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May 31, 2007

NOTICE OF FISCAL YEAR 2007 (the 44th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 44th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Limited ("TEL") will be held on Friday, June 22, 2007, 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 Thirteen Corporate Directors**
- 2: Election of One Statutory Auditor**
- 3: Payment of Bonuses to Corporate Directors for the 44th Fiscal Year**
- 4: Revision of Fixed Compensation to Corporate Directors**
- 5: Issuance of Stock Options as Stock-Based Compensation to Corporate Directors**
- 6: 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) -646-495-5060 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 2007 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 21, 2007 (Japan standard time).

World Headquarters
 TBS Broadcast Center
 3-6 Akasaka 5-chome, Minato-ku
 Tokyo 107-8481, Japan
 Tel.+81-3-5561-7000

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 FY2007 (44th FY; from April 1, 2006 to March 31, 2007), 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 FY2007 (44th FY; from April 1, 2006 to March 31, 2007).

Proposal 1: Election of Thirteen Corporate Directors

The term of office of all 11 Corporate Directors will expire at the conclusion of the upcoming Annual General Meeting of Shareholders. The number of Corporate Directors will be increased by two to further bolster management structures, and accordingly, the shareholders will be asked to elect 13 Corporate 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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 TBS Broadcast Center
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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 (Present Position)</p> <p><u>October 2006</u> Chairman of the Board, Tokyo Electron Kyushu Limited (Present Position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President, Manufacturing & IT</p>	1,000
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>(Position in the Company) Corporate Director, Senior Vice President, Technology & Development (Representatives in other legal entities) Chairman & CEO, Tokyo Electron Arizona, LLC Chairman & CEO, TEL Technology Center, America, LLC</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, Senior Vice President, Finance & Accounting</p>	5,100



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8	Hirofumi Kitayama (March 28, 1954)	<p><u>December 1983</u> Joined TEL-Thermco Engineering Co., Ltd.</p> <p><u>April 1993</u> Director, Engineering 1st Dept., Tokyo Electron Tohoku Limited</p> <p><u>April 1994</u> Senior Director, Tokyo Electron Tohoku Limited</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 (Present Position)</p> <p>(Representatives in other legal entities) President & Representative Director, Tokyo Electron Tohoku Limited</p>	0
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> Vice President & General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Limited</p> <p><u>April 2005</u> Vice President & General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Limited (Present Position)</p> <p><u>April 2006</u> Deputy General Manager, SPE-3 Division, Tokyo Electron Limited (Present Position)</p>	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
10	Kenji Washino (June 7, 1961)	<u>April 1984</u> Joined Tokyo Electron Limited <u>October 2002</u> Director, Cleaning Systems Dept., Tokyo Electron Limited <u>April 2003</u> Vice President & General Manager, Cleaning Systems Business Unit, Tokyo Electron Limited <u>April 2005</u> Vice President & General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Limited (Present Position) <u>April 2006</u> Deputy General Manager, SPE-2 Division, Tokyo Electron Limited (Present Position)	2,000
11	Hikaru Ito (August 30, 1961)	<u>April 1984</u> Joined Tokyo Electron Limited <u>June 2001</u> Manager, Clean Track Business Unit, Tokyo Electron America, Inc. <u>April 2003</u> Vice President & General Manager, Clean Track Business Unit, Tokyo Electron Limited (Present Position) <u>April 2006</u> Deputy General Manager, SPE-1 Division, Tokyo Electron Limited (Present Position)	0

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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*	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) June 2006 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*	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

Notes

1. Hiroshi Inoue is president of Tokyo Broadcasting System, Inc. (TBS), with which the Company has concluded an office lease agreement. No other Corporate Director candidates have any special interests in the Company.
2. The candidates for outside directors are described below.
 - (1) Hiroshi Inoue and Yasuhiro Tsunemi 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.

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(3) As Chief Researcher of a private think tank, Yasuhiro Tsunemi has engaged in research concerning society, technology, and economics and has practical experience and knowledge in a wide range of fields. Mr. Tsunemi 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. Tsunemi 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 of the Company since June 2006.

(4) Hiroshi Inoue has been president of 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 May 2006. TBS investigated the causes of this problem and has taken measures to prevent a recurrence.

Also, it was discovered in November 2004 that since 2002 TBS had owned shares of TV-U Fukushima, Inc. in the name of a subsidiary in excess of the upper limit to equity investment set forth in the principle of preventing exclusive control of the mass media prescribed by MIC Ordinance. Corrective measures were completed in January 2005.

(5) 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 limitation of liability 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 and without gross negligence.

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Proposal 2: Election of One Statutory Auditor

The term of office of Statutory Auditor Taketoshi Itoyama will expire at the conclusion of the upcoming Annual General Meeting of Shareholders, and therefore, the shareholders will be asked to elect one Statutory Auditor.

The candidate for Statutory Auditor is as follows.

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
Mitsutaka Yoshida (March 31, 1948)	<u>February 1980</u> Joined Tokyo Electron Limited <u>March 1990</u> Corporate Director, Tokyo Electron Sagami Limited <u>April 1991</u> Senior Vice President, Tokyo Electron Sagami Limited <u>April 1993</u> Executive Vice President, Tokyo Electron Tohoku Limited <u>April 1995</u> President & Representative Director, Tokyo Electron Tohoku Limited <u>June 1996</u> Corporate Director, Tokyo Electron Limited <u>June 1998</u> Senior Vice President, Tokyo Electron Limited <u>February 2002</u> Corporate Director, Tokyo Electron Limited <u>April 2003</u> President & Representative Director, Tokyo Electron Software Technologies Limited (Present Position) <u>June 2003</u> Retired Corporate Director, Tokyo Electron Limited (Representatives in other legal entities) President & Representative Director, Tokyo Electron Software Technologies Limited	10,500

Notes

1. Mitsutaka Yoshida has no special interests in the Company.
2. The Board of Auditors has consented to this proposal.
3. Mitsutaka Yoshida plans to retire as a director of Tokyo Electron Software Technologies Ltd. at the conclusion of its annual general shareholders meeting scheduled for June 20, 2007.

