

To Our Investors

TOKYO ELECTRON DEVICE LIMITED

INVESTORS GUIDE 2007



TOP MESSAGE

Tokyo Electron Device Limited (TED) made a fresh start in the fiscal year ending March 31, 2007 with expanded business fields associated with the takeover of the Computer Network (CN) Operation from Tokyo Electron Limited (TEL).

In the conventional Electronic Components (EC) Operation, which is centered on semiconductors, sales of industrial equipment were solid. In the CN Operation, sales of network and storage equipment were strong, reflecting vigorous corporate IT investment. As a result, the Company posted net sales of 99,743 million yen (up 13.0% year on year), ordinary income of 3,245 million yen (up 23.4%), and a net income of 1,876 million yen (up 22.1%) on a consolidated basis for the fiscal year ending March 31, 2007.

Semiconductor inventory adjustment, which began late last year, is expected to continue until the first half of the fiscal year ending March 31, 2008, and the trading in semiconductors is expected to recover in the latter half of the fiscal year. In line with this, the performance of our EC Operation is expected to also recover in the second half of the fiscal year. With respect to our CN Operation, demand for corporate IT investments is projected to remain strong. Based on the expectations, our consolidated forecast for the fiscal year ending March 31, 2008 are net sales of 110,000 million yen (up 10.3% year on year), ordinary income of 3,800 million yen (up 17.1%), and a net income of 2,200 million yen (up 17.2%).

We will continue to manage the Company with a focus on our shareholders and hope that we can count on your continued support.



Keiichi Furugaki, Chairman (left)
Toshiaki Sunagawa, President (right)

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PROFILE

1965	Tokyo Electron Limited (TEL) starts selling electronic components (Fairchild and others)
September 1990	Tokyo Electron Device Limited (TED) starts selling electronic components
July 1998	All TEL's electronic components operation transferred to TED
March 2003	Listed on the Second Section of the Tokyo Stock Exchange
January 2004	TED (Shanghai) Limited, a subsidiary, established in Shanghai, China
January 2005	TED Hong Kong Limited, a subsidiary, established in Hong Kong, China.
October 2006	Sales of computer network solutions start by taking over TEL's computer network operation

Note on forward-looking statements

This investors' guide was prepared on July 1, 2007. Forward-looking statements, including business strategies and business forecasts, were made by the Company's management, based on information available at that time, and may be revised due to changes in the business environment. Therefore, please be advised that the Company cannot guarantee the accuracy or the credibility of the statements. For the latest information, please refer to our information releases or our website.

TOPICS

■ Expansion of sales bases

The Company established the Matsuyama office in March 2007, bringing the number of domestic sales bases to 20. In January 2007 the Company set up the Singapore office of TED Hong Kong, bringing the total number of overseas offices to four. We will continue to conduct sales activities from locations that are close to our customers.

■ Taking over the CN* Operation

The CN Operation that the Company took over through corporate divestiture from TEL in October 2006 shares common customers with the Company's conventional business and provides trading firm functions, dealing in leading-edge overseas products. The Company aims to increase its corporate value by expanding the scale of its operations.

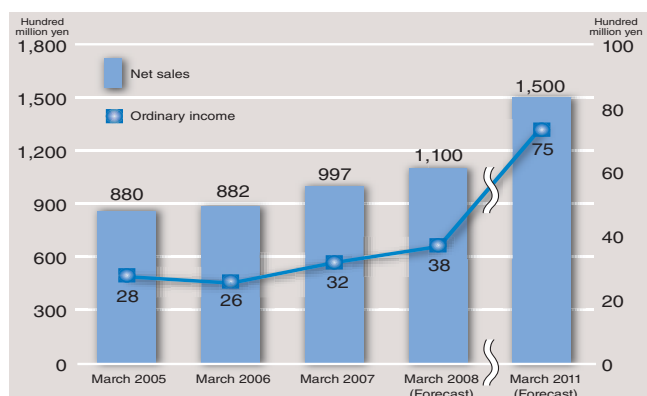
■ Offering of existing shares

To improve the distribution of shares and increase liquidity, TEL offered shares of the Company in March 2007. As a consequence, TEL's stock holding ratio fell from 73.6% to 55.4%.

* CN ... Computer Network

Medium-term Business Plan and Action Policy for the Term

The Group announced a medium-term business plan to post sales of 150 billion yen and an ordinary income of 7.5 billion yen, and to achieve a net profit margin of at least 5% for the fiscal year ending March 31, 2011.



(Note) The Company has adopted consolidated accounting from the term ending March 31, 2006. Figures for the term ending March 31, 2006 and subsequent terms thereafter are consolidated figures.

Our action policy for the term ending March 31, 2008 consists of the following points:

- 1. Bolstering the CN Operation**
We will bolster the CN Operation, which has excellent growth potential, and will thereby strive to expand business results.
- 2. Promote Overseas Operation**
We will focus on sales in the burgeoning Asian market and will step up the development of overseas operation.
- 3. Accelerating the Development Business**
We will increase sales in the Development Business (inrevium business) 34% on a year-on-year basis, from 2.4 billion yen to 3.2 billion yen.
- 4. Focusing on Sales Activities in the Field of Industrial Equipment**
We will position the industrial equipment field as a priority strategic market and strive to cultivate customers.

Dividend Policy

TED believes that returning profits to shareholders is one of its top management priorities and, in principle, pays dividends consistently and continuously. We also attach significance to the distribution of profits in accordance with growth. The basic policy is to pay dividends in accordance with performance aiming for a payout ratio of 30% of consolidated net profits.

	March 2007		March 2008 (Forecast)	
	Interim	Year-end	Interim	Year-end
Dividend per share (yen)	3,000	3,000	3,300	3,300
Payout ratio	31.7%		31.8%	

Corporate Governance

Basic Policy on Corporate Governance

As corporate governance is the cornerstone of our effective functioning, we have placed priority on establishing fair management to improve the transparency of management to our shareholders and stakeholders. We will continue to strive to disclose information actively and promptly to improve the fairness and transparency of management.

We are aware of the importance of bolstering internal control and risk management systems to establish fair management. To improve awareness of compliance with the laws and regulations and of social conventions, we have developed compliance regulations and established ethical behavior criteria that provide specific guidance for our activities. We have also introduced a whistleblower system.

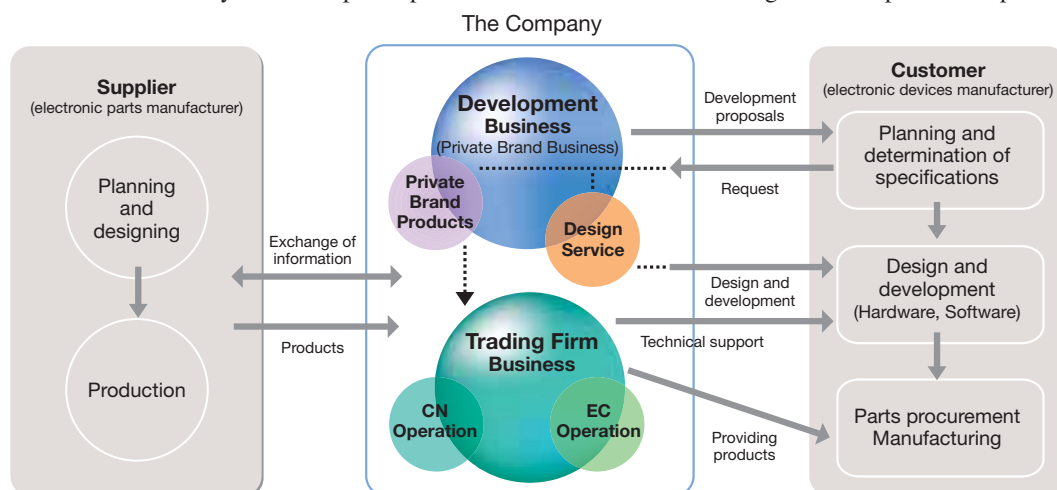


Business Model and Products

TED is a new breed of technology trading company that consists of Trading Firm Business and the Development Business. The Company is a trading firm that can provide high added value solutions based on its technology, development and marketing capabilities in the electronics industry where a rapid response to

technological changes are required.

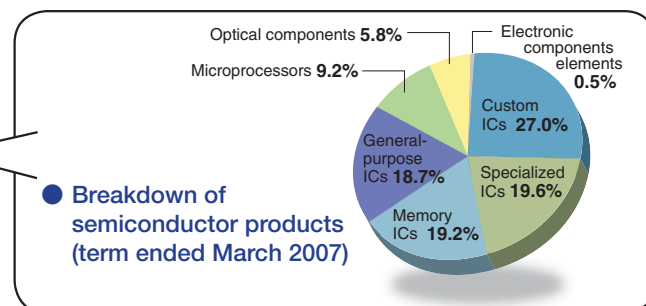
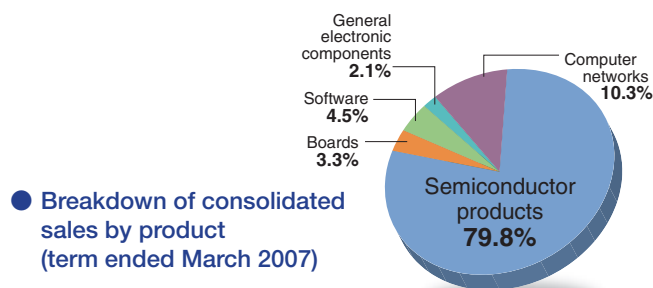
For this reason, we can always provide optimal solutions in every phase from the initial phase during which the customer plans new products through the design and development phase to the manufacturing and mass-production phase.



