303	2.9

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2007	As of March 31, 2008	Increase (Decrease)	
	Amount	Amount	Amount	(%)
(Liabilities)				
Current liabilities	225,854	198,820	(27,034)	(12.0)
Trade notes and accounts payable	83,837	55,332		
Bonds due within 1 year	5,500	30,000		
Income taxes payable	45,657	28,239		
Accrued employees' bonuses	14,131	12,726		
Accrued warranty expenses	14,114	9,815		
Others	62,614	62,706		
Long-term liabilities	74,848	48,752	(26,095)	(34.9)
Straight bonds	30,000	-		
Accrued pension and severance costs	40,018	43,704		
Others	4,829	5,047		
Total liabilities	300,702	247,572	(53,130)	(17.7)
(Net assets)				
Shareholders' equity	449,166	532,850	83,683	18.6
Common stock	54,961	54,961		
Capital surplus	78,346	78,392		
Retained earnings	328,026	410,866		
Treasury Stock	(12,167)	(11,369)		
Valuation and translation adjustments	11,008	2,102	(8,905)	(80.9)
Valuation difference on available-for-sale securities	5,853	2,172		
Deferred gains or losses on hedges	(177)	460		
Translation adjustments	5,332	(529)		
Subscription rights to shares	584	483	(100)	(17.2)
Minority interests	9,051	9,807	756	8.4
Total net assets	469,810	545,244	75,434	16.1
Total liabilities and net assets	770,513	792,817	22,303	2.9

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2007		Year ended March 31, 2008		Increase (Decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)
Net sales	851,975	100.0	906,091	100.0	54,116	6.4
Cost of sales	579,325	68.0	594,794	65.6	15,468	2.7
Gross profit	272,649	32.0	311,297	34.4	38,648	14.2
Selling, general & administrative expenses	128,670	15.1	142,799	15.8	14,128	11.0
Operating income	143,978	16.9	168,498	18.6	24,519	17.0
Non-operating income						
Interest income	819		1,416			
Revenue from development grants	2,640		2,170			
Others	1,448		1,544			
Non-operating expenses						
Interest expenses	420		343			
Lease expenses of fixed assets	169		240			
Foreign currency translation loss	3,374		27			
Loss on equity method	585		-			
Others	395		304			
Ordinary income	143,940	16.9	172,713	19.1	28,772	20.0
Unusual or infrequent profit						
Gain on sale of fixed assets	416		2,364			
Gain on sale of investments in securities	1,225		135			
Gain on sale of stocks of consolidated companies	528		-			
Gain on reversal of subscription rights to shares	526		466			
Others	24		53			
Unusual or infrequent loss						
Loss on proceeds or disposal of fixed assets	834		884			
Loss on impairment	-		808			
Amortization of goodwill	-		4,072			
Head office relocation expenses	-		729			
Loss on equity method	856		-			
Others	557		18			
Income before income taxes	144,414	17.0	169,219	18.7	24,805	17.2
Provision for income taxes and enterprise taxes	60,132	7.1	56,568	6.3		
Deferred income taxes	(7,534)	(0.9)	5,373	0.6		
Minority interest	553	0.1	1,005	0.1		
Net income	91,262	10.7	106,271	11.7	15,008	16.4

Consolidated Statements of Changes in Net Assets

(Millions of yen)

4/1/06-3/31/07

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance 3/31/06	54,961	78,078	249,938	(15,116)	367,861
Net increase/decrease during the term under the review					
Cash dividends			(12,843)		(12,843)
Bonuses to directors and statutory auditors			(331)		(331)
Net income			91,262		91,262
Repurchases of treasury stocks				(64)	(64)
Disposal of treasury stocks		267		3,013	3,281
Net increase/decrease during the term					
Total increase/decrease during the term under the review	-	267	78,088	2,949	81,305
Balance 3/31/07	54,961	78,346	328,026	(12,167)	449,166

	Valuation and Translation Adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustment	Total			
Balance 3/31/06	5,117	-	3,921	9,038	1,013	4,721	382,635
Net increase/decrease during the term under the review							
Cash dividends							(12,843)
Bonuses to directors and statutory auditors							(331)
Net income							91,262
Repurchases of treasury stocks							(64)
Disposal of treasury stocks							3,281
Net increase/decrease during the term	735	(177)	1,411	1,969	(429)	4,329	5,869
Total increase/decrease during the term under the review	735	(177)	1,411	1,969	(429)	4,329	87,175
Balance 3/31/07	5,853	(177)	5,332	11,008	584	9,051	469,810

Consolidated Statements of Changes in Net Assets

(Millions of yen)

