

Interim Financial Review for the Six Months Ended September 30, 2007



TOKYO ELECTRON LIMITED

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 submitting of semiannual report: December 7, 2007
 Due date of starting delivery of dividends: December 7, 2007

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 six months ended September 30, 2007 (4/1/07- 9/30/07)

(1) Operating results

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended 9/30/07	476,377	22.0	95,005	63.1	95,795	64.6
Six months ended 9/30/06	390,562	17.2	58,240	60.7	58,204	58.4
Year ended 3/31/07	851,975	-	143,978	-	143,940	-

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended 9/30/07	62,463	67.8	349.19	348.24
Six months ended 9/30/06	37,225	55.2	208.74	208.18
Year ended 3/31/07	91,262	-	511.27	509.84

Reference:

Profit/loss on equity method:

Six months ended 9/30/07: -
 Six months ended 9/30/06: (323) 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 9/30/07	802,168	520,089	63.6	2,852.85
As of 9/30/06	673,458	414,167	60.7	2,290.67
As of 3/31/07	770,513	469,810	59.7	2,573.72

Reference:

Equity:

Six months ended 9/30/07: 510,432 million yen
 Six months ended 9/30/06: 408,775 million yen
 Year ended 3/31/07: 460,175 million yen

(3) Consolidated 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
Six months ended 9/30/07	20,554	(8,532)	(16,390)	129,938
Six months ended 9/30/06	4,459	(39,424)	(28,056)	77,062
Year ended 3/31/07	54,296	(25,293)	(34,719)	134,389

2. Dividend

	Dividend per share		
	Interim	Year-end	Annual
(Base date)	Yen	Yen	Yen
Year ended 3/31/07	42.0	61.0	103.0
Year ended 3/31/08	70.0	-	125.0
Year ending 3/31/08 (Forecast)	-	55.0	

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

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 ending 3/31/08	900,000	5.6	160,000	11.1	164,000	13.9

	Net income		Net income per share
	Millions of yen	%	Yen
Year ending 3/31/08	104,000	14.0	581.27

4. Others

- 1) Important changes in subsidiaries. (Changes on specific subsidiaries with changes in scope of consolidation)
- 2) Changes in principles, procedures and display of accounting method concerning consolidated statement preparation (Listed as changes in basis of presentation of consolidated financial statement)

Changes in accounting policies: Yes

Other changes: None

3) Number of shares outstanding (common stock)

Number of shares of common stock issued as of :

September 30, 2007 180,610,911 shares

September 30, 2006 180,610,911 shares

March 31, 2007 180,610,911 shares

Number of shares of treasury stock

September 30, 2007 1,690,885 shares

September 30, 2006 2,158,251 shares

March 31, 2007 1,812,976 shares

(Reference) Non-consolidated financial review for the six months ended September 30, 2007

1. Financial highlights for the six months ended September 30, 2007 (4/1/07 - 9/30/07)

(1) Operating results

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended 9/30/07	415,278	26.9	49,785	73.0	55,438	70.0
Six months ended 9/30/06	327,277	14.1	28,785	57.7	32,618	59.0
Year ended 3/31/07	720,163	-	71,045	-	76,664	-

	Net income		Net income per share
	Millions of yen	%	Yen
Six months ended 9/30/07	35,966	67.8	201.06
Six months ended 9/30/06	21,440	55.0	120.23
Year ended 3/31/07	51,699	-	289.63

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 9/30/07	597,560	351,982	58.9	1,965.78
As of 9/30/06	533,567	301,702	56.4	1,687.75
As of 3/31/07	594,933	327,715	55.0	1,829.61

Reference:

Equity:

Six months ended 9/30/07	351,716 million yen
Six months ended 9/30/06	301,182 million yen
Year ended 3/31/07	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 Period of Interim Consolidated Financial Results

During the period of interim consolidated financial results, the world economy generally continued to be strong chiefly in the Asian and European regions, despite concerns about an economic slow down due to the adverse effects of high oil prices on the prices of raw materials, decreases in housing investments, the sub-prime loan problem in the United States, and other factors.

The electronics industry in which the Company operates remained brisk because of the continued expansion of the PC and mobile phone markets, the emergence of new high-function mobile equipment, and other factors.

In the semiconductor industry, meanwhile, manufacturers made strategic capital investments to reinforce their production capacity because of the expectation that falling memory prices will create new demand for memory chips by helping increase the capacity of DRAMs used for PCs and encouraging memory chips to be used for a wider range of applications, including the adoption of flash memory for the recording medium of PCs and digital video cameras.

