

INTELLECTUAL PROPERTY REPORT

Process and mechatronic technologies used in the manufacture of semiconductors and flat panel displays represent Tokyo Electron's core technologies. Tokyo Electron devotes considerable resources to developing technologies that bolster the competitiveness of its products. As part of its efforts to drive growth, Tokyo Electron is promoting three themes: (1) bolstering development of new technologies to create and expand sales of new products (2) enhancing cost competitiveness through highly efficient manufacturing, and (3) expanding operational scale by entering new businesses domains. In pursuing these strategies, it is vital to protect the intellectual property rights of independently developed proprietary technologies and products to ensure the smooth growth of businesses. The integration of our intellectual property strategy with our technological and product strategies is thus important to realizing maximum benefits from development efforts.

Recently, the needs of device manufacturers, our customers, have been diversifying, and also they are emphasizing reliable process performance and higher productivity on products. Consequently, the role of equipment manufacturers such as Tokyo Electron in developing semiconductor manufacturing technology is increasing. Within this context, Tokyo Electron strives to bolster the protection of its intellectual property by actively filing patent applications for equipment recipe, software technologies, process management technologies for various types of manufacturing equipment, and other technologies.

Policies on Acquiring and Managing Intellectual Property, Managing Trade Secrets and Preventing Technology Leakage

Tokyo Electron has a set of internal rules that define the management of its intellectual property. Under these rules, Tokyo Electron provides compensation for employees who have invented or created something new through their work within the Company. We make lump-sum payments when applications are submitted for patents, utility model rights, designs and other property rights. Compensation is also given if such creations are implemented at Tokyo Electron or licensed to third parties.

Management of trade secrets is rigorous, conducted according to Tokyo Electron's "Internal Rules on Managing Technology and Marketing Information" and "Manual for Managing Technology and Marketing Information." The provisions of these measures are approximately equivalent to those of the government's "Policies Regarding Managing Trade Secrets" and "Policies Regarding the Prevention of Technology Leakage" (both issued by the Ministry of Economy, Trade and Industry). Furthermore, to raise the effectiveness of trade secret management, Tokyo Electron runs an in-house training program and monitors the subsequent status of trade secret handling to ensure strict adherence to the rules.

Status of Intellectual Property Application

The graph in this section shows historical data on the number of patent applications filed worldwide by Tokyo Electron up to the end of March 2008. While Tokyo Electron is already striving to be more selective overall in the patents it acquires, both in Japan and overseas, it is now reviewing its strategy regarding countries in which the applications are filed, including Japan, considering the locations of our operating divisions' key manufacturing bases and markets.

Specifically, in addition to the recent emphasis on filing applications in the U.S., we are also filing more applications in China, South Korea, Taiwan and other countries as a countermeasure against emerging competitors, mainly in East Asia.

Contribution of License-related Activities

In building and implementing our intellectual property rights strategy, we do not see intellectual property rights acquired by filing applications and securing rights for proprietary products and developed technologies as a source of income from licensing to other companies. Rather, we view this as a method of differentiating our own products and bolstering our competitive advantages. Semiconductor and FPD manufacturing technologies are becoming increasingly advanced and sophisticated. To effectively develop new products incorporating leading-edge technologies, and bring them to market as quickly as possible, it is essential to utilize all available intellectual properties. Tokyo Electron places high value on introducing cutting-edge technology and constantly enhancing the efficiency of research and development, and on quickly launching new products. We also respect the intellectual property rights of others, just as we do our own, and effectively use them through licensing. Tokyo Electron is also exploring the feasibility of licensing or selling its proprietary technology to third parties in other business fields and to cooperating partners.

External Recognition

Tokyo Electron placed first in SBI Intechstra Co., Ltd.'s ranking of best performers in terms of technological competitiveness, determined using the company's proprietary index, called PCI® (Patent Competency Index). Tokyo Electron earned plaudits for investing heavily in research and development to produce high-quality results, and achieving a competitive edge by producing outstanding technologies of interest to other companies.

On April 18, 2008 (Inventors' Day in Japan), Tokyo Electron was awarded the Japan Patent Office's 2008 Minister of Economy, Trade and Industry's Award for Contribution to Intellectual Property. Tokyo Electron was commended particularly for its high patent approval rate and high proportion of global applications, as well as for its efforts to pursue strategic intellectual property initiatives led by the Vice Chairman of the Board, who is responsible for legal and intellectual property-related activities.

Number of Patent Applications

