May 13, 2008

Financial Review for the Year Ended March 31, 2008

Company name:	TOKYO ELECTRON LIMITED
URL:	http://www.tel.com
Telephone number:	(03) 5561-7000
Stock exchange listing:	Tokyo Stock Exchange 1st Section
Code number:	8035
Company representative:	Kiyoshi Sato, President & COO
Person-in-charge:	Yukio Saeki, Director, Accounting Department
Due date of annual general shareholder's meeting	June 20, 2008
Due date of starting delivery of dividends	May 30, 2008
Due date of submitting of financial statement	June 20, 2008

For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

Note: All figures are rounded down to the nearest million yen.

1. Financial highlights for the year ended March 31, 2008 (4/1/07- 3/31/08)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/31/08	906,091	6.4	168,498	17.0	172,713	20.0
Year ended 3/31/07	851,975	26.5	143,978	90.2	143,940	89.5

	Net income		Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 3/31/08	106,271	16.4	594.01	592.71	21.4	22.1	18.6
Year ended 3/31/07	91,262	90.1	511.27	509.84	21.8	20.1	16.9

Reference:

Profit/loss on equity method:

Year ended 3/31/08: - million yen

Year ended 3/31/07: (1,441) million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 3/31/08	792,817	545,244	67.5	2,989.70
As of 3/31/07	770,513	469,810	59.7	2,573.72

Reference:

Equity:

As of 3/31, 2008 534,953 million yen

As of 3/31, 2007 460,175 million yen

(3) Cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 3/31/08	116,939	(30,186)	(27,033)	193,492
Year ended 3/31/07	54,296	(25,293)	(34,719)	134,389

2. Dividend

	Dividend per share			Total dividend	Payout ratio	Dividend on equity
	Six months ended	Year ended	Total			
(Base date)	Yen	Yen	Yen	Millions of yen	%	%
Year ended 3/31/07	42.0	61.0	103.0	18,401	20.1	4.4
Year ended 3/31/08	70.0	55.0	125.0	22,365	21.0	4.5
Year ending 3/31/09 (Forecast)	19.0	43.0	62.0	-	20.2	-

3. Financial forecast for the year ending March 31, 2009 (4/1/08 - 3/31/09)
Note: Percentages for full business year indicated changes from the previous term, and for interim period changes from the previous interim period.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending 9/30/08	300,000	(37.0)	26,000	(72.6)	28,000	(70.8)
Year ending 3/31/09	700,000	(22.7)	84,000	(50.1)	88,000	(49.0)

	Net income		Net income per share
	Millions of yen	%	Yen
Six months ending 9/30/08	17,000	(72.8)	95.01
Year ending 3/31/09	55,000	(48.2)	307.38

4. Others

1) Important changes in subsidiaries. (Changes on specific subsidiaries with changes in scope of consolidation): None
2) Changes in principles, procedures and display of accounting method concerning consolidated statement policies. (Listed as changes in basis of presentation of consolidated financial statement)
 ①Changes in accounting policies: Yes
 ②Other changes: None
3)Number of shares outstanding (common stock)
 ①Number of shares issued as of :
 March 31, 2008 180,610,911 shares
 March 31, 2007 180,610,911 shares
 ②Number of shares of treasury stock as of:
 March 31, 2008 1,678,927 shares
 March 31, 2007 1,812,976 shares

(Reference) Non-consolidated financial review for the year ended March 31, 2008

1. Financial highlights for the year ended March 31, 2008 (4/1/07 - 3/31/08)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/31/08	767,505	6.6	86,233	21.4	95,926	25.1
Year ended 3/31/07	720,163	25.9	71,045	87.6	76,664	71.0

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 3/31/08	51,471	(0.4)	287.71	287.08
Year ended 3/31/07	51,699	76.7	289.63	288.81

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 3/31/08	598,762	354,607	59.1	1,979.10
As of 3/31/07	594,933	327,715	55.0	1,829.61

Reference:

Equity:

As of 3/31, 2008	354,123 million yen
As of 3/31, 2007	327,130 million yen

The performance forecasts and estimates stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available. Consequently, actual operating results may differ substantially from the projections stated in the Financial Review.

