



Environmental and Social Report 2012

Tokyo Electron—Part of Your Everyday Life

Tokyo Electron Limited (TEL) technologies help resolve environmental issues by improving the performance and reducing the energy usage of products made by our customers. Semiconductor and flat panel display (FPD) components manufactured by our customers can be found inside a wide range of electronic products that you come into contact with every day.



FPDs

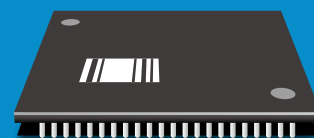
A display used in personal computers and LCD TVs to reproduce beautiful, crisp images. Tokyo Electron offers FPD production equipment, as well as reliable technical support, to LCD panel makers. The Company's leading-edge products and technologies meet our customers' ever-increasing demands for high-quality and low-cost solutions.



Impressio™

FPD Plasma Etch/Ash System

Removes unwanted portions of film to achieve required patterns on substrates.



Semiconductors



CLEAN TRACK™ LITHIUS Pro™ V-i

Coater/developer

Coats and develops wafers with photoresist.



CELLESTA™-i

Single Wafer Cleaning System

Removes contaminants from the wafer surface by chemical cleaning.



Tactras™ Vigus™

Plasma Etch System

Removes unnecessary materials from the wafer surface for pattern formation.

CONTENTS

CONTENTS	p. 2
Tokyo Electron Corporate Philosophy/Editorial Policy	p. 3
Message from the President	p. 4

▶ Highlight

Developing a Global R&D Network to Stay Close to Our Customers and Expanding into New Business Areas	p. 6
Kunshan Plant in Jiangsu, China, Starts Operations	p. 8
New Environment Vision of Tokyo Electron	p. 10

▶ Management Report

Corporate Governance	p. 12
Compliance	p. 13

▶ EHS Report

EHS Management	p. 14
Product-related Initiatives for the Environment	p. 16
Plant and Office Initiatives for the Environment	p. 20
Health and Safety Initiatives	p. 24

▶ Social Report

Relationship with Customers and Suppliers	p. 26
Relationship with Shareholders and Investors	p. 27
Relationship with Employees	p. 28
Relationship with Local Communities (Corporate Citizenship)	p. 30

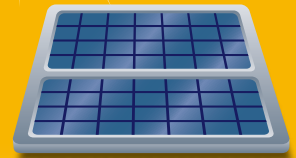
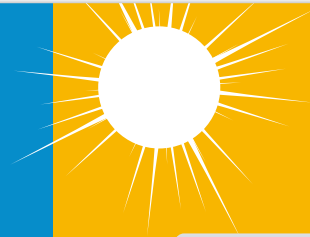
Comments from a Third-Party Expert/Response to the Third-Party Comment	p. 34
Corporate Profile/TEL Values	p. 35

Corporate Philosophy

- ▶ Provide high-value products and services around the world that help people to lead healthy and enriched lives.
- ▶ Demonstrate consistent leadership as a world-class company by creating hope for the future and addressing environmental problems.
- ▶ Share a sense of mission with all Tokyo Electron employees, and become an energetic, dynamic and creative company.



Semiconductors are a key component of personal computers, mobile phones and other electronic products. Tokyo Electron offers a wide range of vital semiconductor production equipment and superior technical support to semiconductor manufacturers around the world. Our highly productive products and technologies respond to diverse customer needs and play an essential role in the production of increasingly complex semiconductors.



Photovoltaic Panels

Photovoltaic power is often considered to be the most promising renewable energy source. Based on a determination to address environmental problems through our technological prowess, Tokyo Electron is strengthening its photovoltaic panel production equipment segment so that it can serve as a new pillar of our business.



TELINDY PLUS™
Thermal Processing System

Forms silicon dioxide and nitride films on the wafer surface.



Triase+™
Single Wafer CVD System

Deposits various types of film on the wafer surface using a chemical vapor deposition (CVD) technique.



Precio™
Wafer Prober

Provides testing of finished devices to determine their functionality and performance.

