Thanks to the support of our stakeholders, we are preparing to celebrate the 40th anniversary of Tokyo Electron (TEL)’s founding. Over the past 40 years, TEL has changed and grown along with the development of the electronics industry. Particularly in the latter part of the 1990s, our business expanded rapidly with globalization proceeding at a blazing pace driven by the so-called information technology (IT) revolution. By the time it hit its peak in 2000, the electronics market had grown to a substantial size.

Amid the emergence of new business models such as the foundry business and the massive globalization trend, TEL has achieved an extremely high growth rate while also developing an infrastructure of networks and human resources to support its expansion drive in global markets. It is also fair to say that, were it not for this rapid development of globalization, we would not have developed our current broad business scope and high competitiveness.

**Structural Reforms for Further Innovation**

Surging market growth as well as overestimated demand forecasts and expectations all led to the IT bubble burst and the current period of adjustment. Even in light of this, there has been no change in our conviction that the electronics industry and its core component, the semiconductor industry, will continue to advance in the medium- to long-term and still has high growth potential. However, looking at demand for digital consumer products, which are expected to replace personal computers (PCs) as the drivers of growth in semiconductor applications, it is difficult to see how they will be able to cover the drop in demand caused by the slump in the PC and communications devices market in the short term. Consequently, we view strategies premised on the continuation of the high growth rates of the past as being risky at this time.

Based on this view, TEL has committed itself to the following two actions and intends to push forward with them aggressively.

- Discarding non-performing assets at the end of the fiscal year ended March 31, 2003 and undertaking substantial structural reform in this fiscal year, we are building quick and efficient but strong operations in all aspects of our business—research and development (R&D), manufacturing, sales, and service.

- For real success, the new generation of TEL employees will build our future by carrying out the above actions by crystallizing and redirecting their energy, under new top management with the intention to create a new company. TEL has a tradition that all employees accept generation change and work together to accomplish new goals. We will rely on this corporate culture to move us into the next phase of our business.

Following the general shareholders’ meeting in June, Mr. Kiyoshi Sato assumes the position of President &CEO. He is an excellent choice to be our new leader. He brings extensive experience in Japan and overseas as well as energetic vigor to bear on our restructuring process and on our pursuit of maximum corporate value. As Chairman of the Board and representative director, I will be focusing my energies on determining basic business policies, the creation of medium- to long-term business strategies and supporting the new executive officers through activities of customer, industry and investor relations. Through these activities, I intend to press forward with the further development of TEL and achieving greater shareholder satisfaction. In this new role, I look forward to your continued support.

I will leave to Mr. Sato the reporting of TEL’s performance in the past fiscal year, its perspectives for the current fiscal year, and a summary of the reforms being undertaken.