2. Overview of Profits and Losses for Interim Consolidated Financial Results

For the consolidated interim period, the Company achieved the highest-ever half-year performance in terms of net sales and operating income margin. Consolidated net sales were 476,377 million yen, a 22.0% increase over the same period of the previous fiscal year, with sales of semiconductor production equipment, the key product of the Company, remaining strong in Taiwan and Japan. As a result, net sales in Japan and the rest of the world were 167,164 million yen (up 15.7%) and 309,213 million yen (up 25.7%), respectively, with a ratio of overseas net sales to consolidated net sales at 64.9%. Consolidated orders for the same period were 330,816 million yen (down 33.0%) with consolidated backlog orders as of the end of the period at 340,711 million yen (down 29.9% compared to the end of the previous fiscal year).

Cost of sales was 311,018 million yen (up 14.7%), and gross profit on sales was 165,359 million yen (up 38.5%), respectively. As a result, the gross profit margin rose 4.1 percentage points over the previous fiscal year, to 34.7%.

Selling, general and administrative expenses were 70,354 million yen (up 15.1%), lowering their percentage to net sales by 0.9 percentage points over the previous fiscal year, to 14.8%.

As a result, operating income grew to 95,005 million yen (up 63.1%), boosting the operating income margin by 5.0 percentage points, to 19.9%. Ordinary income was 95,795 million yen (up 64.6%), with non-operating income falling 3.2%, to 2,238 million yen, while non-operating expenses dropped 38.4%, to 1,447 million yen.

The Company posted an extraordinary income of 2,405 million yen (290 million yen for the previous consolidated interim period) due to the sale of land and buildings owned by overseas subsidiaries, gain on reversal of subscription rights to shares, and other factors.

Interim net income before income taxes was 98,201 million yen (up 67.9%), and interim net income was 62,463 million yen (up 67.8%). As a result, interim net income per share was 349.19 yen (208.74 yen for the same period of the previous fiscal year).

In terms of 2008 estimate, considering the current business circumstance, the company does not change the original estimate, which was released on 11th May 2007, with net sales of 900.0 billion yen, operating income of 160.0 billion yen, ordinary income of 164.0 billion yen, and net income of 104.0 billion yen, although the first half results exceeded the original estimate.

3. Overview of Operations during the Period of Interim Consolidated Financial Results by Business Segment

1) Industrial Electronic Equipment Business

Due to the strong sales of the semiconductor production equipment, which are the Company's key products, sales from external customers in this segment during the current consolidated interim period were 423,106 million yen, a 25.5% increase over the same period of the previous fiscal year.

(a) Semiconductor production equipment

Bolstered by the enhancement of functions for mobile phones, PCs, and digital equipment, the expectation was that semiconductors are going to offer increasingly high performance and that demand for semiconductors will grow, and manufacturers made more active investments centering on DRAMs and flash memory.

Under these circumstances, the segment continued to perform well, posting net sales of 379,251 million yen (up 33.6%).

(b) FPD production equipment

As the price of flat-panel displays fell and the flat-panel TV market expanded rapidly, manufacturers pursued even higher definition and thinner TVs.

Although net sales from this segment during the consolidated interim period decreased 17.1% compared to the same period of the previous fiscal year, the level remained high, at 43,600 million yen. Meanwhile, business negotiations began for the next-generation systems for large substrates, which will be delivered next year and thereafter.

(c) Other

Net sales from this segment during the consolidated interim period were 254 million yen (down 56.5%).

(2) Electronic Components and Computer Networks Business

The Company strove to bolster sales of and maintenance services for fast-growing network equipment, storage systems, and IT-related software, while providing the optimal IT solutions to support corporate strategy. It also concentrated its efforts on selling high-value-added products—including custom ICs and general-purpose ICs (analog ICs)—to the industrial equipment segment, which is a priority strategic market for the Company, and endeavored to strengthen the sales structure for the Asian market, develop new products, and acquire new customers, as well as reinforce development business. However, in the case of semiconductor products, which are the segment's key item, demand for custom ICs used at mobile-phone base stations declined, while demand for custom ICs failed to recover quickly from the phase of inventory adjustments in the second half of last year. As a result, net sales from external customers in this segment during the consolidated interim period were 53,271 million yen (down 0.4%).

Starting in the second half of the previous fiscal year, "Computer Systems and Networks" (previously classified in the "Industrial Electronic Equipment" segment) have been included in the "Electronic Components and Computer Networks" segment (former "Electronic Components" segment). With this change, the year-on-year comparison of net sales for each segment are now based on the reorganized segments.