Photovoltaic Panel Production Equipment

The Tokyo Electron Group's major focus is on thin-film silicon photovoltaic panels, a type of photovoltaic panels on which silicon thin-films are deposited on glass substrates.

Editorial Policy

This report is intended to provide information on social responsibility activities conducted by the Tokyo Electron Group, especially those involving the global environment and society. While previous issues of this report have focused mainly on activities in Japan, this year's edition also covers the Group's overseas activities, which are promoted in earnest by the Group alongside the internationalization of its business.

The *Highlights* included in this report are presented with the aim of helping readers to deepen their understanding of how the Group fulfills its social responsibility through its businesses. Furthermore, because the 2015 targets set under Tokyo Electron's environmental commitment are expected to be achieved ahead of schedule, we have established new goals under the new Environment Vision in the *Highlights*.

It is our hope that this report will serve to strengthen communication between the Tokyo Electron Group and all its stakeholders, including the public, and we hope to make use of such communication in our future activities. We welcome your direct feedback and opinions of this report using the questionnaire form provided.

The results of the Tokyo Electron Group's environmental accounting for fiscal 2012 are available (in Japanese) on our website:



<http://www.tel.com/environment/ehsreport/index.htm>

Scope of Report

Tokyo Electron Group
(Tokyo Electron and its subsidiary/affiliated companies in Japan and overseas)

Period Covered

Fiscal 2012 (April 1, 2011 – March 31, 2012). However, some information for fiscal 2013 has also been included.

Publication Timing

Publication of this report:
September 2012 (Japanese), November 2012 (English)
Publication of the next report:
September 2013 (planned) (Japanese), November 2013 (English)
Publication of the previous report:
September 2011 (Japanese), November 2011 (English)

Guidelines Referred to in Preparing this Report

- *Environmental Reporting Guidelines 2012* issued by Japan's Ministry of the Environment
- *Sustainability Reporting Guidelines Version 3.1* published by the Global Reporting Initiative (GRI)

Message from the President

Creating Hope for the Future—Utilizing Our Advanced Technologies to Contribute to Social Development



Celebrating Our 50th Anniversary

The year 2012 marks the 50th anniversary of the Tokyo Electron Group. I would like to take this opportunity to thank all our stakeholders for their support in our pursuit of excellence.

The Tokyo Electron Group manufactures production equipment and delivers tangible value to industrial customers through technical solutions and services. We are committed to helping enrich people's lives, helping achieve a society that offers boundless opportunities, and using our proprietary technologies to address environmental challenges. All our officers and employees share this commitment and are working together to make Tokyo Electron a visionary and innovative company full of energy.

Over the past year, the Japanese economy has faced enormous challenges from external forces, such as the need to rebuild communities and industries damaged by the Great East Japan Earthquake, the yen's appreciation to a record level, and the financial crisis in Europe. In this challenging environment, the Tokyo Electron Group—never losing sight of its vision of making environmental and social contributions—built up its current business lines while aggressively investing in laying the groundwork for long-term growth. Our major investment projects during fiscal 2012 included building additional plants and technology centers in Japan and abroad as well as acquiring foreign-based technology companies. We are ready to continue offering our customers tangible value.

—Semiconductor Production Equipment

The Tokyo Electron Group built a new plant in Miyagi Prefecture in October 2011 to expand our core etching system business. We also began operating two new technology centers—one in Taiwan in 2010 and the other in South Korea in April 2012—in addition to those we already have in Japan and the United States. These two additional technology centers, with their close proximity to our major customers in the fast-growing Asian market, enable us to work with those customers from an early stage of their R&D projects and to timely develop a new generation of production equipment tailored to meet their needs. Furthermore, in May 2012, we acquired U.S.-based NEXX Systems, Inc. to leverage its technological expertise to expand our position and business in the growing field of advanced semiconductor packaging.