Breakdown by Product

Semiconductor products account for about 80% of TED's products. The Company also provides boards, software and general electronic components related to semiconductor products to meet the various needs of customers. We have added computer network solutions this fiscal year.

High value-added products requiring technical support, such as custom ICs, specialized ICs and general-purpose ICs (analogue ICs), account for a high percentage of semiconductor products and have enabled us to cultivate a high level of trust from our customers.



Product Lineup

Computer Networks



Network Solutions Internet access devices (load balancing, security), enterprise network system equipment, etc.

Main products

● Application traffic managers ● LAN switches, ● Firewalls ● VPN appliances ● Hardware security modules ● Other

Main suppliers (in alphabetic order)

● Alaxala Networks ● Extreme Networks ● F5 Networks ● Imperva ● Infoblox ● Juniper Networks ● nCipher ● Secure Computing ● Other



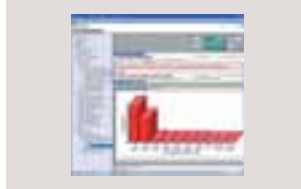
Storage Solutions SAN (storage area network) switches, SAN connection equipment, storage security equipment, etc.

Main products

● SAN fabric switches ● Backup appliances ● Tape libraries ● Fiber channel host bus adapters ● Cluster storage ● Storage security appliances ● Other

Main suppliers (in alphabetic order)

● Brocade Communications Systems ● Data Domain ● Emulex ● Hitachi ● Isilon Systems ● NeoScale Systems ● Quantum ● Storewiz ● Symantec ● Other



Middleware Solutions Databases, log analyses, etc.

Main products








● In-memory databases ● Embedded database engines ● Long-term log storage/analysis tools ● Other

Main suppliers (in alphabetic order)

● Oracle Japan ● SenSage ● Other


(Items marked with the brand name **inrevium** are associated with the Development Business.)

Semiconductor Products

	Custom ICs The main products are specific ICs—ASICs and PLDs—that are made to the customers' specifications inrevium		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●ASIC^{*1} ●PLD^{*2} (FPGA, CPLD) 	Digital home appliances, mobile phones, PBXs, measuring equipment, office automation equipment, broadcasting equipment, medical devices and semiconductor testing devices	Fujitsu, Xilinx
	Specialized ICs Specialized ICs made for specific applications, such as communications and image processing inrevium		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●For communications and networks ●For image processing ●For interfaces ●For security ●For peripheral control 	Digital home appliances, office automation equipment, PBXs, communication terminals, projectors, car navigation systems and security cameras	Conexant Systems, Freescale Semiconductor, Fujitsu, Intersil, Pixelworks, Zarlink Semiconductor
	Memory ICs ICs exclusively for memory, RAM for writing and reading, ROM for reading only, etc.		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●Flash memory^{*3} ●DARAM/SRAM ●FRAM 	Digital home appliances, mobile phones, PBXs, measuring equipment, office automation equipment, broadcasting equipment, medical devices, semiconductor testing devices and car navigation systems	Fujitsu, IDT, Ramtron International
	General-purpose ICs ICs used for various purposes, including analogue ICs and logic ICs		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●Analogue ●Logic 	Mobile phones, mobile terminals, PC peripherals, factory automation equipment, car navigation systems and office automation equipment	Linear Technology, ON Semiconductor, Texas Instruments
	Microprocessors ICs having operation and control functions that make them the brains of computers		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●Microprocessors ●Microcontrollers ●DSP 	Digital home appliances, mobile phones, PBXs, measuring equipment, office automation equipment, broadcasting equipment, medical devices, semiconductor testing devices and car navigation systems	AMD, Freescale Semiconductor, Fujitsu, Texas Instruments
	Optical components Electronic components that convert electricity into light for use		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●LED^{*4} ●Photo coupler^{*5} ●Optical fibers ●IrDA^{*6} 	PBXs, mobile phones, factory automation equipment and PCs	Avago Technologies, Eudyna Devices
	Electronic Components Elements Components having basic electronic functions such as amplification and rectification		
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●Diodes^{*7} ●Transistors 	Mobile phones, PCs and office automation equipment	ON Semiconductor


Boards Printed circuit boards equipped with many ICs, power supplies and others

inrevium


			
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●CPU boards ●Media processor boards ●Interface boards ●Evaluation boards ●Built-in boards 	PBXs, servers, factory automation equipment, medical devices, measuring equipment, semiconductor production devices and robots	Dialogic, GE Fanuc Automation, PFU

Software Processing procedures expressed in ways that the computer can understand (programs)

inrevium

			
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●OS ●BIOS^{*8} ●Development tools 	POS, peripherals, factory automation equipment, car navigation systems, office automation equipment and security cameras	Ardence, Microsoft, Phoenix Technologies

General Electronic Components Electronic components other than semiconductor products, including power supplies, connectors and cables

			
	Main products	Main applications	Main suppliers (in alphabetic order)
	<ul style="list-style-type: none"> ●Panel PCs ●LCDs^{*9} ●Power supplies ●Connectors ●IC sockets 	PBXs, factory automation equipment and medical devices	Cosel, Digital Electronics

※1 [ASIC] A custom IC from which high performance can be expected but that takes a long time to develop.
 ※2 [PLD] A custom IC consisting of programmable logic elements. Shorter development time than ASIC.
 ※3 [Flash memory] A medium that stores data electrically. It is possible to retain data even if it is powered off.
 ※4 [LED] A diode that glows when an electric current passes. It is used in lamps and indicators.
 ※5 [Photo coupler] An element that converts and transmits electric signals into light. The element's advantage is its property of electrical insulation.

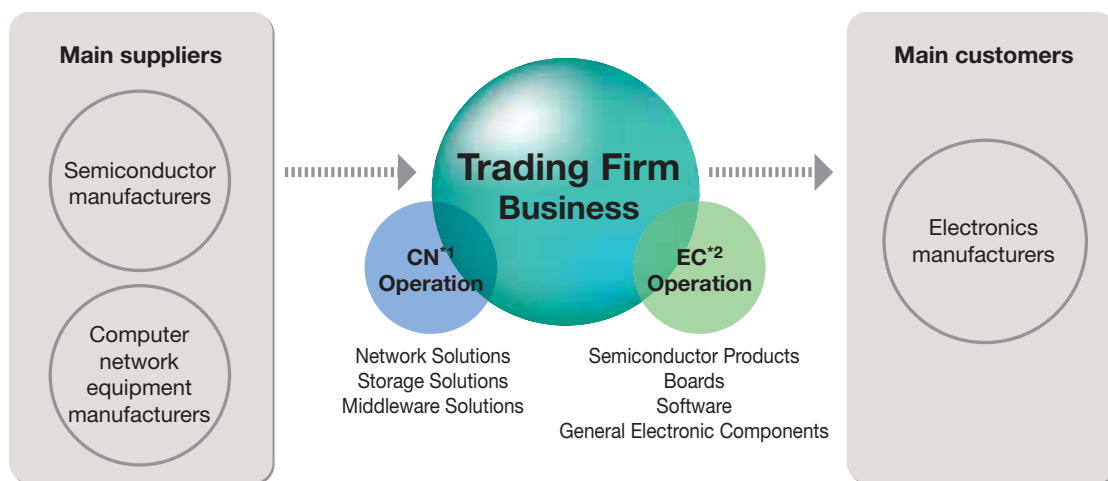
※6 [IrDA] A communication function using infrared radiation defined by a standard setting body. It is used in mobile equipment.
 ※7 [Diode] An electronic component that has a rectification function to pass an electric current in one direction only.
 ※8 [BIOS] Software that controls basic devices such as keyboards and screens.
 ※9 [LCD] A display using liquid crystal. It is used in laptop personal computers.



Trading Firm Business

The Trading Firm Business consists of the EC Operation, which deals in a product group centered around semiconductors

(integrated circuits), and the CN Operation, which mainly deals in computer network products.



*1 CN ... Computer Network *2 EC ... Electronic Components

Features of the CN Operation

- Finds unique leading-edge technologies mainly in the United States and introduces the technologies to Japan
- Promotes sales in Japan and provides technical support and quality assurance
- Builds complex systems that are technologically difficult and provides them to customers
- Establishes a system whereby the Company can secure profits by selling products

Priorities

- Promotes system building business centered on F5 Networks
- Increases sales of storage products and software products for internal control
- Expands the maintenance and operation support business

Features of the EC Operation

- Has many years of experience and credibility as an independent semiconductor trading firm
- Provides leading-edge products mainly from the United States for customers with technical support
- High value-added semiconductors account for a large percentage of the merchandise mix.
- Main customers are leading electronic components manufacturers.
- Is a trading firm that specializes in engineering products having functions as a manufacturer capable of developing private brand products

Priorities

- Expands sales of semiconductors in Asia
- Promotes sales of private brand products overseas
- Expands sales of semiconductors in the field of industrial machinery

Trading Firm Business CN Operation

The main operations of the CN Operation, which we took over from TEL in October 2006, are the sale and maintenance of IT solutions that support the BtoB business in the broadband era.