Operating Results and Financial Conditions

1. Business Environment during the Fiscal Year Ended March 31, 2008

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

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

2. Overview of Profits and Losses during the Fiscal Year Ended March 31, 2008

Given this business environment, the Company continued to actively introduce and increase sales of highly functional products using cutting-edge technology, and new records were set for both revenue and profit margins. Profits and losses for the fiscal year are as described below.

Consolidated net sales for the fiscal year grew 6.4% compared to the previous fiscal year, to 906,091 million yen. By region, sales of semiconductor production equipment in Taiwan, Japan, and the U.S. continued to the strong. As a result, domestic net sales rose 3.2%, to 323,946 million yen, and overseas net sales increased 8.2%, to 582,145 million yen, with overseas net sales accounting for 64.2% of consolidated net sales. Consolidated orders fell 23.8%, to 744,781 million yen, and consolidated backlogs of orders dropped 33.2%, to 324,963 million yen.

Cost of sales for the fiscal year rose 2.7%, to 594,794 million yen, and gross profit increased 14.2%, to 311,297 million yen. As a result, gross profit margin grew by 2.4 percentage points, to 34.4%.

Selling, general, and administrative (SG&A) expenses rose 11.0%, to 142,799 million yen, with their ratio to net sales increasing from 15.1% in the previous fiscal year to 15.8%.

As a result, operating income increased 17.0%, to 168,498 million yen. Ordinary income increased by 20.0%, to 172,713 million yen, with non-operating income and expenses at 5,131 million yen and 916 million yen, respectively. In terms of margins, the operating income margin grew by 1.7 percentage points, to 18.6%, and the ordinary income margin rose by 2.2 percentage points, to 19.1%.

During the fiscal year, the Company posted an extraordinary loss of 3,493 million yen, compared to the extraordinary profit of 473 million yen in the previous fiscal year.

Income before income taxes for the fiscal year was 169,219 million yen, a 17.2% increase over the previous fiscal year, and net income was 106,271 million yen, a 16.4% increase.

As a result, net income per share was 594.01 yen (511.27 yen for the previous fiscal year).

3. Overview of Operations during the Fiscal Year Ended March 31, 2008 by Business Segment

(1) Industrial Electronic Equipment Business

Due to strong sales of semiconductor production equipment, which is a key segment of the Company, net sales from external customers for this segment during the fiscal year grew 6.8% compared to the previous fiscal year, to 794,910 million yen.

(a) Semiconductor production equipment

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

By equipment type, sales of major products such as coater/developer systems, etch systems, thermal processing systems, CVD systems, and cleaning systems achieved high growth, backed by semiconductor memory manufacturers' strong appetite for capital investments. The Company, meanwhile, added new items to its product lineup, such as the high-productivity thermal processing system TELINDY™ and the metal CVD system Trias™ for next-generation contact applications, and introduced into the market the new high-performance, high-productivity single-wafer cleaning system CELLESTA™ +.

(b) FPD production equipment

Due to the deterioration of the supply-demand balance for panels during the past year, the FPD production equipment market, which had experienced a high level of demand in the previous fiscal year, underwent a temporary market correction. As a result, consolidated net sales for this segment during the fiscal year decreased by 32.5%, to 68,016 million yen. Meanwhile, the market for flat-panel TV sets, PCs, and monitor equipment continued to achieve substantial growth, which reflected the continued recovery of the market for LCD panels used for these devices. In this environment, manufacturers of leading-edge panels planned to make large-scale capital investments this summer and thereafter in order to offer larger and flatter panels that provide higher definition images and reduce power consumption. In this backdrop, this segment received a high level of orders, which would lead directly to sales during the next fiscal year.

(c) Others

Consolidated net sales for this segment during the fiscal year decreased by 59.4% compared to the previous fiscal year, to 454 million yen.

(2) Electronic Components and Computer Networks Business

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

As a result, net sales from external customers in this segment during the fiscal year grew 3.5% compared to the previous fiscal year, to 111,181 million yen.