(For reference)

Consolidated

(Millions of yen)

	FY2008 1Q	FY2008 2Q	FY2008 1H	FY2007 1H	FY2007 2H
Net Sales	212,494	263,883	476,377	390,562	461,412
Industrial Electronic Equipment	187,318	235,787	423,106	337,060	407,452
Semiconductor Production Equipment	165,785	213,465	379,251	283,905	358,719
Japan	31,614	63,015	94,629	77,842	97,889
U.S.	21,111	31,367	52,479	53,184	52,429
Europe	7,922	6,524	14,447	24,638	23,325
Korea	21,432	19,689	41,122	41,173	64,995
Taiwan	62,517	79,417	141,934	62,404	79,390
China	13,848	6,677	20,525	14,293	15,356
S.E.Asia	7,338	6,773	14,112	10,369	25,333
F P D Production Equipment	21,400	22,200	43,600	52,568	48,197
Other	132	121	254	585	535
Electronic Components & Computer Network	25,175	28,095	53,271	53,502	53,960
Operating Income	43,034	51,970	95,005	58,240	85,737
Ordinary Income	41,175	54,620	95,795	58,204	85,736
Net Income	26,192	36,270	62,463	37,225	54,037

Note: 1. Offset elimination has been carried out on the dealing between segments

4. Financial Conditions and Cash Flow

(1) Financial Conditions

Current assets as of the end of the current consolidated interim period grew by 29,910 million yen compared to the end of the previous fiscal year, to 640,273 million yen. Major factors included an increase in trade notes and accounts receivable of 38,480 million yen, a decrease in cash on hand (cash and cash equivalents, certificate of deposit) of 4,451 million yen, and a decrease of 4,418 million yen due to a refund of accrued consumption and other taxes. 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 increased by 2,060 million yen from the end of the previous fiscal year, to 106,990 million yen. Capital investments during the current consolidated interim period totaled 12,773 million yen.

As a result, total assets increased by 31,655 million yen from the end of the previous fiscal year, to 802,168 million yen.

Current liabilities were 9,492 million yen greater than the end of the previous fiscal year, at 235,347 million yen. Major factors included a decrease in trade notes and accounts payable of 17,310 million yen, an increase in customer advances of 14,235 million yen, a decrease due to the redemption of the fifth issue of unsecured corporate bonds with subscription rights worth 5,500 million yen, and an increase due to transfer from long-term liabilities of the eleventh issue of unsecured corporate bonds worth 30,000 million yen because they would reach maturity within one year.

Long-term liabilities fell by 28,115 million yen from the end of the previous fiscal year, to 46,732 million yen, mainly due to the transfer to current liabilities of the eleventh issue of unsecured corporate bonds worth 30,000 million yen because they would reach maturity within one year.

Net assets obtained by adding an interim net income of 62,463 million yen, and by subtracting the payment of dividends (distribution of retained earnings) worth 10,906 million yen at the end of the previous fiscal year, were 520,089 million yen, while the equity ratio was 63.6%.

(2) Cash flow

Cash flow from operating activities during the consolidated interim period was 16,095 million yen greater than the end of the previous fiscal year, at 20,554 million yen. Major positive factors included interim income before income taxes of 98,201 million yen, depreciation and amortization of 9,801 million yen, and an increase in customer advances of 14,052 million yen. Major negative factors included an increase in accounts receivable of 38,296 million yen, a decrease in trade payable of 17,430 million yen, and the payment of income and other taxes of 44,169 million yen.

Cash flow from investment activities was a negative 8,532 million yen, mainly due to the acquisition of tangible fixed assets for 10,141 million yen.

Cash flow from financial activities was a negative 16,390 million yen, chiefly due to the redemption of the fifth issue of unsecured corporate bonds with subscription rights worth

5,500 million yen and the payment of dividends worth 10,906 million yen at the end of the previous fiscal year.

As a result, the balance of cash and cash equivalents at the end of the consolidated interim period was 129,938 million yen, a decrease of 4,451 million yen compared to the end of the previous fiscal year.

The trends in cash flow indicators are shown below.