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Proposal 3: Payment of Bonuses to Corporate Directors for the 44th Fiscal Year

In light of the financial results for the 44th fiscal year, the shareholders are requested to approve a total payment of 396 million yen (of which 10 million is for outside directors) to be paid as the cash bonus portion of the performance-based compensation (annual bonuses) to compensate the 11 Corporate Directors (including two outside directors) in office as of the end of the 44th fiscal year for their contributions and efforts in accordance with the TEL(Tokyo Electron Limited) Group executive compensation system and based on consolidated net income for the 44th fiscal year. The TEL Group executive compensation system is described on page 34 under "Policies concerning Determination of Calculation Methods of Corporate Officer Compensation Amounts." The director bonuses whose approval is sought under this proposal is the amount calculated as the directors' portion under the compensation system.

Proposal 4: Revision of Fixed Compensation to Corporate Directors

Fixed compensation to Corporate Directors to the amount of no more than 35 million yen per month (no more than 420 million yen annually) was approved at the 42nd General Meeting of Shareholders held on June 24, 2005, but we request shareholder approval to revise the amount of fixed compensation to Corporate Directors to no more than 560 million yen per fiscal year (of which no more than 20 million yen per fiscal year is for outside directors). This figure was arrived at by taking into consideration a variety of factors, including the fact that the number of Corporate Directors will increase by two if Proposal 1 is approved as proposed, and the changes in the composition of Company executives, such as increase in the number of Corporate Directors who also serve as executive officers, and changes in job positions.

In the past, the amount of fixed compensation did not include the portion of salaries for employees also serving as Corporate Directors that corresponds to employees, but the Company does not pay those Corporate Directors who also serve as executive officers salaries for serving as employees in addition to Corporate Director compensation. Consequently, the proposed amount of fixed compensation includes the portion of salaries for executive officers also serving as Corporate Directors that corresponds to executive officers.

There are currently 11 Corporate Directors (of which two are outside directors), but if Proposal 1 is approved as proposed, there will be 13 Corporate Directors (of which two will be outside directors).

Proposal 5: Issuance of Stock Options as Stock-Based Compensation to Corporate Directors

The Company has adopted an executive compensation system that is closely linked to consolidated financial results with the objectives of raising corporate value and increasing management transparency. Based on this executive compensation system and our consolidated financial results for the current fiscal year and in accordance with the provisions of Articles 236, 238 and 239 of the Corporation Law, 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 with the objective of granting stock options as stock-based compensation to Corporate Directors.

The 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 stock options as the stock-based compensation portion of performance-linked compensation (annual bonuses) of no more than 280 million yen annually to Corporate Directors (excluding outside directors) in addition to the Corporate Director bonuses for the 44th fiscal year in Proposal 3 and the fixed compensation in Proposal 4. There are currently 9 Corporate Directors (excluding outside directors), but if Proposal 1 is approved as proposed, there will be 11 Corporate Directors (excluding outside directors) covered by this proposal. The total value of the stock options to be granted was calculated using a price of 7,135 yen per share of common stock (the assessed value as of March 31, 2007 using the Black-Scholes model).

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1. Reason for granting stock options 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 also improving the transparency of management and enhancing its competitiveness.

Under the revised executive compensation system, the payment of retirement allowances, which constituted a significant part of fixed compensation, was abolished. In addition, executive compensation will be more closely linked to consolidated financial results and stock prices by clearly tying that portion of compensation linked with business performance to consolidated net income.

Persons subject to the system are Corporate Directors and executive officers of the Company and its subsidiaries (excluding publicly traded companies). Total compensation that is linked to business performance will be limited to 3% of consolidated net income.

The main portion of performance-linked compensation will be annual cash bonuses. 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 the compensation will be non-monetary (stock-based compensation), with a ratio of cash bonuses to stock-based compensation of approximately 2:1.

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 yen per share based on the financial results in the fiscal year ended March 2007, 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 40,000 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 400 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:

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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 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

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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 2007 (the 44th FY) General Meeting of Shareholders.

Proposal 6: Issuance of Stock Options as Stock-Based Compensation to Executives of the Company and its Subsidiaries

In order to issue stock options as stock-based compensation to executives of the Company and its subsidiaries in accordance with the provisions of Articles 236, 238 and 239 of the Corporation Law to provide stock-based compensation to persons within the TEL Group subject to the executive compensation system and maintain our competitiveness in hiring outstanding personnel for executive positions at overseas subsidiaries, 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 with the objective of granting stock options.

As in the case of Proposal 5, the total value of the stock options to be granted was calculated using a price of 7,135 yen per share of common stock (the assessed value as of March 31, 2007 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 5: "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:

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Tokyo 107-8481, Japan
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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 44th FY (excluding those who also serve as Company directors in office as of the allocation date) and those directors who will resign as of the end of this General Meeting of Shareholders, 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 44th 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 44th FY.

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

Not more than 90,000 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 900 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:

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

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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 2007 (the 44th FY) General Meeting of Shareholders.

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TBS Broadcast Center
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Business Report

(From April 1, 2006 to March 31, 2007)

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 for the U.S. economy, consumer spending and capital investments continued to be brisk despite the slowdown in the housing market in the second half of the year. As for the Asian economy, China maintained a high growth rate backed by strong exports and capital investments, while conditions in South Korea and Taiwan remained favorable. The Japanese economy, meanwhile, continued to recover mainly thanks to active capital investment and increased exports primarily among companies that are performing well.