(For reference)
Consolidated

(Millions of yen)

	1Q	2Q	First Half	3Q	4Q	Second Half	Full Year	Year ended March 31,
Net Sales	212,494	263,883	476,377	199,837	229,876	429,714	906,091	851,975
Industrial Electronic Equipment	187,318	235,787	423,106	170,857	200,947	371,804	794,910	744,512
Semiconductor Production Equipment	165,785	213,465	379,251	160,739	186,449	347,188	726,439	642,625
Japan	31,614	63,015	94,629	52,248	45,055	97,304	191,934	175,731
U.S.	21,111	31,367	52,479	22,302	33,925	56,228	108,708	105,613
Europe	7,922	6,524	14,447	4,157	18,324	22,482	36,929	47,963
Korea	21,432	19,689	41,122	15,581	16,508	32,089	73,212	106,168
Taiwan	62,517	79,417	141,934	53,639	59,398	113,037	254,972	141,794
China	13,848	6,677	20,525	4,188	5,150	9,338	29,864	29,650
S.E.Asia	7,338	6,773	14,112	8,620	8,086	16,707	30,819	35,702
ＦＰＤ Production Equipment	21,400	22,200	43,600	10,048	14,367	24,415	68,016	100,766
Others	132	121	254	69	130	199	454	1,120
Electronic Components & Computer Networks	25,175	28,095	53,271	28,980	28,929	57,909	111,181	107,462
Operating Income	43,034	51,970	95,005	38,499	34,993	73,492	168,498	143,978
Ordinary Income	41,175	54,620	95,795	39,761	37,155	76,917	172,713	143,940
Net Income	26,192	36,270	62,463	25,600	18,207	43,807	106,271	91,262

(Note)

Offset elimination has been carried out on the dealing between segments.

4. Projected Operating Results for the Next Fiscal Year Ending March 31, 2009

The future of the economic environment is becoming increasingly uncertain due to unfavorable developments triggered by the subprime mortgage problem in the United States. The semiconductor-related markets are beginning to level off as the prices of DRAMs and flash memory chips are falling and their inventories are being adjusted, and semiconductor manufacturers are expected to take a cautious stance when making investments in plant and equipment. Under these circumstances, the Company continues to concentrate on efforts to promote technological development and strengthen manufacturing capabilities for the next phase of growth. Financial forecasts for the next fiscal year are as follows.

Consolidated forecast (Billions of yen, Y/Y change)

			Interim		Full Year	
Net Sales	Industrial Electronic Equipment	Semiconductor Production Equipment	208.0	-45.2%	496.0	-31.7%
		FPD Production Equipment	38.0	-12.8%	90.0	32.3%
		Others	0.5	96.2%	1.0	119.9%
		Total	246.5	-41.7%	587.0	-26.2%
	Electronic Components & Computer Networks		53.5	0.4%	113.0	1.6%
	Total		300.0	-37.0%	700.0	-22.7%
Operation Income			26.0	-72.6%	84.0	-50.1%
Ordinary Income			28.0	-70.8%	88.0	-49.0%
Net Income			17.0	-72.8%	55.0	-48.2%

5. Financial Conditions and Cash Flow

(1) Financial Conditions

Current assets as of the end of the fiscal year grew by 29,870 million yen from the end of the previous fiscal year, to 640,233 million yen. Major factors included an increase in cash on hand (cash and cash equivalents, and certificate of deposit) of 69,173 million yen and a decrease in inventories of 33,688 million yen. In conjunction with revisions to the Accounting Guidelines for Financial Instruments and other instructions, certificate of deposit will be moved from "cash and cash equivalents" to "securities" effective as of the end of the consolidated interim period.

Tangible fixed assets decreased by 824 million yen from the end of the previous fiscal year, to 104,105 million yen.

Intangible fixed assets decreased by 6,145 million yen from the end of the previous fiscal year, to 13,253 million yen.

Investments and other assets decreased by 596 million yen from the end of the previous fiscal year, to 35,224 million yen.