	Fiscal year ended March 31, 2007	6 months ended September 30, 2007
Equity ratio (%)	59.7	63.6
Equity ratio at market value (%)	191.2	162.4
Debt redemption period (number of years)	0.7	0.8
Interest coverage ratio (times)	119.90	110.30

Equity ratio: $(\text{Equity} / \text{Total assets}) \times 100$

Equity ratio at market value: $(\text{Market capitalization} / \text{Total assets}) \times 100$

Ratio of cash flow to interest-bearing debt: $\text{Interest-bearing debt} / \text{Cash flow from operating activities}$

Interest coverage ratio: $\text{Cash flow from operating activities} / \text{Interest expenses}$

* 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.

* 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.

5. Basic Policy for Profit Allocation and Payment of Dividends for the Current Period

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.

The Company has decided to pay a dividend of 70 yen per share for the current consolidated interim period. It also plans to pay a dividend of 125 yen for the entire fiscal year (70 yen for the interim period and 55 yen for the whole year). For details see the “Announcement on Distribution of Surpluses (Interim Dividends) and Revision of Dividend Forecasts” released today.

6. 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 interim 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 as a player in the market by providing the most advanced technology with full after-sales technical support. It has also contributed to worldwide growth of the semiconductor-related industries as a market leader.

In conjunction with the dramatic development of an information-driven society in recent years, semiconductor and flat-panel display production equipment, which had traditionally been used mainly in PCs and mobile phones, are being applied to key components for virtually all electronic products, and they can now be seen in every aspect of everyday life. Meanwhile, the needs of device manufacturers, which are the Company's customers, have diversified more than ever, requiring production equipment that incorporates differentiation technology capable of displaying a high level of process and large-scale production performance.

The Company recognizes it as a major management task to respond swiftly to changes in market needs and the business environment in order to improve its profit margin.

In order to cope with these tasks, all business units in the Company are working to carry out mass production and increase sales of high-value-added products, while making a united effort to strengthen their manufacturing capabilities, including upgrading product quality and enhancing cost-competitiveness through high-efficiency production. In addition to such measures, the Company will further concentrate on bolstering technology development, developing new businesses, and promoting industrialization of such businesses, with the aim of increasing profitability and growth even further.

Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2006		As of September 30, 2007		As of March 31, 2007	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Compo- sition (%)
(Assets)						
Current Assets	528,268	78.4	640,273	79.8	610,363	79.2
Cash and cash equivalents	107,062		58,938		134,389	
Trade notes and accounts receivable	199,349		267,168		228,688	
Securities	-		71,019		19	
Inventories	182,672		194,499		194,840	
Others	39,382		48,733		52,551	
Allowance for doubtful accounts	(198)		(85)		(127)	
Long-term Assets	145,189	21.6	161,895	20.2	160,150	20.8
Tangible fixed assets	96,783		106,990		104,930	
Intangible fixed assets	15,309		19,309		19,399	
Investments and other assets	33,409		35,892		36,118	
Allowance for doubtful accounts	(312)		(297)		(297)	
Total Assets	673,458	100.0	802,168	100.0	770,513	100.0

Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2006		As of September 30, 2007		As of March 31, 2007	
	Amount	Compo- sition (%)	Amount	Compo- sition (%)	Amount	Compo- sition (%)
(Liabilities)						
Current liabilities	183,176	27.2	235,347	29.4	225,854	29.3
Trade notes and accounts payable	71,646		66,527		83,837	
Bonds due within 1 year	5,500		30,000		5,500	
Income taxes payable	21,833		36,415		45,657	
Customer advances	30,664		36,192		21,956	
Accrued employees' bonuses	8,749		14,707		14,131	
Accrued warranty expenses	13,561		14,000		14,114	
Others	31,220		37,503		40,658	
Long-term liabilities	76,113	11.3	46,732	5.8	74,848	9.7
Straight bonds	30,000		-		30,000	
Accrued pension and severance costs	38,691		41,953		40,018	
Accrued pension and severance costs for directors	699		651		666	
Others	6,722		4,128		4,162	
Total liabilities	259,290	38.5	282,079	35.2	300,702	39.0
(Net assets)						
Shareholders' equity	400,476	59.5	501,495	62.5	449,166	58.3
Common stock	54,961		54,961		54,961	
Capital surplus	78,159		78,391		78,346	
Retained earnings	281,483		379,583		328,026	
Treasury Stock	(14,127)		(11,441)		(12,167)	
Valuation and translation adjustments	8,298	1.2	8,937	1.1	11,008	1.4
Valuation difference on available-for-sale securities	4,046		3,752		5,853	
Deferred gains or losses on hedges	(339)		0		(177)	
Translation adjustments	4,591		5,184		5,332	
Subscription rights to shares	519	0.1	265	0.0	584	0.1
Minority interests	4,872	0.7	9,391	1.2	9,051	1.2
Total net assets	414,167	61.5	520,089	64.8	469,810	61.0
Total Liabilities and net assets	673,458	100.0	802,168	100.0	770,513	100.0

Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2006		Six months ended September 30, 2007		Increase (decrease)		Year ended March 31, 2007	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	(%)	Amount	Ratio to net sales
Net sales	390,562	100.0	476,377	100.0	85,815	22.0	851,975	100.0
Cost of sales	271,171	69.4	311,018	65.3	39,847	14.7	579,325	68.0
Gross profit	119,391	30.6	165,359	34.7	45,967	38.5	272,649	32.0
Selling, general & administrative expense:	61,150	15.7	70,354	14.8	9,203	15.1	128,670	15.1
Operating income	58,240	14.9	95,005	19.9	36,764	63.1	143,978	16.9
Non-operating income								
Interest income	334		596				819	
Revenue from development grants	1,158		1,068				2,640	
Others	819		574				1,448	
Non-operating expenses								
Interest expenses	221		173				420	
Foreign currency translation loss	1,579		1,058				3,374	
Loss on equity method	323		-				585	
Others	224		215				565	
Ordinary income	58,204	14.9	95,795	20.1	37,591	64.6	143,940	16.9
Unusual or infrequent profit								
Gain on sale of fixed assets:	137		2,269				416	
Gain on reversal of subscription rights to share:	526		466				526	
Others	9		40				1,777	
Unusual or infrequent loss								
Loss on proceeds or disposal of fixed assets:	235		370				834	
Loss on devaluation of investments in securities:	146		-				-	
Others	0		-				1,413	
Income before income taxes	58,494	15.0	98,201	20.6	39,707	67.9	144,414	17.0
Provision for income taxes and enterprise tax:	21,000	5.4	35,256	7.4			60,132	7.1
Deferred income taxes	-	-	-	-			(7,534)	(0.9)
Minority interests	268	0.1	482	0.1			553	0.1
Net income	37,225	9.5	62,463	13.1	25,238	67.8	91,262	10.7

Consolidated Statements of Net Assets

(Millions of yen)

4/1/06-9/30/06

	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			(5,348)		(5,348)
Bonuses to directors and statutory auditors			(331)		(331)
Net income			37,225		37,225
Repurchases of treasury stocks				(17)	(17)
Disposal of treasury stocks		80		1,006	1,086
Net increase/decrease during the term					
Total increase/decrease during the term under the review	-	80	31,545	989	32,615
Balance 9/30/06	54,961	78,159	281,483	(14,127)	400,476

	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							(5,348)
Bonuses to directors and statutory auditors							(331)
Net income							37,225
Repurchases of treasury stocks							(17)
Disposal of treasury stocks							1,086
Net increase/decrease during the term	(1,071)	(339)	670	(740)	(494)	151	(1,083)
Total increase/decrease during the term under the review	(1,071)	(339)	670	(740)	(494)	151	31,532
Balance 9/30/06	4,046	(339)	4,591	8,298	519	4,872	414,167

Consolidated Statements of Net Assets

(Millions of yen)

4/1/07-9/30/07

	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			(10,906)		(10,906)
Net income			62,463		62,463
Repurchases of treasury stocks				(29)	(29)
Disposal of treasury stocks		45		756	801
Net increase/decrease during the term					
Total increase/decrease during the term under the review	-	45	51,556	726	52,328
Balance 9/30/07	54,961	78,391	379,583	(11,441)	501,495

	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							(10,906)
Net income							62,463
Repurchases of treasury stocks							(29)
Disposal of treasury stocks							801
Net increase/decrease during the term	(2,100)	177	(148)	(2,071)	(318)	339	(2,050)
Total increase/decrease during the term under the review	(2,100)	177	(148)	(2,071)	(318)	339	50,278
Balance 9/30/07	3,752	0	5,184	8,937	265	9,391	520,089

Consolidated Statements of Net Assets

(Millions of yen)