The Company provides integrated support from implementation to operation and maintenance for domestic telecommunications equipment manufacturers and other customers.

Business Fields

Network Solutions

High-speed, highly reliable networks

TED provides enterprise network equipment with advanced security features, solutions for faster networking services and secure information distribution. The fast, secure and reliable networks we offer provide all the functions required by the enterprise user, with measures to protect against intrusion and information leakage.



Storage Solutions

Storage for efficient and secure data management

The Company provides storage solutions including storage area networks (SANs) for efficient management of today's ever-growing data volumes, and peripheral storage equipment. Our backup systems offer secure protection of large volumes of data, and our storage security solutions protect customer data resources from disasters and malicious attacks



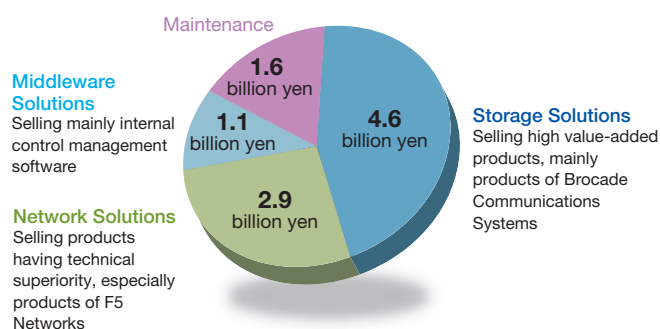
Middleware Solutions

Middleware for higher performance and reliability

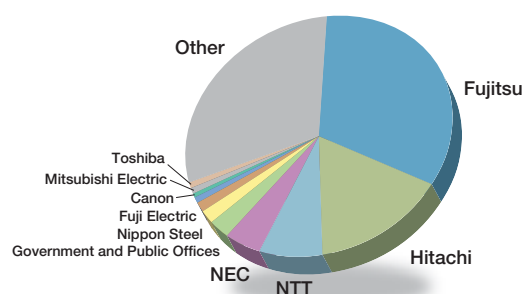
Our in-memory databases dramatically improve transaction performance, and our solutions for long-term log storage and analysis are ideal for strengthening enterprise security and compliance functions.



● CN Operation Sales Breakdown (term ended March 2007)



● Sales Breakdown by Customer (term ended March 2007)



* The customer names are abbreviated corporate group names.

Quality Assurance System

Three quality checks to provide support for every product

Our product is backed by checks of product quality, support quality and technology quality. These three quality checks are bolstering satisfaction and trust among our customers and partners. For example, a dedicated organization handles incoming inspections, shipment adjustments, quality control, quality improvement, inspection work and data analysis. And to ensure all our products provide reliable service, we offer maintenance services and product guarantees.





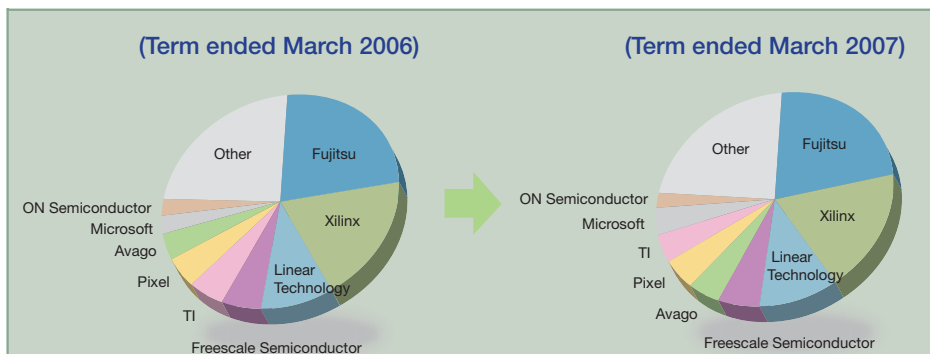
Trading Firm Business EC Operation

Our wide range of meticulous world-wide marketing activities helps us select the optimum most up-to-date electronic components for our customers. To make recommendations that are most suitable for customers, we have established a system that combines sales activities by region and by sup-

plier and backs them with a reliable system of technical support and distribution in a timely manner. We have also developed rapid and efficient logistics, using leading-edge computer systems.

Overview of Suppliers

● Sales breakdown by supplier

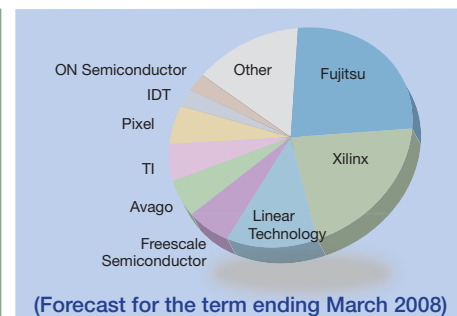


Our suppliers number 45 companies that mainly consist of major overseas semiconductor manufacturers. By manufacturer, Fujitsu leads the group and accounts for about 23%, followed by Xilinx, with 18%, and Linear Technology with 11%.

● Term ended March 2007 Factors of change in sales by major supplier

Supplier	Rate of change	Factor	Brief Description of supplier
Fujitsu	▲ 2%	Sales for consumer appliances fell	An internationally leading company in the fields of electronic devices, computers and communications equipment
Xilinx	▲ 1%	Although sales for communications equipment declined, sales for industrial machinery increased.	A world leader in the rapidly growing field of programmable logic solutions
Linear Technology	10%	Sales increased in all fields.	A world leader specializing in analog IC products, which are used in a wide range of fields
Freescale Semiconductor	6%	Sales for cell sites went up.	An internationally leading company in terms of the production of embedded processors
Avago Technologies	16%	Sales for mobile phones rose.	A company having outstanding achievements in the fields of optoelectronic technologies and wireless communications

● Sales Breakdown by Supplier of Semiconductor Products



*The Company names are abbreviated corporate group names.

Sales of our leading suppliers, Fujitsu, Xilinx, Linear Technology, and Freescale Semiconductor are expected to remain constant. (The above forecast is not linked to each supplier's business performance.)

High Value-added Technical Support

For each product and application, our field application engineers (FAEs) work together with our clients from the planning stages to manufacturing. We provide integrated services to offer the latest in technical information, answering technical queries, troubleshooting and quality assurance information to our customers, while assisting our suppliers with product evaluation and technical surveys. Through these activities, we have been able to obtain the confidence of both our clients and our suppliers, as a technology trading company capable of providing solutions.



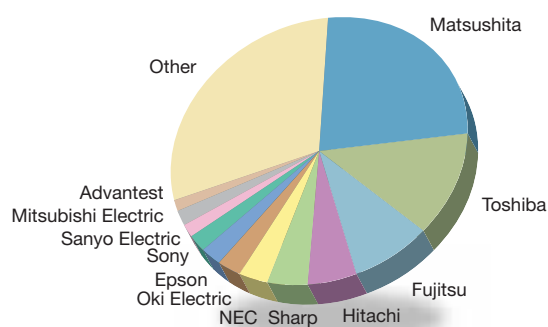
Overview of Customers and Main Applications

Tokyo Electron Device Limited (TED) has at least 1000 customers, mainly electronic devices manufacturers. Leading domestic electronics groups, such as Matsushita, Toshiba, Fujitsu, Hitachi, and NEC, account for a significant percentage of sales.

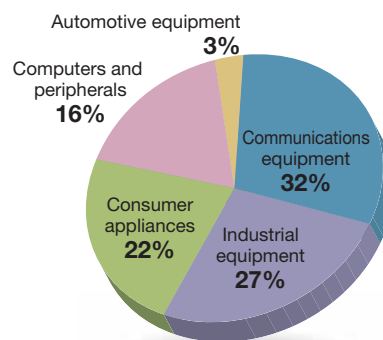
Products are used in a broad array of applications including communications equipment, industrial machinery, consumer appliances, and computers and peripherals. In particular, sales of industrial equipment are rising dramatically.

Use	Main applications
Communications equipment	Internet access devices, LAN equipment, mobile phones, PBXs and base stations
Industrial equipment	Security monitoring devices, medical equipment, robots, broadcasting equipment, testers and semiconductor manufacturing equipment
Consumer appliances	Digital cameras, digital camcorders, LCD televisions, plasma televisions and DVDs
Computers and peripherals	Printers, projectors, POS systems and PCs
Automotive equipment	Car navigation systems and car audio equipment

● Sales Breakdown by Customer
Term ended March 2007



● Sales Breakdown by Application
Term ended March 2007



(Note) Company names are abbreviated corporate group names.