As a result, total assets increased by 22,303 million yen from the end of the previous fiscal year, to 792,817 million yen.

Current liabilities fell by 27,034 million yen from the end of the previous fiscal year, to 198,820 million yen. Major factors included a decrease in trade notes and accounts payable of 28,505 million yen, a decrease in income taxes payable of 17,418 million yen, a decrease due to redemption of the fifth issue of unsecured corporate bonds with subscription rights worth 5,500 million yen, and an increase from a transfer from long-term liabilities of the 11th issue of unsecured corporate bonds that will reach maturity within one year that are worth 30,000 million yen.

Long-term liabilities fell by 26,095 million yen from the end of the previous fiscal year to 48,752 million yen, mainly as a result of the transfer to current liabilities of the 11th issue of unsecured corporate bonds worth 30,000 million yen that will reach maturity within one year.

Shareholders' equity increased by 83,683 million yen from the end of the previous fiscal year, to 532,850 million yen as a result of an increase due to net income for the fiscal year of

106,271 million yen and a decrease due to dividends from surplus earnings of 23,431 million yen.

Net assets—determined by adding valuation and translation adjustments, subscription rights to shares, and minority interests—increased by 75,434 million yen from the end of the previous fiscal year, to 545,244 million yen. The equity ratio was 67.5%.

(2) Cash Flow

Cash flow from operating activities during the fiscal year was 116,939 million yen, 62,642 million yen higher than the previous fiscal year. Major positive factors included net income before income taxes of 169,219 million yen, depreciation and amortization of 21,413 million yen, and a decrease in inventories of 28,342 million yen. The major negative factors were a decrease in accounts payable of 27,373 million yen and the payment of income taxes of 73,721 million yen.

Cash flow from investing activities was 30,186 million yen, the result primarily of purchase of tangible fixed assets worth 19,338 million yen and a net increase in time deposits of 10,070 million yen.

Cash flow from financing activities was 27,033 million yen, chiefly the result of redemption of the fifth issue of unsecured corporate bonds with subscription rights worth 5,500 million yen and the payment of dividends of 23,431 million yen.

As a result, the balance of cash and cash equivalents at the end of the fiscal year increased 59,103 million yen, to 193,492 million yen, as compared to 134,389 million yen at the end of the previous fiscal year.

The cash flow index trend is as follows.

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008
Equity ratio (%)	59.7	67.5
Equity ratio at market value (%)	191.2	136.8
Debt redemption period (number of years)	0.7	0.3
Interest coverage ratio (times)	119.90	335.66

Equity ratio: (Equity / Total assets) x 100
Equity ratio at market value: (Market capitalization / Total assets) x 100
Debt redemption period: Interest-bearing debt / Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities / Interest expenses

* All indicators are calculated using financial figures on a consolidated basis.
* Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end x Number of shares outstanding at fiscal year-end after deduction of treasury stock.
* Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flow. Interest-bearing debt includes all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest paid in the consolidated statement of cash flow.

6. Basic Policy for Profit Allocation and Payment of Dividends for Current and Next Fiscal Years

The dividend policy of the Company is to link dividend payments to business performance and earnings on an ongoing basis. Its basic policy for returning profits to shareholders is to maintain a payout ratio of around 20% based on consolidated net income.

In order to expand the Company's business scope, internal capital reserves are used effectively for research and development, capital investment, and global business expansion. The priority is also placed on sound cash flow management and earnings growth in order to respond to the support provided to the Company by shareholders.

Based on the basic profit allocation policy described above, taking into consideration its performance for the current fiscal year and the shareholder-focused policy, the Company will pay a dividend of 55 yen per share at the end of the fiscal year ended March 31, 2008 (125 yen for the whole year if the interim dividend of 70 yen is included—22 yen more than for the previous fiscal year). As a result, the payout ratio based on consolidated financial results is 21.0%.

For the next fiscal year ending March 31, 2009, based on the outlook described above, the Company plans to pay a dividend of 62 yen per share for the whole year (19 yen for interim dividends and 43 yen for year-end dividends). The consolidated payout ratio is expected to be 20.2%.