The electronics industry, in which the Company operates, continued to be strong as exemplified by the growth in demand for digital home appliances such as large flat-panel TVs, as well as the spread of mobile phones and PCs in the emerging economies.

In this business environment, the TEL Group continued its efforts to sell high-function, state-of-the-art technologies and products. As a result of these efforts, our consolidated business performance substantially outperformed initial plans for the fiscal year, with net sales, operating income, operating income margin, and net income all reaching record highs. Net sales were 851,975 million yen (up 26.5% from the previous fiscal year), operating income was 143,978 million yen (up 90.2%), the operating income margin was 16.9%, ordinary income was 143,940 million yen (up 89.5%), and net income was 91,262 million yen (up 90.1%).

By division

(1) Industrial electronic equipment business

(a) Semiconductor production equipment

Chiefly backed by the spread of digital home appliances and the growth in worldwide demand for mobile phones and PCs, demand for semiconductor memory, including DRAM and flash memory used in these electronic devices, remained strong. With the launch of the new Windows Vista™ operating system for PCs, and due to expectations for growing demand for semiconductors as digital home appliances and mobile equipment offer higher functions, semiconductor memory manufacturers stepped up their investment in plants and equipment. In this environment, the Company received a greater number of inquiries about its production equipment, and consolidated net sales for this division during the fiscal year grew by 32.0% compared to the previous fiscal year, to 642,625 million yen.

(b) FPD production equipment

Flat-panel TVs, including LCD TVs, are spreading rapidly, in conjunction with the shift to digital and high-definition broadcasting and the lower prices of the TVs. LCD panel manufacturers in Asian countries, including Japan, made capital investments to develop sophisticated, cutting-edge large display panels and to strengthen their supply capabilities. Given this situation, the Company worked to develop and market products that met market trends and needs in the FPD production equipment segment. For example, following its dry etch system Impressio™, it launched the coater/developer system Exceliner™ as a new system for the 8th generation large glass substrate. As a result, consolidated net sales for the division during the fiscal year rose by 24.1% compared to the previous fiscal year, to 100,766 million yen.

(2) Electronic Components and Computer Networks Business

The Company, positioning the industrial equipment sector as a priority strategic market, has striven to sell high-value-added products, including custom ICs and general-purpose ICs (analog ICs), which require high-level technical support. It has also concentrated on increasing the orders received for consigned design services and developing products for industrial equipment in order to ensure greater sales of products under its own Inrevium brand. In addition, computer network-related business,

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3-6 Akasaka 5-chome, Minato-ku
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including sales of and maintenance service for network equipment, storage systems, and IT-related software, grew. Tokyo Electron Device Hong Kong Ltd., the Company's consolidated subsidiary, opened a new operational base in Singapore to continue providing more substantial support to Japanese customers, which had production centers overseas.

As a result, consolidated net sales for this division during the fiscal year grew by 3.0% compared to the previous fiscal year, to 107,462 million yen.

(2) Capital Investment and Procurement of Funds

Acquisition of tangible fixed assets during the current fiscal year was 27,128 million yen.

In terms of cash flows, 25,293 million yen was used in cash flows from investment activities.

Acquired assets include the purchase of land and buildings for a research and development center in Sendai City, Miyagi Prefecture, start of construction of a new building at the Koshi Plant of a manufacturing and development subsidiary in Kumamoto Prefecture, completion of construction of a new building at the Fujii Plant in Nirasaki City, Yamanashi Prefecture, construction to expand production space at the Matsushima Plant in Miyagi Prefecture to increase production capacity and raise logistics efficiency from a medium-term perspective, and completion of construction of an office building by a South Korean subsidiary as well as the acquisition of machinery and measuring instruments to enhance our research and development capabilities.

In financial activities, 34,719 million yen was used, including the redemption of corporate bonds worth 24,500 million yen and the payment of dividends in the amount of 12,843 million yen.

Operating activities generated 54,296 million yen in cash, and we were able to provide funds necessary for investment and financing activities from cash on hand without the need for any additional procurement of funds.

(3) Management Tasks

The Company has gained a high level of trust from customers and has established a strong reputation as a player in the market by providing the most advanced technology with full after-sales technical support. It has also contributed to worldwide growth of the semiconductor-related industries as a market leader.

In conjunction with the development of an information-driven society, semiconductor and FPD products, which had been traditionally used mainly in PCs and mobile phones, are being applied to virtually all electronic products, and they can now be seen in every aspect of day-to-day life. These products have begun to come into wide use in BRIC nations (Brazil, Russia, India, and China), as well as in East Europe, the Near and Middle East, South America, Africa, and other regions.

The demand for equipment manufacturers among device manufacturers, which are the Company's customers, have diversified more than ever to include not only equipment supply and after-sales support but also process development and other operations. It has become important to continue releasing production equipment that incorporates differentiation technology capable of displaying a high level of process and mass-production performance. Meanwhile, as new equipment manufacturers start to enter the market in Asian regions, including South Korea, which is a major center of semiconductor production, a new phase of competition is expected to emerge in the industry in the future.

Under these circumstances, the Company recognizes it as a major management task to respond flexibly and precisely to rapid changes in market and customer needs and to the business environment, while strengthening its management foundation and increasing net sales and profitability.

In order to cope with these tasks, the Company continued to bolster its technology development in major product categories during the fiscal year and to introduce new high-value-added products in each market segment. Meanwhile, all business units made a united effort to improve product quality. In the future, in addition to these measures, the Company aims to further increase profitability and growth potential by strengthening research and development capabilities to develop new businesses and manufacturing capabilities, such as improving productivity.

In terms of financial aspects, the Company will make a continued effort to collect accounts receivable as promptly as possible and keep inventories at appropriate levels, thus building a solid foundation for future growth through the optimization of cash flow.