Overseas Operation

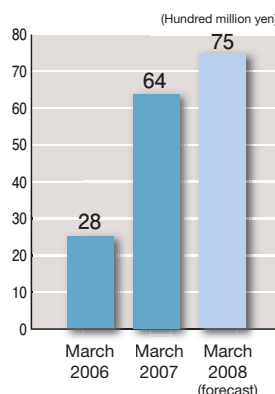
Providing High-Quality Semiconductors and Other Electronic Components in Asia

The Company has developed sales bases in Asia to provide products mainly for Japanese companies overseas. Since establishing TED Hong Kong in 2005, the Company has focused on multilingual support and high-quality logistics services and has added bases in Shanghai, Dalian and Singapore.

In the fiscal year under review, the second year of operations, net sales rose 3.6 billion yen from the preceding year, to 6.4 billion yen. We plan to post net sales of 7.5 billion yen for the term ending March 31, 2008.



● Overseas Operation Sales



Tokyo Electron Device Hong Kong
(located in the tall building at the center of the picture)



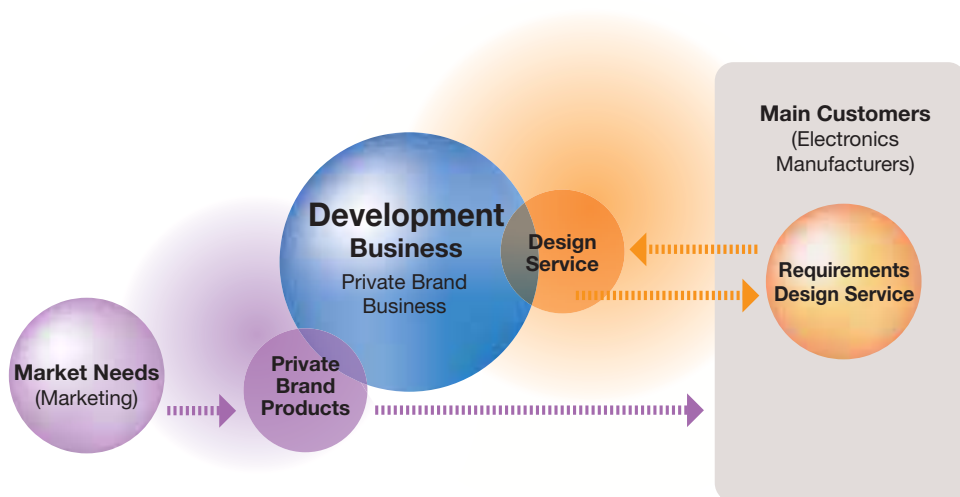
Development Business

The Development Business (private brand business) consists of design services where the Company designs custom ICs and boards based on customers' requirements, and prod-

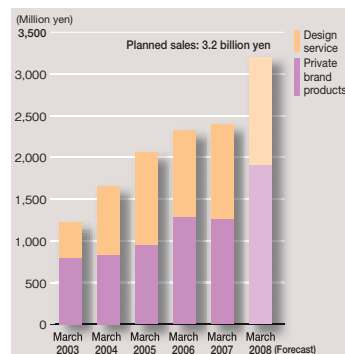
inrevium

TED markets proprietary information, technology and services under its own brand name of "inrevium." The name was created by combining the first letters of the words "intellectual" and "revolutionary," with the suffix "-ium" (meaning "element") added. It signifies our ongoing mission to help solve customer problems and aid their business activities through our groundbreaking proprietary information, technology and services.

ucts that the Company has planned and developed and sold under the original "inrevium" brand to meet the needs of the market.



● "inrevium" Sales



Own Brand Products ("inrevium" Brand Products)

TED develops a wide range of products under its own inrevium brand that meet the needs of customers, based on the Company's many years of experience in sales, design and development, as well as marketing.

The Company provides over 60 kinds of products and services, which fall into four categories: products using in-house image processing, memory control, and communication interface technologies; high value-added products that are combinations



of products handled by the Company; products jointly developed with universities and research institutions; and general-purpose products for limited target markets.

Design Service ("inrevium" Design Service)

By outsourcing the work to experienced experts, customers are able to reduce the time taken for design, mitigate the design risks, use leading-edge technologies and reduce capital expenditures and maintenance costs. Reducing development time makes it possible for us to complete the products more quickly for the customer.



Design and Development Center ("inrevium" Development Center)

The Design & Development Center, which opened in 1985 uses its wealth of experience and the latest equipment to provide customized customer design services, and develop products under its own "inrevium" brand name. In this way, the center helps customers launch new products more quickly and more cheaply. There are four Design and Development Centers, two in Japan (Yokohama and Sendai) and two in China (Shanghai and Wuxi).

Experience in product development is deployed in business proposals and technical support in the Trading Firm Business and in creating synergy, an effect unique to the leading technology trading company.



Market Information

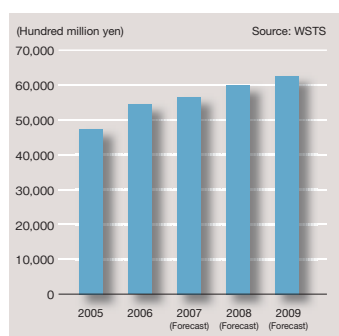
Trend in Global Semiconductor Market



The global semiconductor market grew 8.9% (USD247.7 billion) year on year in 2006, exceeding the moderate market expansion for 2005 (up 6.8% year on year). Although growth was slow at 2.3% in 2007, the growth rate is expected to recover to reach 10.2% in 2008, and with moderate growth again (5.2%) in

2009. As a result, the average annual growth rate from 2006 to 2009 will be 5.8%. The size of the global semiconductor market in 2007 is expected to exceed the previous record, increasing USD5.8 billion from 2006, to USD253.5 billion (30,300 billion yen).

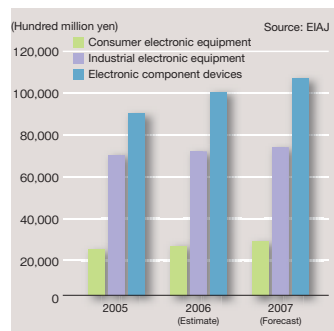
Trend in Japanese Semiconductor Market



The Japanese semiconductor market recovered to post 11.3% year-on-year growth in Japanese yen terms in contrast with the negative growth (-2.0%) experienced in 2006. In 2007, however, growth is expected to be moderate, at 5.4%. The market is projected to continue to grow moderately at 7.0% in 2008

and 3.1% in 2009. As a result, the size of the Japanese semiconductor market, which was worth about 5.4 trillion yen in 2006, will reach about 5.69 trillion yen in 2007, 6.09 trillion yen in 2008 and 6.27 trillion yen in 2009. The average annual growth rate from 2006 to 2009 is expected to be 5.1%.

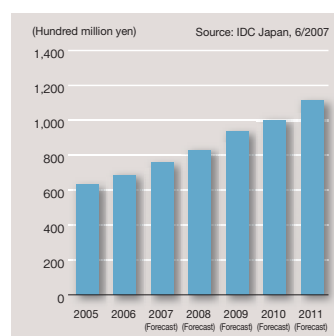
Production of Japanese Electronics Industry



Domestic production of the Japanese electronics industry, which recorded negative growth in 2005 after an interval of three years, is expected to return to positive growth in 2006, rising 6.5% year on year, to 20,281.5 billion yen. This is because production, which had been in an adjustment phase after the end of the summer vacation in 2004, entered a recovery phase after bottoming out in May 2005, supported by the recovery of the Japanese and overseas economies and the FIFA World Cup in Germany. It has remained robust since then. However, personal spending has been slowing since the latter half of 2006,

although exports and capital expenditure have been solid, requiring close attention to future trends. The possibility remains that domestic production of the Japanese electronic industry will enter an adjustment phase in the first half of 2007, given the slowdown of the U.S. economy. However, the Japanese economy is steadily emerging from a deflationary trend, wages are gradually improving, albeit somewhat belatedly, and personal spending is expected to recover. As a consequence, production is projected to increase for the second consecutive year, rising 3.6% year on year, to 21,016.3 billion yen.

Actual Sales and Forecasts in the Domestic Storage Software Market



The domestic storage software market grew a significant 10.5% year on year, to 69,160 million yen. An increase in the amount of digital data owned by companies and the growing need to protect digital data dominated the market. As a consequence, total sales of storage software recorded double-digit growth from the 2005 level. The average growth rate of the

domestic storage software market up to 2011 is expected to be 9.6%. A number of factors are encouraging domestic companies to step up data protection, including concern over the loss of data because of a growing dependency on IT, corporate social responsibility, internal control and forensics.



Performance Review

Report on Results for the Term under Review (Term Ended March 2007)

The Japanese economy remained solid in the fiscal year under review. Although there were causes for concern, including surging oil prices and worries about rising interest rates, capital expenditure rose and employment conditions improved, backed by strong corporate earnings.

In the electronics industry, mobile phones performed well with the increase in demand fueled by the addition of functions and services. The market for thin-screen (PDP and LCD) televisions expanded while prices continued to fall. Investment in the field of industrial machinery and communication infrastructure including base stations increased, backed by a strong appetite for capital expenditure. Corporate demand for personal computers was robust.