7. Business-related and Other Risks

The following are possible risks that may have an impact on the Company's operating results, stock prices, or financial position.

(1) Impact of Fluctuating Foreign Exchange Rates

By succeeding in actively developing overseas operations, the Company has increased the proportion of its overseas sales. As a rule, the Company carries out export transactions on a yen-basis in order to avert exchange-related risks, but there are some exports involving foreign currency. In these cases, the Company employs an exchange risk hedge, such as a forward exchange contract at the time an order is placed. However, since for overseas customers, exchange-related risks can arise from fluctuations in prices due to drastic exchange fluctuations, this may have an indirectly negative impact on the Company's performance.

(2) Impact from Research and Development

The Company has created cutting-edge technologies through its ongoing implementation of proactive R&D investment and activities, including miniaturization, vacuum, plasma, thermal-processing, coating/developing, cleaning, wafer-transfer, and clean technologies. By promptly introducing new products on the market that are equipped with these technologies, the Company has successfully obtained a large market share in each of the product fields, along with a high profit margin. However, the possibility does exist that the ill-timed introduction of new products may have a negative impact on the Company's performance.

(3) Impact from Changes in the Semiconductor Market

The Company has been able to achieve a high profit margin by concentrating resources in the high-tech field, including semiconductor production equipment, where technologies undergo rapid change and the Company is able to display its strength. The semiconductor market may enjoy broad growth through technological change, while on the other hand, the size of the market may temporarily contract due to an imbalance of supply and demand. Therefore, the Company has been actively involved in business structural reforms to be able to generate profit even when such rapid changes take place. However, the possibility does exist that business results will be negatively impacted by an unexpectedly broad contraction in the size of the market, resulting in order write-offs, excess capacity and head-count, or increased inventories.

(4) Impact from Transactions Concentrated on Particular Customers

The Company has been successful in expanding its business transactions with the world's leading semiconductor manufacturers both inside and outside of Japan by providing products equipped with superior, cutting-edge technology and offering a service system with high customer satisfaction. However, since the Company's net sales may at times be temporarily concentrated on particular customers due to the timing of large-scale capital investments by major semiconductor manufacturers, there is the possibility of a negative impact on business results from intensified sales competition.

(5) Safety-related impact

The Company always carries out operations, including development, manufacturing, sales, services, and administration, with the necessity of paying attention to safety and health in mind. In accordance with this basic principle, the Company is making an active and continued effort to improve the safety of its products and eliminate any harmful impact on health. If damage were to be caused to customers or orders were to be canceled, or some other unexpected event were to occur due to a problem arising from the safety of the Company's products or other causes, it would likely adversely affect the performance of the Company.

(6) Impact from Quality Issues

The Company has been proactively developing superior, cutting-edge technologies utilized in new products that are promptly introduced onto the market, while at the same time establishing a quality assurance system, including obtaining ISO 9001 certification. The Company has also worked to establish a world-class service system, and this has resulted in a large number of customers adopting our products. However, because of the cutting-edge nature of our technologies, in addition to other factors, many of the technologies developed are in unknown fields, and the possibility exists that business results may be negatively affected by the unforeseen appearance of defective products.

(7) Impact of Intellectual Property Rights

In order for the Company to set its products apart from rival products and enhance its competitive strength, the Company has promoted an R&D strategy for the prompt development of cutting-edge technologies, together with business and intellectual property strategies. This has made it possible for the Company to obtain many of its own proprietary technologies, thereby successfully ensuring a large market share and high profit margin in each product field. However, partly because the Company's products use many of the consolidated and optimized cutting-edge technologies, there may be cases where a negative impact on business results arises from avoiding the use of third-party technologies and intellectual property rights.