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Additionally, in order to ensure the transparency and objectivity of management, the Company continues to implement policies from the perspective of corporate governance, including establishment of Compensation Committee and Nomination Committee, disclosure of representative director compensation, and introduction of an executive officer system. The Company has long made the need to have high ethical standards and to comply with laws and regulations known to all employees. We are making efforts to bolster compliance systems, conduct risk management, and develop regulations in all group companies to raise corporate value mainly through the promotion of a project with the objective of further reinforcing internal control systems based on fundamental internal control policies adopted by the Board of Directors.

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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3-6 Akasaka 5-chome, Minato-ku
Tokyo 107-8481, Japan
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(4) Changes in the business performance and property

Changes in the business performance and assets of the TEL Group

Items	FY2004 (41st FY; from April 1, 2003 to March 31, 2004)	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; current fiscal year) (From April 1, 2006 to March 31, 2007)
Net sales (million yen)	529,653	635,710	673,686	851,975
Ordinary income (million yen)	21,167	65,632	75,951	143,940
Net income (million yen)	8,297	61,601	48,005	91,262
Net income per share (yen)	46.37	343.63	267.61	511.27
Total assets (million yen)	561,631	644,319	663,242	770,513
Net assets (million yen)	275,799	332,165	376,900	469,810

Changes in the business performance and assets of TEL

Items	FY2004 (41st FY; from April 1, 2003 to March 31, 2004)	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; current fiscal year) (From April 1, 2006 to March 31, 2007)
Net sales (million yen)	433,708	536,711	572,019	720,163
Ordinary income (million yen)	8,294	33,227	44,836	76,664
Net income (million yen)	3,778	33,805	29,256	51,699
Net income per share (yen)	21.11	188.51	163.02	289.63
Total assets (million yen)	495,055	555,987	543,082	594,933
Net assets (million yen)	235,860	262,814	285,357	327,715

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.

2. During FY2004 (41st FY), the TEL Group took various measures for structural reforms to recover business performance, including personnel and cost reductions, consolidation of business centers, and greater efficiency in manufacturing and development. As a result, it achieved a significant turnaround as compared to the two previous fiscal years when it was affected by the semiconductor recession.

3. 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

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3-6 Akasaka 5-chome, Minato-ku
Tokyo 107-8481, Japan
Tel.+81-3-5561-7000

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, ordinary income and net income before income taxes for the Company's Group decreased by 80,956 million yen, 20,568 million yen and 20,562 million yen, respectively, as compared to when reported using the previous method. Net sales, ordinary income and net income before income taxes for the Company decreased by 80,956 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, ordinary income and net income before income taxes for the Group decreased by 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, ordinary income and net income before income taxes for the Company decreased by 3,897 million yen and 15,505 million yen, respectively.

4. 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.

5. The business performance and property of TEL and its group for FY2007 (44th FY; current fiscal year) are described in (1) "Business Developments and Results."

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 3-6 Akasaka 5-chome, Minato-ku
 Tokyo 107-8481, Japan
 Tel.+81-3-5561-7000

(5) Major business of the TEL Group

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 computer networks, electronic components, and other products. Major product items handled by each division are as follows:

Division		Major products
Industrial electronic equipment	Semiconductor production equipment	Thermal processing system, coater/developer, SOD coater, plasma etch system, auto wet station, scrubber system, single wafer cleaning system, single wafer CVD system, single wafer plasma oxidation/nitridation system, wafer prober, various types of measuring equipment
	FPD production equipment	FPD coater/developer, FPD plasma etching/ashing system
Electronic Components and Computer Networks	Electronic Components	Semiconductor products, board computer products, software, general electronic components
	Computer Networks	Network products, security-related products, storage area network products, software products

(6) Employees at TEL and in the TEL Group

(i) Number of employees in the TEL Group

Number of Employees	Year-on-year change
9,611	+661

(ii) Number of employees at TEL

Number of employees	Year-on-year change	Average age	Average length of service in years
941	-65	38.1	11.9

(Note) Figures do not include 571 employees transferred to other companies on loan and 12 employees on leave of absence.



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(7) Major subsidiaries

Company	Capital fund	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.	100 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 PS Ltd.	100 million yen	100.00	Modification and relocation of semiconductor production equipment and FPD production equipment, and dealing in used equipment
Tokyo Electron Device Ltd.	2,495 million yen	55.42	Sales of electronic components and other products
Tokyo Electron FE Ltd.	100 million yen	100.00	Maintenance services for semiconductor and FPD production equipment
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.	17,233 thousand 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

(Note) Figures in parentheses in the column for TEL's investment ratio indicate the ratio of indirect ownership.

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

Company	Capital fund	Investment ratio(%)	Main business
Tokyo Electron Tohoku Ltd.	100 million yen	100.00	Manufacture of semiconductor production equipment
Tokyo Electron TS Ltd.	100 million yen	100.00	Manufacture of semiconductor production equipment
TEL Venture Capital, Inc.	10,000 thousand U.S. dollars	100.00	Identify and evaluate promising technologies
Tokyo Electron PS Ltd.	100 million yen	100.00	Modification and relocation of semiconductor production equipment and FPD production equipment, and dealing in used equipment

Notes

1. In conjunction with the division of Tokyo Electron AT Ltd., Tokyo Electron Tohoku Ltd. and Tokyo Electron TS Ltd. were established and acquired a portion of Tokyo Electron AT's business on April 3, 2006..
2. TEL Venture Capital, Inc., a U.S. subsidiary, was established on June 21, 2006.
3. Tokyo Electron PS Ltd. was established on February 1, 2007, and a portion of the business of Tokyo Electron FE Ltd. (post-sales business including modification and relocation of semiconductor production equipment and FPD production equipment) was transferred to it on April 1, 2007.