Under these circumstances, the Group positioned industrial equipment as the prime strategic market in Japan and endeavored to sell high value-added products, such as custom ICs and gen-

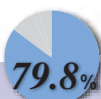
eral-purpose ICs (analogue ICs), requiring advanced technical support. In the Development Business, we focused on increasing orders for outsourced design services and the development of products for industrial equipment and endeavored to expand sales of our own inrevium brand products. In business overseas, TED Hong Kong, a consolidated subsidiary, established a base in Singapore and sought to improve support for Japanese customers with production bases overseas.

The Group took over the Computer Network Operation from TEL in October 2006, and started sales of network equipment, storage equipment and IT software and maintenance services, thereby expanding its business fields.

As a result, the Group posted net sales of 99,743 million yen (up 13.0% year on year), ordinary income of 3,245 million yen (up 23.4%), and a net income of 1,876 million yen (up 22.1%) on a consolidated basis for the term.

Overview by Product Type

Semiconductor Products



Custom ICs for medical equipment and memory ICs for mobile phone base stations enjoyed impressive demand. Sales of specialized ICs for multifunction printers increased. On the other hand, demand for custom ICs for consumer appliances fell, and sales were influenced by inventory adjustments in the latter half of the term. Consequently, consolidated net sales for the term amounted to 79,569 million yen (up 1.7% year on year).

General Electronic Components



While the sales of components for industrial equipment, such as switching power supplies, LCDs and panel PCs, were strong, the Group stopped handling liquid crystal monitors for digital camcorders. As a result, consolidated net sales were 2,108 million yen (down 22.9% year on year).

Boards



The Group took steps to expand sales of board computers for semiconductor testing equipment. On the other hand, the sale of some products was discontinued. As a result, consolidated net sales were 3,264 million yen (down 21.7% year on year).

Computer Networks



As awareness of corporate internal control and security increased, corporate appetite for capital expenditures rose, and network equipment and storage equipment sold well. Consolidated net sales reached 10,272 million yen. Since the Company began handling computer networks in October 2006, there is no comparison with performance for the previous year.

Software



Thanks to the strong sales of operating systems for POS terminals, consolidated net sales reached 4,527 million yen (up 43.8% year on year).

Outlook for the Next Term

The Japanese economy is expected to remain in good health going forward, although there are some causes for concern, including the continued high level of commodity prices in association with high oil prices and global economic trends.

The electronics industry is likely to emerge from the effects of the inventory adjustment that has been ongoing since the latter half of last year, and make a full-scale recovery in the second half

of the current fiscal year.

Our forecasts for consolidated performance for the term ending March 31, 2008 are net sales of 110.0 billion yen (up 10.3% year on year), operating income of 4.08 billion yen (up 15.5%), ordinary income of 3.8 billion yen (up 17.1%), and net income of 2.2 billion yen (up 17.2%).

Consolidated Financial Statements

Consolidated Balance Sheet

Assets	Previous term (as of March 31, 2006)	Term under review (as of March 31, 2007)
	Thousand yen	Thousand yen
Current assets	34,749,840	43,387,749
Cash and time deposits	798,658	1,142,667
Notes and accounts receivable	17,017,502	23,361,816
Inventories	15,816,970	16,888,548
Deferred tax assets	282,897	482,330
Consumption tax receivable	684,728	530,177
Others	157,356	988,878
Allowance for doubtful receivables	△ 8,272	△ 6,670
Fixed assets	2,339,127	3,341,910
Property, plant and equipment	723,203	1,019,858
Buildings and structures	506,948	559,814
Machinery and equipment	216,254	460,043
Intangible fixed assets	169,901	227,334
Investments and other assets	1,446,023	2,094,717
Investment securities	—	59,025
Deferred tax assets	1,154,660	1,497,022
Others	291,692	543,766
Allowance for doubtful receivables	△ 329	△ 5,097
Total assets	37,088,968	46,729,660

Assets

Total assets rose 9,640 million yen from the previous fiscal year, to 46,729 million yen. The main factors were increases in accounts receivable, inventories and advances in relation to the operation that the Company took over from Tokyo Electron Limited through divestiture.

Liabilities

Total liabilities increased 4,744 million yen from the previous fiscal year, to 26,673 million yen. The principal causes were rises in payments received, accounts payable, allowance for retirement and severance benefits, and other factors associated with the operation that the Company took over through divestiture.

Liabilities	Previous term (as of March 31, 2006)	Term under review (as of March 31, 2007)
	Thousand yen	Thousand yen
Current liabilities	15,972,746	22,718,370
Accounts payable-trade	12,253,808	12,888,266
Short-term borrowing	1,698,223	1,351,399
Current maturities of long-term borrowing	—	3,000,000
Accounts payable-non-trade	862,434	1,784,735
Accrued income taxes	550,619	999,943
Allowance for bonuses	477,325	824,157
Allowance for officers' bonuses	—	26,000
Others	130,334	1,843,867
Long-term liabilities	5,955,677	3,954,829
Long-term debt less current portion	3,000,000	—
Allowance for retirement and severance benefits	2,658,781	3,615,122
Allowance for officers' retirement bonuses	96,396	111,907
Others	200,500	227,800
Total liabilities	21,928,424	26,673,199
Shareholders' equity		
Capital stock	2,495,750	—
Capital surplus	2,054,850	—
Retained earnings	10,605,677	—
Foreign currency translation adjustments	4,266	—
Total shareholders' equity	15,160,544	—
Total liabilities and shareholders' equity	37,088,968	—
Net assets		
Shareholders' equity	—	20,054,514
Capital stock	—	2,495,750
Capital surplus	—	5,645,240
Retained earnings	—	11,913,524
Valuation and translation adjustments	—	1,945
Valuation difference on securities	—	△ 115
Deferred hedge gains or losses	—	△ 1,502
Foreign exchange adjustment	—	3,564
Total net assets	—	20,056,460
Total liabilities and net assets	—	46,729,660

(Note) The above amounts are rounded down to the nearest thousand yen.

Net assets

Total net assets rose 4,895 million yen from the previous fiscal year, to 20,056 million yen, reflecting an increase in retained earnings of 1,307 million yen and a rise in capital reserves of 3,590 million yen as a result of the issue of new shares in association with the divestiture.



Consolidated Financial Statements

Consolidated Statement of Income

Account	Previous term	Term under review
	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
	Thousand yen	Thousand yen
Net sales	88,290,003	99,743,143
Cost of sales	76,773,514	85,636,961
Gross profit	11,516,489	14,106,181
Selling, general and administrative expenses	8,416,409	10,575,028
Salaries	3,119,262	3,633,426
Provision for bonuses	478,470	826,577
Provision for officers' bonuses	—	26,000
Transfer from retirement allowance reserve	599,819	572,512
Others	4,218,857	5,516,512
Operating income	3,100,079	3,531,153
Non-operating revenues	46,797	40,729
Interest income	1,151	2,495
Dividends income	5,204	5,675
License income	15,000	—
Revenue from seminars held	6,456	7,218
Insurance bonuses	11,782	14,793
Others	7,202	10,546
Non-operating expenses	516,327	326,335
Interest expenses	100,995	95,152
Loss on transfer of receivables	116,798	169,433
Foreign exchange loss	292,091	51,449
Others	6,442	10,300
Ordinary income	2,630,550	3,245,547
Extraordinary gains	4,483	1,684
Gain from sale of fixed assets	330	—
Reversal of allowance for doubtful receivables	4,153	1,684
Extraordinary losses	2,390	5,951
Loss from sale of fixed assets	—	102
Loss from disposal of fixed assets	2,390	5,849
Income before income taxes	2,632,643	3,241,280
Income, residential and enterprise taxes	1,131,636	1,539,969
Corporate tax adjustment	△ 36,277	△ 175,435
Net income	1,537,284	1,876,746

(Note) The above amounts are rounded down to the nearest thousand yen.