4/1/06-3/31/07

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

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

Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase (decrease)	Year ended March 31, 2007
	Amount	Amount	Amount	Amount
I Cash flow from operating activities				
Income before income taxes	58,494	98,201	39,707	144,414
Depreciation and amortization	8,800	9,801	1,001	18,820
Amortization of goodwill	800	800	-	1,974
Increase in accrued pension and severance costs	645	1,939	1,293	1,975
Decrease in prepaid pension expense (increase)	-	(2,259)	(2,259)	(965)
Increase in accrued employees' bonuses (decrease)	(1,481)	576	2,058	3,900
Increase in accrued warranty expenses (decrease)	1,200	(222)	(1,422)	1,613
Interest and dividend revenue	(387)	(625)	(237)	(910)
Interest expenses	221	173	(47)	420
Loss on sale of fixed assets (gain)	(123)	(2,243)	(2,119)	(302)
Loss on disposal of fixed assets	221	343	122	719
Gain on reversal of subscription rights to shares	(526)	(466)	59	(526)
Decrease in trade notes and accounts receivable (increase)	(29,720)	(38,296)	(8,575)	(58,352)
Decrease in inventories (increase)	(19,556)	(1,479)	18,076	(31,584)
Increase in accounts payable (decrease)	5,491	(17,430)	(22,921)	17,236
Decrease in prepaid consumption tax (increase)	4,700	4,490	(209)	(1,774)
Increase in customer advances (decrease)	(3,510)	14,052	17,562	(12,459)
Others	2,258	(3,044)	(5,303)	7,482
Subtotal	27,526	64,312	36,785	91,681
Receipts from interest and dividends	345	597	252	853
Interest paid	(254)	(186)	67	(452)
Income taxes paid	(23,158)	(44,169)	(21,010)	(37,785)
Net cash generated by operating activities	4,459	20,554	16,095	54,296
II Cash flow from investing activities				
Payment into time deposits	(30,000)	-	30,000	(30,000)
Payment for purchase of tangible fixed assets	(8,725)	(10,141)	(1,416)	(25,153)
Proceeds from sale of tangible fixed assets	474	4,308	3,833	1,068
Payment for acquisition of intangible fixed assets	(891)	(2,458)	(1,567)	(2,462)
Others	(281)	(240)	41	31,254
Net cash used in investing activities	(39,424)	(8,532)	30,891	(25,293)
III Cash flow from financing activities				
Net increase in short-term borrowings (decrease)	826	(613)	(1,440)	(404)
Redemption of straight bonds	(24,500)	(5,500)	19,000	(24,500)
Net decrease in treasury stock (increase)	1,069	771	(298)	3,216
Dividends paid	(5,348)	(10,906)	(5,558)	(12,843)
Others	(104)	(141)	(36)	(188)
Net cash generated by financing activities	(28,056)	(16,390)	11,666	(34,719)
IV Foreign currency translation difference in cash and cash equivalents	60	(82)	(143)	81
V Net increase in cash and cash equivalents (decrease)	(62,961)	(4,451)	58,509	(5,634)
VI Cash and cash equivalents at the beginning of the period	140,023	134,389	(5,634)	140,023
VII Cash and cash equivalents at the end of the period	77,062	129,938	52,875	134,389

Segment Information

Information by business segment

(Millions of yen)

Six months ended September 30, 2006 (4/1/06 - 9/30/06)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	337,060	53,502	390,562	-	390,562
(2) Intersegment sales or transfers	1,424	593	2,018	(2,018)	-
Total	338,484	54,096	392,581	(2,018)	390,562
Operating expenses	282,166	52,150	334,317	(1,995)	332,321
Operating income	56,318	1,945	58,263	(23)	58,240

(Millions of yen)

Six months ended September 30, 2007 (4/1/07 - 9/30/07)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	423,106	53,271	476,377	-	476,377
(2) Intersegment sales or transfers	542	542	1,084	(1,084)	-
Total	423,648	53,813	477,462	(1,084)	476,377
Operating expenses	330,476	51,997	382,473	(1,101)	381,372
Operating income	93,172	1,816	94,988	16	95,005

(Millions of yen)

Year ended March 31, 2007 (4/1/06 - 3/31/07)					
	Industrial electronic equipment	Electronic components and computer networks	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	744,512	107,462	851,975	-	851,975
(2) Intersegment sales or transfers	2,381	1,247	3,628	(3,628)	-
Total	746,893	108,709	855,603	(3,628)	851,975
Operating expenses	606,539	104,739	711,279	(3,282)	707,996
Operating income	140,354	3,969	144,324	(345)	143,978

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, boards, software, other electronic components, computer systems and networks

3. Starting from the second half of the previous fiscal year, "Computer Networks", which previously were included in the "Industrial Electronic Equipment" segment, was incorporated into the "Electronic Components" segment, which has been renamed the "Electronic Components and Computer Networks" segment. Also the first half of previous fiscal year (4/1/06 - 9/30/06), they are indicated according to the new segmentation.