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

1. In conjunction with the division of Tokyo Electron AT Ltd., Tokyo Electron Tohoku Ltd. and Tokyo Electron TS Ltd. were established and acquired a portion of Tokyo Electron AT's business on April 3, 2006.
2. Tokyo Electron Device Ltd. took over TEL's computer network business on October 1, 2006.
3. Tokyo Electron U.S. Holdings, Inc. acquired all of the shares of U.S.-based Epion Corporation on December 19, 2006 and changed its name to TEL Epion, Inc. on the same day.
4. TEL disposed of a portion of its holdings of Tokyo Electron Device Ltd. shares by selling 17,400 shares (16.41% of the total) on March 7, 2007 and 1,847 shares (1.74% of the total) on March 29, 2007. As a result, TEL held 55.42% of Tokyo Electronic Device as of March 31, 2007.

(9) Major lenders

There is no relevant item.

(10) Major offices of the TEL Group

(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	Kikuchi-gun, 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	Miyagi-gun, Miyagi Nirasaki City, Yamanashi Nirasaki City, Yamanashi Amagasaki City, Hyogo
Tokyo Electron Kyushu Ltd. Saga Plant (Head Office) Kumamoto Plant Ozu Plant Koshi Plant	Tosu City, Saga Kikuchi-gun, Kumamoto Kikuchi-gun, Kumamoto Koshi City, Kumamoto
Tokyo Electron Tohoku Ltd.	Oshu City, Iwate
Tokyo Electron TS Ltd.	Nirasaki City, Yamanashi
Tokyo Electron PS Ltd.	Fuchu City, Tokyo
Tokyo Electron Device Ltd.	Yokohama City, Kanagawa
Tokyo Electron FE Ltd.	Fuchu City, Tokyo
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.	Yongin-city, Kyonggi-Do, Korea
Tokyo Electron Taiwan Ltd.	Hsin-chu, Taiwan
Tokyo Electron (Shanghai) Ltd.	Shanghai, China

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2. TEL shares

- | | |
|---|--------------------|
| (i) Total number of shares TEL is authorized to issue | 300,000,000 shares |
| (ii) Total number of issued shares | 180,610,911 shares |
| (iii) Number of shareholders | 41,289 |
| (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)	22,267	12.32
Japan Trustee Services Bank, Ltd. (trust account)	14,266	7.89
Tokyo Broadcasting System, Inc.	10,227	5.66
The Chase Manhattan Bank NA, London	6,203	3.43
The Dai-ichi Mutual Life Insurance Company	4,800	2.65
Japan Trustee Services Bank, Ltd. (trust account 4)	4,408	2.44
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	1.66
Trust & Custody Services Bank, Ltd. (trust account B)	2,823	1.56
BNP Paribas Securities(Japan) Ltd.	2,700	1.49
Calyon DMA OTC	2,688	1.47

- (Notes)
- Any fractional sum of less than 1,000 shares is disregarded when the number of shares owned is indicated.
 - In accordance with the system for "Disclosing the Status of Holding a Large Amount of Share Certificates, etc." under the Securities and Exchange Law, JP Morgan Asset Management (Japan) Limited and four of its affiliated companies submitted a report of change dated February 22, 2007 to inform that they held 12,526 thousand shares in the Company as of February 15, 2007. Similarly, Capital Guardian Trust Company and four of its affiliated companies submitted a report of change dated April 6, 2007 to inform that they held 10,826 thousand shares in the Company as of March 30, 2007.. The Bank of Tokyo-Mitsubishi UFJ, Ltd. and four of its affiliated companies submitted a report of change dated November 15, 2006 to inform that they held 10,085 thousand shares in the Company as of October 31, 2006. Barclays Global Investors Japan Trust & Banking Co., Ltd. and nine of its affiliated companies submitted a report of change dated January 11, 2007 to inform that they held 7,787 thousand shares in the Company as of December 30, 2006. Nomura Securities Co.,Ltd. and one of its affiliated company submitted a report of change dated January 22, 2007 to inform that it held 6,238 thousand shares as of January 15, 2007. But the portion of shareholdings that the Company could not confirm as of March 31, 2007 is not included in the above list.
 - The Chase Manhattan Bank, NA London keeps in custody shares owned mainly by European and North American institutional investors and also holds such shares in its name.

3. Matters concerning Share Subscription Rights

(1) 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	4,095 units	6,811 units
Ownership by Corporate Directors of the Company (excluding outside directors)	372 units (9 persons)	579 units (8 persons)
Ownership by outside directors of the Company	-	-
Ownership by Statutory Auditors of the Company	65 units (2 persons)	33 units (1 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 409,500 shares	Common stock of the Company 681,100 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	4,703 units	835 units
Ownership by Corporate Directors of the Company (excluding outside directors)	795 units (7 persons)	212 units (9 persons)
Ownership by outside directors of the Company	-	-
Ownership by Statutory Auditors of the Company	-	12 units (4 persons)
Type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 470,300 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	884 units	653 units
Ownership by Corporate Directors of the Company (excluding outside directors)	-	140 units (9 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 88,400 shares	Common stock of the Company 65,300 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

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

	6th share subscription rights
Allocation date	June 24, 2006
Allocation number of share subscription rights	669 units
number of share subscription rights allocated to employees of the Company	177 units(20 persons)
number of share subscription rights allocated to executives and employees of subsidiaries	342 units(72 persons)
Type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 66,900 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2009 to May 29, 2026

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4. Matters concerning TEL's directors and other officers