Consolidated Statement of Cash Flows

Account	Previous term	Term under review
	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
	Thousand yen	Thousand yen
Cash flow from operating activities		
Income before income taxes	2,632,643	3,241,280
Depreciation and amortization	257,916	287,504
Increase (decrease) in allowance for doubtful receivables	△ 4,153	△ 1,684
Increase (decrease) in allowance for employee bonuses	45,714	346,763
Increase (decrease) in allowance for officers' bonuses	—	26,000
Increase (decrease) in allowance for retirement and severance benefits	△ 6,017	70,069
Increase (decrease) in allowance for officers' retirement bonuses	1,555	15,511
Interest and dividends revenues	△ 6,356	△ 8,171
Interest paid	100,995	95,152
Foreign exchange gain or loss	△ 1,219	169
Gain or loss from sale of property, plant and equipment	△ 330	102
Loss on disposal of property, plant and equipment	2,390	5,849
Increase (decrease) in accounts receivable	4,215,344	△ 1,507,127
Increase (decrease) in inventories	△ 5,151,893	730,265
Increase (decrease) in accounts payable	3,644,979	△ 649,981
Increase (decrease) in consumption taxes receivable	△ 318,746	154,550
Others	△ 365,989	78,671
Subtotal	5,046,832	2,884,927
Receipts from interest and dividends	6,356	8,171
Interest paid	△ 100,939	△ 95,020
Income taxes paid	△ 1,021,910	△ 1,143,199
Cash flow from operating activities	3,930,337	1,654,878
Cash flow from investing activities		
Payment for purchase of property, plant and equipment	△ 178,146	△ 150,304
Proceeds from sale of property, plant and equipment	615	1,914
Payment for acquisition of intangible fixed assets	△ 36,567	△ 63,854
Payment for acquisition of investment securities	—	△ 59,220
Payment for loans made	—	△ 600
Others	13,477	△ 129,365
Cash flow from investing activities	△ 200,621	△ 401,430
Cash flow from financing activities		
Increase (decrease) in short-term borrowings	1,684,154	△ 350,173
Repayment of long-term debt	△ 5,000,000	—
Dividends paid	△ 552,000	△ 552,000
Cash flow from financing activities	△ 3,867,845	△ 902,173
Effect of exchange rate changes on cash and cash equivalents	9,317	△ 7,265
Net increase (decrease) in cash and cash equivalents	△ 128,810	344,009
Cash and cash equivalents at beginning of year	927,469	798,658
Cash and cash equivalents at end of year	798,658	1,142,667

(Note) The above amounts are rounded down to the nearest thousand yen.

Consolidated Statement of Change in Shareholders' Equity

	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on securities	Deferred hedge gains or losses	Foreign currency translation adjustments	Total valuation and translation adjustments	Total net assets
									Thousand yen
Balance on March 31, 2006	2,495,750	2,054,850	10,605,677	15,156,277	—	—	4,266	4,266	15,160,544
Changes during the term under review									
Issue of new shares in association with divestiture		3,590,390		3,590,390					3,590,390
Dividends from surplus (profit distribution)			△ 276,000	△ 276,000					△ 276,000
Dividends from surplus (interim dividends)			△ 276,000	△ 276,000					△ 276,000
Officers' bonuses as a result of profit distribution			△ 16,900	△ 16,900					△ 16,900
Net income			1,876,746	1,876,746					1,876,746
Net changes in items other than shareholders' equity					△ 115	△ 1,502	△ 702	△ 2,321	△ 2,321
Total changes during the term under review	—	3,590,390	1,307,846	4,898,237	△ 115	△ 1,502	△ 702	△ 2,321	4,895,916
Balance on March 31, 2007	2,495,750	5,645,240	11,913,524	20,054,514	△ 115	△ 1,502	3,564	1,945	20,056,460

(Note) The above amounts are rounded down to the nearest thousand yen.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

Assets	Term under review (as of March 31, 2007)	Liabilities	Term under review (as of March 31, 2007)
	Thousand yen		Thousand yen
Current assets	42,453,775	Current liabilities	21,892,164
Cash and time deposits	1,100,765	Accounts payable-trade	12,654,137
Notes receivable	518,857	Short-term borrowing	800,000
Accounts receivable-trade	22,788,128	Current maturities of long-term borrowing	3,000,000
Merchandise	16,059,952	Accounts payable-non-trade	1,773,111
Advance paid	714,957	Accrued expenses	2,083
Prepaid expenses	88,119	Accrued income taxes	983,103
Deferred tax assets	476,142	Advance received	1,620,536
Consumption tax receivable	530,177	Deposits received	76,678
Others	183,720	Unearned income	79,186
Allowance for doubtful receivables	△ 7,047	Allowance for bonuses	816,347
		Allowance for officers' bonuses	26,000
Fixed assets	3,375,959	Others	60,980
Property, plant and equipment	1,019,597	Long-term liabilities	3,954,829
Buildings and structures	559,814	Allowance for retirement and severance benefits	3,615,122
Machinery and equipment	459,783	Allowance for officers' retirement bonuses	111,907
Intangible fixed assets	221,811	Others	227,800
Investments and other assets	2,134,550	Total liabilities	25,846,994
Investment securities	59,025	Net assets	
Deferred tax assets	1,497,022	Shareholders' equity	19,984,358
Others	578,503	Capital stock	2,495,750
		Capital surplus	5,645,240
Total assets	45,829,734	Retained earnings	11,843,368
		Valuation and translation adjustments	△ 1,618
		Valuation difference on securities	△ 115
		Deferred hedge gains or losses	△ 1,502
		Total net assets	19,982,740
		Total liabilities and net assets	45,829,734

(Note) The above amounts are rounded down to the nearest thousand yen.

Non-consolidated Statement of Income

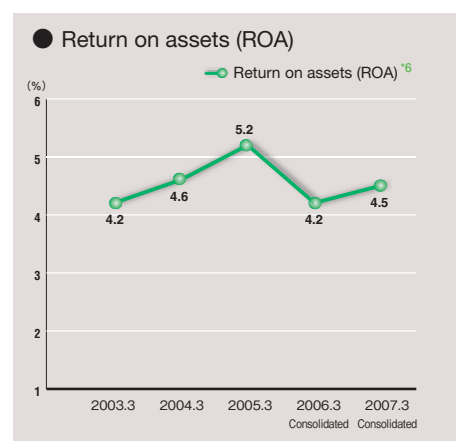
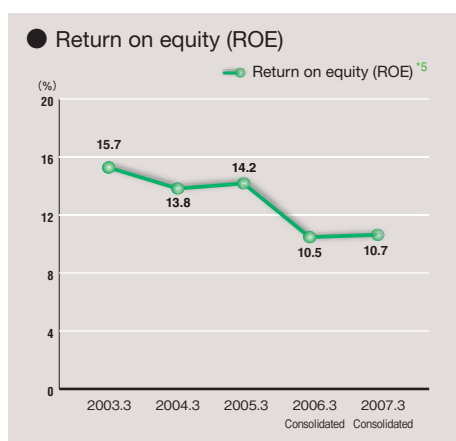
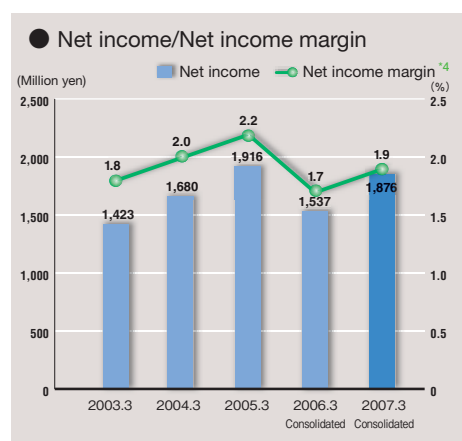
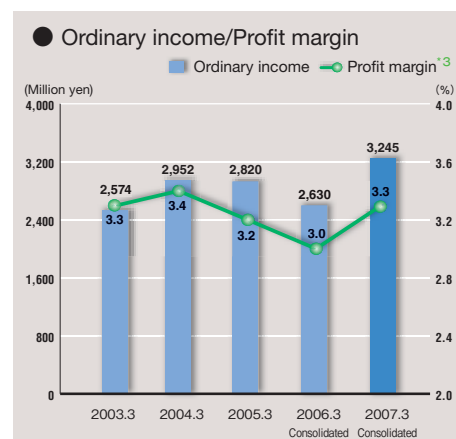
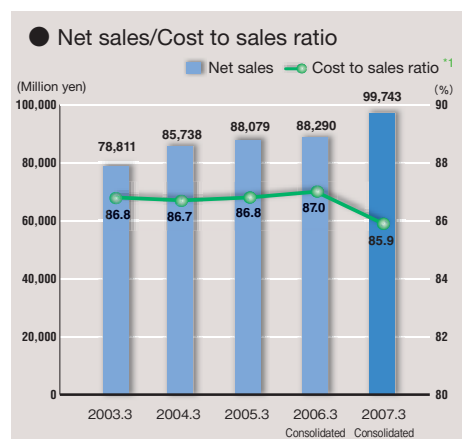
Account	Term under review From April 1, 2006 to March 31, 2007
	Thousand yen
Net sales	97,194,143
Cost of sales	83,385,493
Gross profit	13,808,650
Selling, general and administrative expenses	10,424,729
Officers' compensation	139,800
Employees' salaries	3,445,325
Employees' bonuses	510,977
Provision for bonuses	814,741
Transfer from retirement allowance reserve	572,512
Depreciation expenses	286,180
Research and development expenses	100,881
Others	4,554,309
Operating income	3,383,920
Non-operating revenues	43,692
Interest income	1,902
Dividends income	5,675
Revenue from seminars held	7,218
Insurance bonuses	14,793
Others	14,102
Non-operating expenses	293,195
Interest expenses	52,600
Loss on transfer of receivables	169,433
Foreign exchange loss	60,861
Others	10,300
Ordinary income	3,134,417
Extraordinary gains	1,547
Extraordinary losses	5,951
Income before income taxes	3,130,013
Income, residential and enterprise taxes	1,523,283
Corporate tax adjustment	△ 172,290
Net income	1,779,020

(Note) The above amounts are rounded down to the nearest thousand yen.



