

# REVIEW OF OPERATIONS

## Semiconductor Production Equipment

### Fiscal 2007 Review

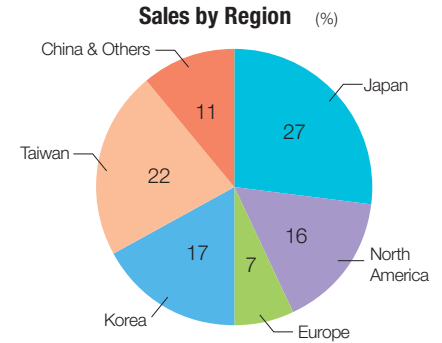
Division net sales were ¥642.6 billion, up 32.0% year on year.

The past fiscal year saw significant interest in our products from semiconductor manufacturers due to rising demand for memory devices for PCs, mobile phones and other digital consumer electronics. With expectations of higher demand for PCs due to the launch of Microsoft's new operating system, *Windows Vista™*, and for semiconductors to support increasingly sophisticated mobile devices and other applications, semiconductor manufacturers increased capital expenditures, mainly for DRAM and NAND flash memory. This division sought to capitalize on these trends with the launch of a stream of new products. The result of these efforts was higher sales, particularly of mainstay products.

By equipment type, backed by strong capital investment by semiconductor memory manufacturers, particularly in Asia, sales of coater/developers, etch systems, thermal processing systems, CVD systems and cleaning systems recorded large increase in sales. By model, Tokyo Electron saw sales growth of CLEAN TRACK™ LITHIUS™, a coater/developer compatible with next-generation design rule technologies, new TELINDY™ thermal processing systems, EXPEDIUS™ automated wet stations, and Telius™, a plasma etch system equipped with an SCCM™ –JI etch chamber.

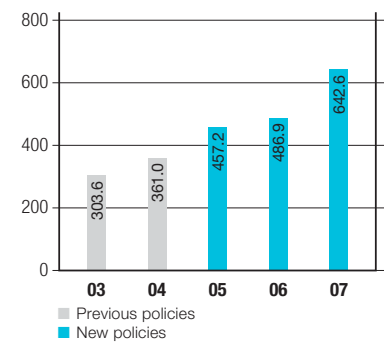
### New Products Released in FY2007

<b>Coater/Developer</b>		CLEAN TRACK™ LITHIUS Pro™
<b>Plasma Etch System</b>		Dielectric Etch Tactras™ Vigus™
<b>Thermal Processing System</b>		Thermal PECVD TELINDY™ IRad™
<b>Single Wafer CVD</b>		Trias™ LT Ti/TiN
<b>Surface Preparation System</b>		Auto Wet Station EXPEDIUS™+
<b>Wafer Prober</b>		Precio™



### Semiconductor Production Equipment Sales

(Billions of Yen)



- Notes: 1. Since fiscal 2005, sales of FPD production equipment have been shown separately from SPE Division sales, in which they were previously included. In the above graph, SPE sales for fiscal 2004 and prior years exclude FPD production equipment sales on a non-consolidated basis for the convenience of readers. (These figures are unaudited.)
2. Effective from fiscal 2005, the Company made certain changes in accounting policies as discussed in the notes to consolidated financial highlights.

## FPD Production Equipment

### Fiscal 2007 Review

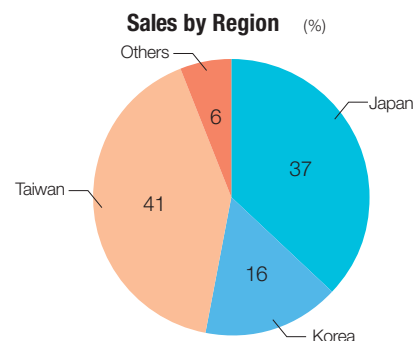
Sales in this division were ¥100.8 billion, up 24.1% year on year.

During the past year, LCD panel manufacturers increased investment to develop state-of-the-art display panels and ramp up production capacity in response to the rapid uptake of LCD TVs by ordinary consumers, which is being driven by the shift to digital broadcasting and high-definition (HDTV) broadcasts.

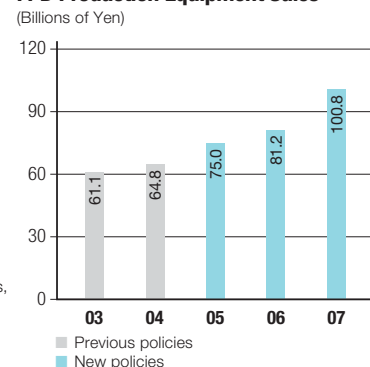
Responding to this operating environment, Tokyo Electron engaged in product development and sales activities designed to stay abreast of market trends and cater to customer needs. In fiscal 2007, for example, the Company introduced *Exceliner*<sup>TM</sup>, an FPD coater/developers. This new product is designed to process eighth-generation large glass substrates and follows the launch of *Impressio*<sup>TM</sup>, an FPD plasma etch/ash system. As a result of prevailing market conditions and Tokyo Electron's response, sales eclipsed initial forecasts to reach a record high in this division.

As a result of prevailing market conditions and Tokyo Electron's response, sales in this division reached a record high, with contribution of sales growth mainly in Japan.

Notes: 1. Since fiscal 2005, sales of FPD production equipment have been shown separately from SPE Division sales, in which they were previously included. In the right graph, FPD production equipment sales for fiscal 2004 and prior years are on a non-consolidated basis, while those from fiscal 2005 are on a consolidated basis.  
2. Effective from fiscal 2005, the Company made certain changes in accounting policies as discussed in the notes to consolidated financial highlights.



### FPD Production Equipment Sales



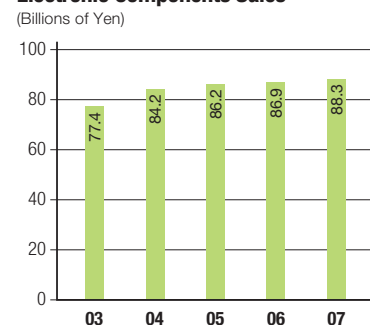
## Electronic Components

### Fiscal 2007 Overview

Sales in this division were ¥88.3 billion, 1.6% higher year on year.

In semiconductor products, the main line in this division, the Company reported firm sales of custom ICs for medical equipment and memory ICs for cell phone base stations, as client companies increased capital expenditures. Sales of dedicated ICs for use in multifunction printers were also higher. In software, sales of operating systems for POS terminals were healthy, as were sales of other electronic components such as switching power supplies, LCDs, and panel PCs for other industrial equipment.

### Electronic Components Sales



## Computer Network

### Fiscal 2007 Overview

Division sales were ¥19.2 billion, an increase of 9.6% compared to the previous fiscal year.

Sales of network and storage equipment were strong, driven by buoyant capital investment by companies seeking to enhance corporate internal control and personal information security. Sales of IT-related software and maintenance services also grew.

This business has been handled by Tokyo Electron Device Limited, since October 2006.

### Computer Network Sales