(i) Condition of Corporate Directors and Statutory Auditors

Position of 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.
Corporate Director	Mamoru Hara	
Corporate Director	Kengo Kuroiwa	
Corporate Director	Masao Kubodera	Senior Vice President, Technology & Development Chairman & CEO, Tokyo Electron Arizona, LLC Chairman & CEO, TEL Technology Center, America, LLC
Corporate Director	Yuichi Honda	Senior Vice President, Finance & Accounting
Corporate Director	Keiichi Furugaki	Chairman & Representative Director, Tokyo Electron Device Ltd.
Corporate Director	Haruo Iwatsu	Senior Vice President, Manufacturing & IT Chairman of the Board, Tokyo Electron Kyushu Ltd.
Corporate Director	Hiroshi Inoue	President, Tokyo Broadcasting System, Inc. President, Tokyo Broadcasting System Television, Inc.
Corporate Director	Yasuhiro Tsunemi	
Statutory Auditor	Taketoshi Itoyama	
Statutory Auditor	Takeo Tanaka	
Statutory Auditor	Togo Tajika	
Statutory Auditor	Hiroshi Maeda	Attorney-at-Law

Members of the Compensation Committee: Mamoru Hara, Yuichi Honda, Hiroshi Inoue

Members of the Nomination Committee: Tetsuo Tsuneishi, Keiichi Furugaki, Haruo Iwatsu

Chief Business Ethics Director: Yuichi Honda

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3-6 Akasaka 5-chome, Minato-ku
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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 in the Company's finance and accounting divisions and has extensive knowledge concerning finance and accounting matters.

(ii) Condition of Executive officers

Name	Position & Responsibilities
Tetsuro Higashi	Chairman & CEO
Tetsuo Tsuneishi	Vice Chairman of the Board
Kiyoshi Sato	President & COO
Masao Kubodera	Senior Vice President, Technology & Development
Yuichi Honda	Senior Vice President, Finance & Accounting
Haruo Iwatsu	Senior Vice President, Manufacturing & IT
Hiroki Takebuchi	Senior Vice President, Corporate Strategic Planning Dept.
Makoto Mizokuchi	Senior Vice President, General Manager, Sales & Services Division and General Manager, Sales & Services, Japan
Mitsuru Onozato	Senior Vice President, General Manager, FPD Division
Yoshiteru Harada	VP & General Manager, Administration
Yoshikazu Nunokawa	VP & General Manager, HR, Human Resources Development Center, Finance
Akira Miura	VP & General Manager, SPE-1 Division President & Representative Director, Tokyo Electron Kyushu Limited Chairman, Tokyo Electron Taiwan Ltd.
Hikaru Ito	VP & Deputy General Manager, SPE-1 Division and General Manager, Clean Track BU
Masaaki Hata	VP & Deputy General Manager, SPE-1 Division and General Manager, Surface Preparation Systems BU
Kozo Hara	VP & General Manager, SPE-2 Division President & Representative Director, Tokyo Electron AT Limited
Takashi Ito	VP & Deputy General Manager, SPE-2 Division and General Manager, Etch Systems BU
Kenji Washino	VP & Deputy General Manager, SPE-2 Division and General Manager, Single Wafer Deposition BU
Hirofumi Kitayama	VP & General Manager, SPE-3 Division President & Representative Director, Tokyo Electron Tohoku Limited

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Hiroshi Takenaka	VP & Deputy General Manager, SPE-3 Division and General Manager, Thermal Processing Systems BU
Tsuyoshi Aruga	VP & General Manager, SPE-4 Division President & Representative Director, Tokyo Electron TS Limited
Syunro Nagasawa	VP & Deputy General Manager, SPE-4 Division and General Manager, Test Systems BU
Kiyoshi Sunohara	VP & General Manager, Sales & Services, North America & Europe
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.
Yoichi Ishikawa	VP & General Manager, Marketing
Shigetoshi Hosaka	VP & General Manager, Technology & Development Center, and Development Planning Dept.
Hiroshi Tomita	VP & General Manager, MEMS Business

(Notes) 1. BU stands for "business unit"

2. On April 1, 2007, new responsibilities were assigned as follows:

Name	Position & Responsibilities
Hiroki Takebuchi	Senior Vice President, Corporate Strategic Planning Dept, Human Resources Development Center
Yoshikazu Nunokawa	VP & General Manager, HR, Finance
Shigetoshi Hosaka	VP & General Manager, Technology & Development Center, Leading edge Process Development Center

(3) Amount of Compensation 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 43rd General Meeting of Shareholders held on June 23, 2006
	Amount paid during FY2007 (Note 3)	Annual Bonus (Note 4)	Stock options for stock linked compensation (Note 5)	
	(million yen)	(million yen)	(million yen)	(unit)
Total amount of Corporate Director compensation (11 persons)	369	396	25	140
Portion of outside directors compensation (2 persons)	9	10	-	-
Total amount of Statutory Auditor compensation (4 persons)	86	-	-	-
Portion of outside Auditors compensation (2 persons)	28	-	-	-

Notes

1. The maximum amount of Corporate Director compensation was set at 35 million yen per month (420 million yen annually; this does not include the portion of salaries for employees also serving as Corporate Directors that corresponds to employees) by resolution at the 42nd General Meeting of Shareholders held on June 24, 2005.
2. The maximum amount of Statutory Auditor compensation was set at 10 million yen per month (120 million yen annually) by resolution at the 43rd General Meeting of Shareholders held on June 23, 2006.
3. Amounts indicated are amounts paid from April 2006 to March 2007.
4. Amounts indicated are amounts reported as the expenses of executive bonuses during the fiscal year and transferred to allowances.
5. Expenses for the sixth share subscription rights (stock-based compensation- type of stock options) issued pursuant to a resolution of the 43rd General Meeting of Shareholders held on June 23, 2006 during the fiscal year are 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 to the day the options are exercised based on calculations of the stock option fair market value by a third party agency.