Financial Data

Profitability



Consolidated accounting has been applied starting from the term ended March 31, 2006

	2003.3	2004.3	2005.3	2006.3 Consolidated	2007.3 Consolidated	2007.3 Non-consolidated
Net sales (Million yen)	78,811	85,738	88,079	88,290	99,743	97,194
Cost to sales ratio (Million yen) *1	86.8	86.7	86.8	87.0	85.9	85.8
Operating income (Million yen)	2,998	3,182	3,106	3,100	3,531	3,383
Operating margin (Million yen) *2	3.8	3.7	3.5	3.5	3.5	3.5
Ordinary income (Million yen)	2,574	2,952	2,820	2,630	3,245	3,134
Profit margin (Million yen) *3	3.3	3.4	3.2	3.0	3.3	3.2
Net income (Million yen)	1,423	1,680	1,916	1,537	1,876	1,779
Net income margin (%) *4	1.8	2.0	2.2	1.7	1.9	1.8
Return on equity (ROE) (%) *5	15.7	13.8	14.2	10.5	10.7	10.1
Return on assets (ROA) (%) *6	4.2	4.6	5.2	4.2	4.5	4.3

*1. Cost to sales ratio = Cost of sales / Net sales

*2. Operating margin = Operating income / Net sales

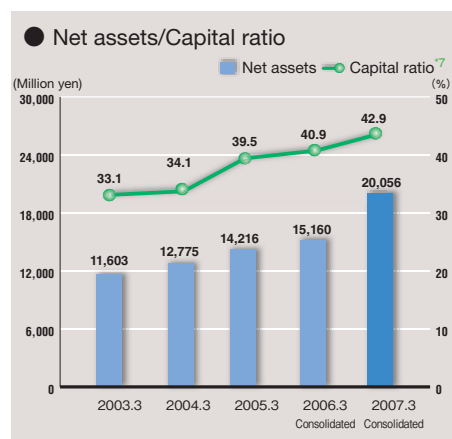
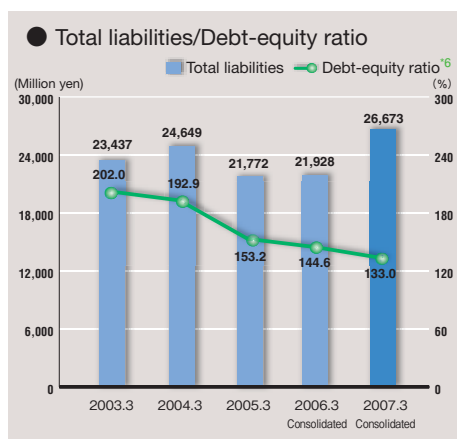
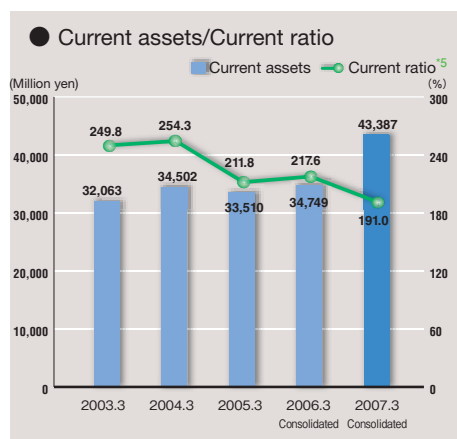
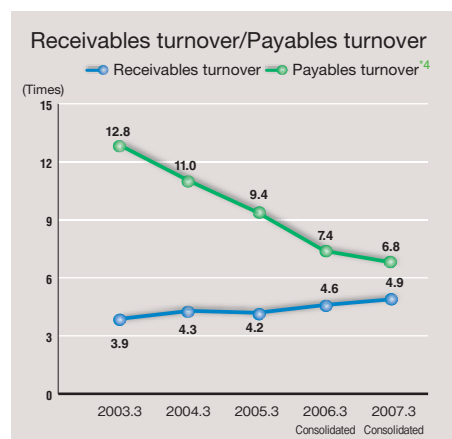
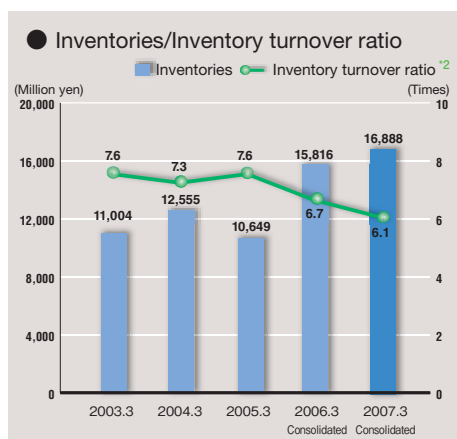
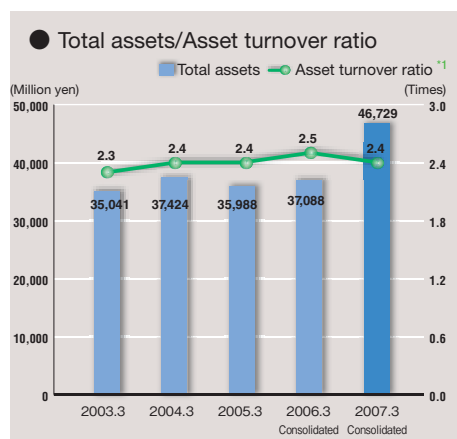
*3. Profit margin = Ordinary income / Net sales

*4. Net income margin = Net income / Net sales

*5. Return on equity = Net income / Average owner's equity at the beginning and end of the term

*6. Return on assets = Net income / Average total assets at the beginning and end of the term

Efficiency, Safety



Consolidated accounting has been applied starting from the term ended March 31, 2006

	2003.3	2004.3	2005.3	2006.3 Consolidated	2007.3 Consolidated	2007.3 Non-consolidated
Total assets (Million yen)	35,041	37,424	35,988	37,088	46,729	45,829
Asset turnover ratio (Times) *1	2.3	2.4	2.4	2.5	2.4	2.4
Inventories (Million yen)	11,004	12,555	10,649	15,816	16,888	16,059
Inventory turnover ratio (Times) *2	7.6	7.3	7.6	6.7	6.1	6.2
Receivables turnover (Times) *3	3.9	4.3	4.2	4.6	4.9	4.8
Payables turnover (Times) *4	12.8	11.0	9.4	7.4	6.8	6.8
Current assets (Million yen)	32,063	34,502	33,510	34,749	43,387	42,453
Current ratio (%)	249.8	254.3	211.8	217.6	191.0	193.9
Total liabilities (Million yen) *5	23,437	24,649	21,772	21,928	26,673	25,846
Debt-equity ratio (%)	202.0	192.9	153.2	144.6	133.0	129.3
Net assets (Million yen) *6	11,603	12,775	14,216	15,160	20,056	19,982
Capital ratio (%) *7	33.1	34.1	39.5	40.9	42.9	43.6

*1. Asset turnover ratio = Net sales / Average total assets at the beginning and end of the term

*2. Inventory turnover ratio = Net sales / Average inventories at the beginning and end of the term

*3. Receivables turnover = Net sales / Average notes and accounts receivable at the beginning and end of the term

*4. Payables turnover = Cost of sales / Average accounts payable at the beginning and end of the term