4/1/07-3/31/08

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance 3/31/07	54,961	78,346	328,026	(12,167)	449,166
Net increase/decrease during the term under the review					
Cash dividends			(23,431)		(23,431)
Net income			106,271		106,271
Repurchases of treasury stocks				(40)	(40)
Disposal of treasury stocks		45		838	884
Net increase/decrease during the term					
Total increase/decrease during the term under the review	-	45	82,840	797	83,683
Balance 3/31/08	54,961	78,392	410,866	(11,369)	532,850

	Valuation and Translation Adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustment	Total			
Balance 3/31/07	5,853	(177)	5,332	11,008	584	9,051	469,810
Net increase/decrease during the term under the review							
Cash dividends							(23,431)
Net income							106,271
Repurchases of treasury stocks							(40)
Disposal of treasury stocks							884
Net increase/decrease during the term	(3,680)	637	(5,862)	(8,905)	(100)	756	(8,249)
Total increase/decrease during the term under the review	(3,680)	637	(5,862)	(8,905)	(100)	756	75,434
Balance 3/31/08	2,172	460	(529)	2,102	483	9,807	545,244

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase (Decrease)
	Amount	Amount	Amount
I Cash flow from operating activities			
Income before income taxes	144,414	169,219	24,805
Depreciation and amortization	18,820	21,413	2,592
Loss on impairment	-	808	808
Amortization of goodwill	1,974	5,672	3,698
Increase in accrued pension and severance costs (decrease)	1,975	3,754	1,779
Decrease in prepaid pension expenses (increase)	(965)	(4,035)	(3,069)
Increase in accrued employees' bonuses (decrease)	3,900	(1,404)	(5,304)
Increase in accrued warranty expenses (decrease)	1,613	(4,322)	(5,936)
Interest and dividend revenue	(910)	(1,491)	(580)
Interest expenses	420	343	(77)
Foreign currency translation loss (gain)	519	694	174
Loss on equity method	1,441	-	(1,441)
Loss on sale of fixed assets (gain)	(302)	(2,332)	(2,030)
Loss on disposal of fixed assets	719	852	132
Loss on sale of investment securities (gain)	(1,225)	(135)	1,090
Gain on sales of stocks of consolidated companies	(528)	-	528
Head office relocation expenses	-	729	729
Gain on reversal of subscription rights to shares	(526)	(466)	59
Decrease in trade notes and accounts receivable (increase)	(58,352)	2,473	60,825
Decrease in inventories (increase)	(31,584)	28,342	59,927
Increase in accounts payable (decrease)	17,236	(27,373)	(44,609)
Decrease in prepaid consumption tax (increase)	(1,774)	(1,446)	328
Increase in customer advances (decrease)	(12,459)	2,130	14,589
Others	7,274	(3,789)	(11,064)
Subtotal	91,681	189,637	97,955
Receipts from interest and dividends	853	1,372	518
Interest paid	(452)	(348)	104
Income taxes paid	(37,785)	(73,721)	(35,936)
Net cash generated by operating activities	54,296	116,939	62,642
II Cash flow from investing activities			
Payment into time deposits	(30,000)	(44,070)	(14,070)
Proceeds from time deposits	30,000	34,000	4,000
Payment for purchase of tangible fixed assets	(25,153)	(19,338)	5,815
Proceeds from sale of tangible fixed assets	1,068	4,270	3,201
Payment for acquisition of intangible fixed assets	(2,462)	(4,041)	(1,579)
Proceeds from sale of investment securities	2,460	150	(2,309)
Payment for acquisition of consolidated companies	(4,524)	-	4,524
Proceeds from sales of stocks of consolidated companies	4,168	-	(4,168)
Loans to third parties	(388)	(288)	99
Others	(462)	(868)	(406)
Net cash used in investing activities	(25,293)	(30,186)	(4,892)
III Cash flow from financing activities			
Net increase in short-term borrowings (decrease)	(404)	4,351	4,755
Repayment of long-term borrowings	-	(3,000)	(3,000)
Redemption of straight bonds	(24,500)	(5,500)	19,000
Net decrease in treasury stock (increase)	3,216	843	(2,373)
Dividends paid	(12,843)	(23,431)	(10,587)
Others	(188)	(297)	(108)
Net cash generated by financing activities	(34,719)	(27,033)	7,685
IV Foreign currency translation difference in cash and cash equivalents	81	(617)	(698)
V Net increase in cash and cash equivalents (decrease)	(5,634)	59,103	64,737
VI Cash and cash equivalents at the beginning of the period	140,023	134,389	(5,634)
VII Cash and cash equivalents at the end of the period	134,389	193,492	59,103