In our core segment of semiconductor production equipment, the key to successful business growth is to be quick to understand customers' needs and incorporate them into product development using our proprietary technologies. As the limits to the miniaturization of chips are getting closer, expectations are increasing in the market for innovation in the structures of and materials used for semiconductors. To meet these expectations, we are expanding our offerings of production equipment for three-dimensional packaging, and are working with Tohoku University to develop production equipment for STT-MRAM, a next-generation memory device of groundbreaking design.

—Flat-Panel Display Production Equipment

To meet fast-growing demand for flat-panel displays (FPDs) in China, we began manufacturing production equipment for FPDs in our new plant in Kunshan, China, in March 2012.

FPD manufacturers are having an increasingly hard time differentiating their liquid crystal display (LCD) TV products from the competition, and are looking to organic light-emitting diode (OLED) TVs as the future of FPDs—for they outperform LCD TVs in terms of response time, color reproducibility, lightness, thinness, and low power consumption. We will step up our efforts to develop much-anticipated equipment for mass-producing large OLED displays.

—Photovoltaic Panel Production Equipment

The Tokyo Electron Group leverages its technological prowess in production equipment to develop equipment for producing thin-film silicon photovoltaic (PV) panels. As thin-film silicon PV panels are less material-intensive than other PV panel designs, innovation in production equipment will enable better-performing PV panels to be made at lower costs. Furthermore, thin-film silicon PV panels are seen as one of the ideal key components to build large solar farms, and represent a huge potential for increased demand. To accelerate our efforts to expand our photovoltaic panel production equipment business, we acquired Swiss-based Oerlikon Solar in March 2012. In addition, a new technology center we built in Tsukuba, Ibaraki Prefecture in March 2012 has begun to work with universities and government-affiliated research institutions concentrated in the area to bring the performance of PV panels to a new level.

Becoming a Global Company That Leverages its Technological Prowess to Address Environmental Challenges

The Tokyo Electron Group announced its environmental commitment under the slogan “Technology for Eco Life” in May 2008. Our goals are to reduce the environmental impact associated with our manufacturing and distribution operations by half from the fiscal 2008 level by the end of March 31, 2015, and to help our industrial customers half their total environmental impact in their factories during the same time frame. Now that we are well on track to achieve these goals, we will establish a set of new goals for beyond 2015.

Becoming a Company in Which All Employees Are Full of Energy and Passion

Throughout its history of 50 years, the Tokyo Electron Group has held to the belief that its employees are the company’s most valuable assets. When employees are full of energy and passion, they are ready to take on challenging tasks and accomplish them. To make our employees feel more proud of the company, we have been aggressively investing in building the Tokyo Electron brand since 2010. Moreover, as more people have a better idea of who we are and what we do, we are attracting an increasing number of talented people from diverse backgrounds. We will continue to upgrade our workplace environment so that employees can comfortably play their roles in keeping the company on a track of growth.

Community Investment

The Tokyo Electron Group strives to be a good corporate citizen by maintaining close ties with the communities in which we operate. We are engaged in a variety of community outreach programs so as to build and retain relationships of trust with local residents and to coevolve with society. As the scope of our business is becoming increasingly global, our community investment efforts to establish coevolving relationships with local communities are also going global—from Japan to other Asian countries to Europe and the United States.

The management vision that the Tokyo Electron Group has embraced over the past 50 years and will continue to embrace is focused on: (1) staying on the leading edge of R&D prowess in the global arena; (2) earning and retaining the complete trust of customers; and (3) motivating employees to achieve their potential and meet organizational objectives.

As we celebrate our 50th anniversary, we have a renewed commitment to listening to what our stakeholders have to say to us and making positive contributions to the growth of society over the next fifty years. We appreciate your support in our endeavor.



Hiroshi Takenaka
President & CEO
Tokyo Electron Limited

Developing a Global R&D Network to Stay Close to Our Customers and Expanding into New Business Areas

Tokyo Electron is expanding its R&D network worldwide in a variety of fields

● Tokyo Electron's R&D centers
● Partner research organizations



Ensuring timely delivery of products from a location close to customers

In order to ensure timely delivery of necessary products to customers, it is important to establish R&D centers at locations adjacent to them and to maintain close cooperation to expedite the commercialization of technology.