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 TBS Broadcast Center
 3-6 Akasaka 5-chome, Minato-ku
 Tokyo 107-8481, Japan
 Tel.+81-3-5561-7000

(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 43rd General Meeting of Shareholders held on June 23, 2006
	Amount paid during FY2007 (Note 2)	Amount paid during FY2007 (Note 3)	
	(million yen)	(million yen)	(unit)
Tetsuro Higashi Chairman & CEO	72	49	31
Kiyoshi Sato President & COO	66	45	28

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 2006 to March 2007 are indicated.
3. Amounts of bonuses paid pursuant to a resolution adopted at the 43rd General Meeting of Shareholders held on June 23, 2006 are indicated.

(4) 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 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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TBS Broadcast Center
3-6 Akasaka 5-chome, Minato-ku
Tokyo 107-8481, Japan
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(5) Matters concerning Outside Directors and Outside Auditors

a. Outside directors also serving as executive directors of other companies

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 occupies an office building owned by Tokyo Broadcasting System, Inc. and has concluded an office lease agreement with that company.
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

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, Sports Nippon 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

c. Main activities during the current fiscal year

The Board of Directors met a total of 14 times during the current fiscal year. Outside director Hiroshi Inoue attended four of the 10 meetings held following his appointment on June 23, 2006, and outside director Yasuhiro Tsunemi attended 10 of the 10 meetings held following his appointment on June 23, 2006. Outside Statutory Auditor Togo Tajika attended 14 of the 14 meetings, and outside Statutory Auditor Hiroshi Maeda attended 10 of the 14 meetings. In addition, the Board of Statutory Auditors met a total of five times during the current fiscal year. Outside Statutory Auditors Togo Tajika and Hiroshi Maeda attended all five 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 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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 TBS Broadcast Center
 3-6 Akasaka 5-chome, Minato-ku
 Tokyo 107-8481, Japan
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5. Condition of accounts auditors

(1) Name of accounts 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	67
ii	Total monetary compensation and other benefits to be paid to accounting auditors by the Company and its subsidiaries	85

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 Securities 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. 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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TBS Broadcast Center
3-6 Akasaka 5-chome, Minato-ku
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6. Corporate Structures and Policies

(1) Structures for Ensuring the Proper Performance of Business

In accordance with Article 362, Paragraph 5 of the Corporation Law, on May 12, 2006, the Board of Directors adopted the following resolutions concerning basic policies on structures for ensuring the proper performance of business.

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.

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 viewed immediately.

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.

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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.

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.

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(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 March 31, 2006		As of March 31, 2007		Increase (Decrease)	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	(%)
(Assets)	663,242	100.0	770,513	100.0	107,270	16.2
Current Assets	517,487	78.0	610,363	79.2	92,875	17.9
Cash and cash equivalents	140,023		134,389			
Trade notes and accounts receivable	169,038		228,688			
Inventories	163,745		194,840			
Deferred income taxes	21,356		28,325			
Others	23,488		24,245			
Allowance for doubtful accounts	(164)		(127)			
Long-term Assets	145,755	22.0	160,150	20.8	14,395	9.9
Tangible fixed assets	94,738	14.3	104,930	13.6	10,191	10.8
Buildings and structures	48,075		52,935			
Machinery and carriers	19,535		18,263			
Tools, furniture and fixtures	6,762		7,174			
Land	18,149		20,495			
Construction in progress	2,215		6,061			
Intangible fixed assets	16,709	2.5	19,399	2.5	2,689	16.1
Consolidating adjustments	8,000		-			
Goodwill	-		6,400			
Others	8,708		12,998			
Investments and other assets	34,307	5.2	35,821	4.7	1,514	4.4
Investment securities	14,860		14,642			
Deferred income taxes	13,174		13,691			
Others	6,646		7,784			
Allowance for doubtful accounts	(374)		(297)			
Total Assets	663,242	100.0	770,513	100.0	107,270	16.2

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2006		As of March 31, 2007		Increase (decrease)	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	(%)
(Liabilities)	281,621	42.5	300,702	39.0	19,081	6.8
Current liabilities	201,627	30.4	225,854	29.3	24,227	12.0
Trade notes and accounts payable	65,816		83,837			
Bonds due within 1 year	24,500		5,500			
Income taxes payable	22,895		45,657			
Customer advances	33,810		21,956			
Accrued employees' bonuses	10,230		14,131			
Accrued warranty expenses	12,219		14,114			
Others	32,154		40,658			
Long-term liabilities	79,993	12.1	74,848	9.7	(5,145)	(6.4)
Straight bonds	35,500		30,000			
Accrued pension and severance costs	38,034		40,018			
Accrued pension and severance costs for directors	716		666			
Others	5,742		4,162			
(Minority interest)	4,721	0.7	-	-	-	-
(Shareholders' equity)	376,900	56.8	-	-	-	-
Common stock	54,961	8.3	-	-	-	-
Capital surplus	78,078	11.8	-	-	-	-
Retained earnings	249,938	37.7	-	-	-	-
Valuation difference on available-for-sale securities	5,117	0.7	-	-	-	-
Translation adjustments	3,921	0.6	-	-	-	-
Treasury stock, at cost	(15,116)	(2.3)	-	-	-	-
Total liabilities, minority interest and shareholders' equity	663,242	100.0	-	-	-	-
(Net assets)	-	-	469,810	61.0	-	-
Owners' equity	-	-	449,166	58.3	-	-
Common stock	-	-	54,961		-	-
Capital surplus	-	-	78,346		-	-
Retained earnings	-	-	328,026		-	-
Treasury Stock	-	-	(12,167)		-	-
Valuation and translation adjustments	-	-	11,008	1.4	-	-
Valuation difference on available-for-sale securities	-	-	5,853		-	-
Deferred gains or losses on hedges	-	-	(177)		-	-
Translation adjustments	-	-	5,332		-	-
Subscription rights to shares	-	-	584	0.1	-	-
Minority interests	-	-	9,051	1.2	-	-
Total Liabilities and net assets	-	-	770,513	100.0	-	-