*5. Current ratio = Current assets / Current liabilities

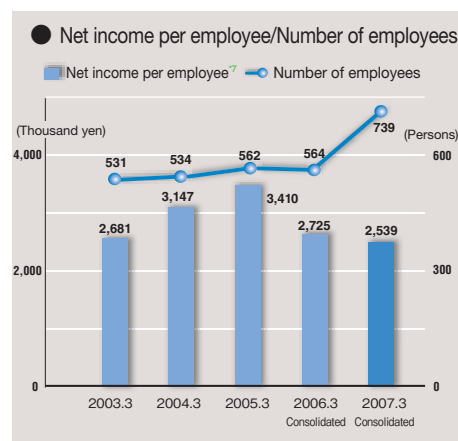
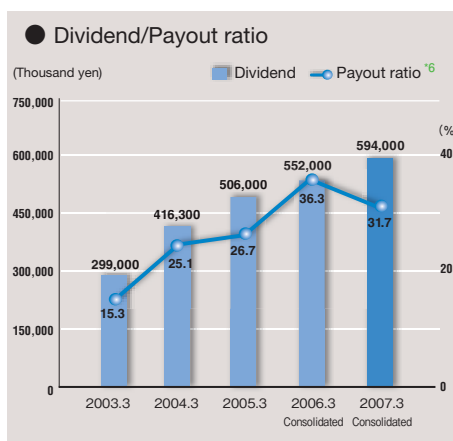
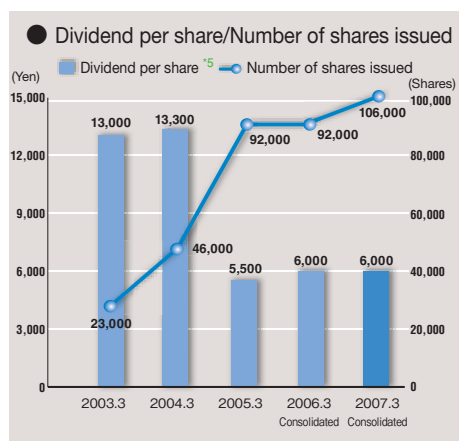
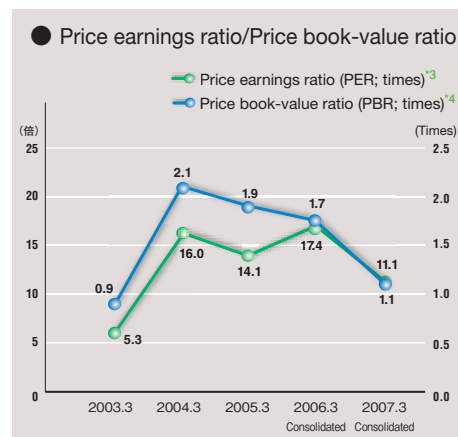
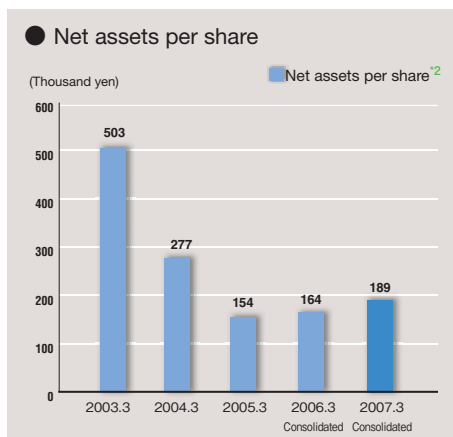
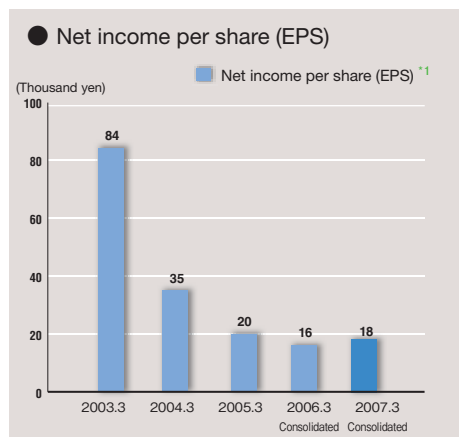
*6. Debt-equity ratio = Liabilities / Shareholders' equity

*7. Capital ratio = Shareholders' equity / Total assets



Financial Data

Other Indicators



Consolidated accounting has been applied starting from the term ended March 31, 2006

	2003.3	2004.3	2005.3	2006.3 Consolidated	2007.3 Consolidated	2007.3 Non-consolidated
Net income per share (EPS: Thousand yen) *1	84	35	20	16	18	17
Net assets per share (Thousand yen) *2	503	277	154	164	189	188
Price earnings ratio (PER; times) *3	5.3	16.0	14.1	17.4	11.1	11.7
Price book-value ratio (PBR; times) *4	0.9	2.1	1.9	1.7	1.1	1.1
Dividend per share (Yen) *5	13,000	13,300	5,500	6,000	6,000	—
Number of shares issued (Shares)	23,000	46,000	92,000	92,000	106,000	106,000
Dividend (Thousand yen)	299,000	416,300	506,000	552,000	594,000	—
Payout ratio (%) *6	15.3	25.1	26.7	36.3	31.7	—
Net income per employee (Thousand yen) *7	2,681	3,147	3,410	2,725	2,539	2,453
Number of employees (Persons)	531	534	562	564	739	725

*1. Net income per share (EPS) = Net income / Average number of shares issued in the term

*2. Net assets per share = Net assets at the end of the term / Number of shares issued at the end of the term

*3. Price earnings ratio = Share price (at the end of the term) / Net income per share

*4. Price book-value ratio = Share price (at the end of the term) / Net assets per share

*5. Dividend per share = Dividends / Number of shares issued

*6. Payout ratio = Dividends / Net income

*7. Net income per employee = Net income / Number of employees at the end of the term

Corporate Profile

Corporate Profile (As of March 31, 2007)

Company Name:	TOKYO ELECTRON DEVICE LIMITED
Established:	March 3, 1986
Capital:	¥2,495.75 million
Employees:	739 (consolidated)
Headquarters:	1, Higashikata-cho, Tsuzuki-ku, Yokohama-City, Kanagawa 224-0045, Japan



Officers (As of June 20, 2007)

Corporate Directory

Chairman of the Board	Keiichi Furugaki
President & Representative Director	Toshiaki Sunagawa
Corporate Director	Noriyuki Kuga
Corporate Director	Katsuyuki Amano
Corporate Director	Tsutomu Kimura
Corporate Director	Atsushi Tokushige
Corporate Director	Tetsuro Higashi
Corporate Director	Mamoru Hara
Corporate Director	Masayasu Tsunematsu

Auditor

Standing Auditor	Ichiyo Yazaki
Standing Auditor	Kenichi Tooyama
Auditor	Takeo Tanaka
Auditor	Kenichiro Hayashida

(Notes) 1. Masayasu Tsunematsu is an external director.
2. Kazuhiro Yazaki and Kenichiro Hayashida are external statutory auditors.

Vice President

Toshiaki Sunagawa
Noriyuki Kuga
Katsuyuki Amano
Tsutomu Kimura
Atsushi Tokushige
Hiroaki Shishikura
Masayuki Ohsaki
Kohshi Yahata
Hiroshi Takei
Shuji Kuroda
Shinji Yamada
Hideki Hayashi

Office Network (As of April 1, 2007)

Headquarters	Utsunomiya Subbranch of the Kitakanto Branch Office	
	Kyoto Subbranch of the Osaka Branch Office	
Kitakanto Branch Office	Okayama Subbranch of the Osaka Branch Office	
Osaka Branch Office	Matsuyama Subbranch of the Osaka Branch Office	
Sendai Sales Office	Mito Sales Office	Shinjuku Sales Office
Tokyo Sales Office	Tachikawa Sales Office	Fuchu Sales Office
Yokohama Sales Office	Nagaoka Sales Office	Osaka Sales Office
Matsumoto Sales Office	Mishima Sales Office	
Hamamatsu Sales Office	Nagoya Sales Office	
Fukuoka Sales Office	Business Promotion Department (Yokohama Office)	

Sendai Inrevium Technical Center
Yokohama Inrevium Technical Center

Tokyo Electron Device (Shanghai) Limited
Tokyo Electron Device Hong Kong Limited
Tokyo Electron Device (Wuxi) Limited

Stock Information

Shares of the Company (As of March 31, 2007)

Number of authorized shares	256,000 shares
Number of issued shares	106,000 shares
Number of shareholders	6,009 shareholders

(Note) The Company took over the Computer Network Operation of Tokyo Electron Limited through divestiture. In association with this, the Company issued 14,000 new shares to Tokyo Electron Limited on October 1, 2006. As a result, the number of shares issued became 106,000 shares.

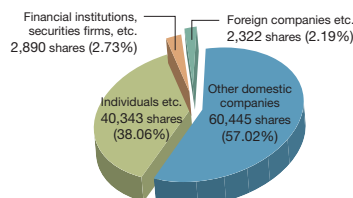
Major Shareholders (As of March 31, 2007)

Shareholders	Number of shares held	Shareholding ratio
	Shares	%
Tokyo Electron Limited	58,753	55.42
Tokyo Electron Device employee shareholder association	2,901	2.73
Japan Securities Finance	978	0.92
The Master Trust Bank of Japan (Trust Account)	806	0.76
UBS AG London Account IPB Segregated Client Account	795	0.75

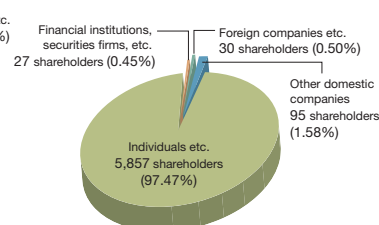
(Note) Tokyo Electron Limited carried out the offering of existing shares of the Company on March 7, 2007.

Distribution of Shares (As of March 31, 2007)

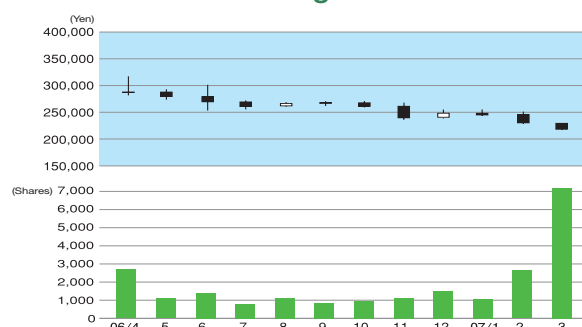
Number of Shares by Shareholder Type



Number of Shareholders by Shareholder Type



Stock Price and Trading Volume



■ Website

The Company's website communicates a wealth of information on the Company, its products, IR and others.

<http://www.teldevice.co.jp/>



Top page



IR information page

■ Contact

Corporate Planning Department Tel: 045-474-7024
E-mail: ir-info@teldevice.co.jp



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