(8) Other Risks

The Company has been active in creating new high-growth and high-revenue businesses, pursuing even higher revenue in existing businesses, and improving its structure so that it can earn profits even as the market shrinks. It has also worked to promote environmental protection activities and restructure its compliance and risk management systems. However, to the extent that the Company performs its operations, it is subject - just like other companies in the same or different industries - to the impact from factors that include the global or local economic environment, natural disasters, wars, terrorism, unavoidable incidents (such as infectious diseases), financial or stock markets, government regulation, provision systems of suppliers, market conditions for products and real estate, securing of personnel domestically or overseas, competition over standardization, loss of important personnel, etc., and thus it can be assumed that the Company's business performance will be negatively affected at times by such factors.

Note: The financial forecasts and estimates stated in this interim financial review are based on certain assumptions judged to be reasonable at the present time in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on performance.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products (and their success or failure), and global conditions in the semiconductor production equipment business. Consequently, actual sales and profits may differ substantially from the projections stated in this financial review.

Management Policy

1. Basic Management Policy

The basic management policy of Tokyo Electron Limited (the Company) is to increase its corporate value continuously even in any business environment by working to implement four fundamental management initiatives: (1) a policy of placing customers first; (2) strengthening its product development and technology development capabilities; (3) invigorating its employees; and (4) profit-oriented operations.

Under this policy, the Company intends to promote efforts for creating a powerful, vibrant company with high global competitiveness, high growth, and high profitability, and make its stock attractive to investors.

2. Management Tasks

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

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

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

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

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

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

Consolidated Balance Sheet

(Millions of yen)

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

Consolidated Balance Sheet

(Millions of yen)

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

Consolidated Statement of Income

(Millions of yen)

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

Consolidated Statements of Net Assets

(Millions of yen)

4/1/06-3/31/07

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

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

Consolidated Statements of Net Assets

(Millions of yen)

4/1/07-3/31/08

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

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

Consolidated Statement of Cash Flows

(Millions of yen)

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

Segment Information

Information by business segment

(Millions of yen)

Year ended March 31, 2008 (4/1/07 - 3/31/08)	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
1. Net sales, operating income and expenses					
Net sales					
(1) Sales to external customers	794,910	111,181	906,091	-	906,091
(2) Intersegment sales or transfers	1,117	947	2,064	(2,064)	-
Total	796,027	112,128	908,156	(2,064)	906,091
Operating expenses	631,220	108,470	739,690	(2,096)	737,593
Operating income	164,807	3,658	168,466	31	168,498
2. Assets, depreciation expenses, loss on impairment and capital expenditure					
Assets	744,280	51,458	795,738	(2,921)	792,817
Depreciation expenses	26,720	364	27,085	-	27,085
Loss on impairment	808	-	808	-	808
Capital expenditure	26,923	924	27,847	-	27,847

Note: 1. Method of classifying businesses: Businesses are classified after considering similarities in type of product, function, or method of sale.

2. Major products in each business segment:

Business segment	Major products
Industrial electronic equipment	Semiconductor production equipment, FPD production equipment, other
Electronic components and computer networks	Semiconductor products, computer systems and networks, middleware and software, other electronic components

3. Depreciation expenses and capital expenditure include long-term prepaid expenses and its depreciation.

Segment Information

Information by geographic segment

(Millions of yen)

Year ended March 31, 2008 (4/1/07 - 3/31/08)					
	Japan	Other regions	Total	Eliminations and corporate	Consolidated
1. Net sales, operating income and expenses					
Net sales					
(1) Sales to external customers	806,193	99,898	906,091	-	906,091
(2) Intersegment sales or transfers	71,959	54,186	126,146	(126,146)	-
Total	878,153	154,084	1,032,237	(126,146)	906,091
Operating expenses	718,192	142,760	860,953	(123,359)	737,593
Operating income	159,960	11,324	171,284	(2,786)	168,498
2. Assets	752,739	80,363	833,102	(40,284)	792,817

Note: 1. National and regional categories are determined on the basis of geographic proximity.

2. Main countries and territories in other regions: U.S., Europe, South Korea

Executive Change (Effective June 20, 2008)

Candidate for Corporate Director

Masahiro Sakane (current Chairman of the Board at Komatsu Ltd.)

(Note) Mr. Masahiro Sakane is a candidate for external corporate director as stipulated in Article 2 Item 5 of the Company Law.