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2007		Increase (decrease)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)
Net sales	673,686	100.0	851,975	100.0	178,289	26.5
Cost of sales	483,954	71.8	579,325	68.0	95,371	19.7
Gross profit	189,731	28.2	272,649	32.0	82,917	43.7
Selling, general & administrative expenses	114,028	17.0	128,670	15.1	14,641	12.8
Operating income	75,703	11.2	143,978	16.9	68,275	90.2
Non-operating income						
Interest income	421		819			
Dividend income	81		90			
Revenue from development grants	1,536		2,640			
Others	1,549		1,357			
Non-operating expenses						
Interest expenses	686		420			
Foreign currency translation loss	1,675		3,374			
Loss on equity method	402		585			
Others	575		565			
Ordinary income	75,951	11.3	143,940	16.9	67,989	89.5
Unusual or infrequent profit						
Gain on prior year adjustment	855		-			
Gain on sale of fixed assets	286		416			
Gain on sale of investments in securities	-		1,225			
Gain on sale of stocks of consolidated companies	-		528			
Gain on reversal of subscription rights to shares	-		526			
Others	-		24			
Unusual or infrequent loss						
Loss on proceeds or disposal of fixed assets	719		834			
Loss on impairment	418		-			
Loss on correction of prior period contracts	286		-			
Loss on restructuring operations	214		-			
Loss on equity method	-		856			
Others	125		557			
Income before income taxes	75,328	11.2	144,414	17.0	69,086	91.7
Provision for income taxes and enterprise taxes	29,190	4.3	60,132	7.1	30,942	106.0
Deferred income taxes	(2,352)	(0.3)	(7,534)	(0.9)	(5,182)	-
Minority interest	484	0.1	553	0.1	68	14.2
Net income	48,005	7.1	91,262	10.7	43,257	90.1

Consolidated Statement of Retained Earnings

(Millions of yen)

	Year ended March 31, 2006
	Amount
(Capital surplus)	
Capital surplus at the beginning of the period	78,023
Increase in capital surplus	55
Gain on disposal of treasury stock	55
Capital surplus at the end of the period	78,078
(Retained earnings)	
Retained earnings at the beginning of the period	212,093
Increase in retained earnings	48,005
Net income	48,005
Decrease in retained earnings	10,161
Cash dividends	9,795
Bonuses to directors and statutory auditors	349
Decrease due to increment of consolidated companies	16
Retained earnings at the end of the period	249,938

Consolidated Statements of 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 Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2007	Increase (decrease)
	Amount	Amount	Amount
I Cash flow from operating activities			
Income before income taxes	75,328	144,414	69,086
Depreciation and amortization	19,170	18,820	(349)
Loss on impairment	418	-	(418)
Amortization of consolidating adjustments	1,600	-	(1,600)
Amortization of goodwill	-	1,974	1,974
Increase in accrued pension and severance costs (decrease)	2,372	1,975	(396)
Increase in accrued employees' bonuses (decrease)	1,586	3,900	2,314
Increase in accrued warranty expenses (decrease)	(985)	1,613	2,599
Interest and dividend revenue	(503)	(910)	(406)
Interest expenses	686	420	(266)
Foreign currency translation loss (gain)	299	519	220
Loss on equity method	402	1,441	1,038
Gain on prior year adjustment	(855)	-	855
Loss on sale of fixed assets (gain)	(224)	(302)	(77)
Loss on disposal of fixed assets	658	719	61
Loss on sale of investment securities (gain)	8	(1,225)	(1,234)
Gain on sales of stocks of consolidated companies	-	(528)	(528)
Gain on reversal of subscription rights to shares	-	(526)	(526)
Decrease in trade notes and accounts receivable (increase)	5,144	(58,352)	(63,496)
Decrease in inventories (increase)	(5,467)	(31,584)	(26,117)
Increase in accounts payable (decrease)	6,743	17,236	10,493
Decrease in prepaid consumption tax (increase)	2,656	(1,774)	(4,431)
Increase in customer advances (decrease)	(9,504)	(12,459)	(2,954)
Others	(919)	6,309	7,229
Subtotal	98,614	91,681	(6,932)
Receipts from interest and dividends	502	853	350
Interest paid	(738)	(452)	285
Income taxes paid	(19,524)	(37,785)	(18,260)
Net cash generated by operating activities	78,853	54,296	(24,556)
II Cash flow from investing activities			
Payment into time deposits	-	(30,000)	(30,000)
Proceeds from time deposits	-	30,000	30,000
Payment for purchase of tangible fixed assets	(8,600)	(25,153)	(16,552)
Proceeds from sale of tangible fixed assets	1,279	1,068	(210)
Payment for acquisition of intangible fixed assets	(2,610)	(2,462)	148
Proceeds from sale of investment securities	36	2,460	2,424
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	(506)	(388)	118
Others	(134)	(462)	(327)
Net cash used in investing activities	(10,536)	(25,293)	(14,756)
III Cash flow from financing activities			
Net increase in short-term borrowings (decrease)	1,037	(404)	(1,441)
Repayment of long-term borrowings	(5,475)	-	5,475
Redemption of straight bonds	(30,000)	(24,500)	5,500
Net decrease in treasury stock (increase)	981	3,216	2,235
Dividends paid	(9,795)	(12,843)	(3,047)
Others	(168)	(188)	(20)
Net cash generated by financing activities	(43,420)	(34,719)	8,701
IV Foreign currency translation difference in cash and cash equivalents	(340)	81	422
V Net increase in cash and cash equivalents (decrease)	24,555	(5,634)	(30,189)
VI Cash and cash equivalents at the beginning of the period	115,420	140,023	24,603
VII Cash and cash equivalents at the beginning of the period of newly consolidated companies	48	-	(48)
VIII Cash and cash equivalents at the end of the period	140,023	134,389	(5,634)