In addition to a technology center established in Hsinchu City, Taiwan in 2010, we also opened a process technology center in South Korea and a technology center in Tsukuba City, Ibaraki Prefecture in 2012 to enhance our ability to meet customers' needs promptly.

The development of the most advanced technology requires the creation of novel concepts through the synthesis of technical knowledge from various fields, making it necessary to leverage

external sources of expertise. Tokyo Electron is actively promoting collaboration with universities and research consortiums such as SEMATECH and imec for basic research. The establishment of the Tokyo Electron Technology Center Tsukuba has also opened up the way for joint projects with research institutes clustered in Tsukuba City, allowing us to work together in R&D on new semiconductor materials and photovoltaic power generation as well as on the creation of new technological seeds.

These R&D efforts are expected to bear fruit over the next five to 10 years and yield products that will drive the company's continued growth.

Tokyo Electron Technology Center Tsukuba

- Location : Tsukuba City, Ibaraki Prefecture, Japan
- Floor area : 13,234 m²
- Construction began/completed:
August 2011/March 2012
- Activities : Research and development of photovoltaic panel production equipment technology and semiconductor production equipment technology
- Number of employees:
Approx. 110 (plan for the first fiscal year)



The acquisition of NEXX Systems—Paving the way to providing exceptional opportunities in the emerging 3D interconnect technology arena for energy-saving electronic devices

Amid the explosive growth of multifunctional mobile devices, such as smartphones and tablets, it has become critical to produce thinner and smaller devices that consume less power. Advanced packaging technologies address these needs. From flip chip bumping to through silicon vias (TSV), wafer level packaging has emerged as the fastest growing semiconductor packaging arena.

Flip chip is a method for interconnecting semiconductor devices, such as IC chips, to external circuitry with solder bumps that have been deposited onto the chip parts. The solder bumps are deposited on the top side of the wafer during the final wafer processing step. This is an innovative departure from conventional wire bonding, in which wires are used to interconnect the chip pads to external circuitry. The resulting completed flip chip assembly is much smaller and shorter in height than a traditional wire bonding system. The short interconnects greatly

reduce inductance, allowing higher-speed signals and conducting heat better. The wafer level packaging processing equipment market, which includes flip chip bumping and TSV, is expected to grow at an annual rate of more than 30 percent in the coming five years.

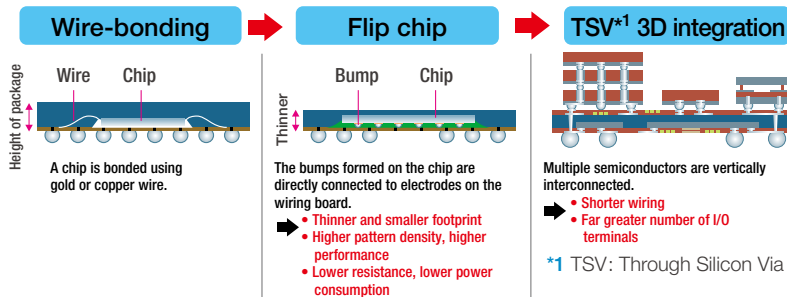
Tokyo Electron's acquisition of NEXX will expand its position in advanced packaging to include electrochemical deposition (ECD) and physical vapor deposition (PVD) systems that have won awards for their outstanding performance, low cost of ownership, development flexibility, and their extendibility to future applications.

Integrating NEXX's applications with Tokyo Electron's broad product line-up and leading global support will enable the company to grow its business portfolio while continuing to offer the best solutions to customers. NEXX Systems, a wholly-owned subsidiary of Tokyo Electron US Holdings, Inc., changed its name to TEL NEXX, Inc. on May 1, 2012.

TEL NEXX's advanced wafer-level packaging technology

TEL NEXX's metal deposition technology enables the formation of not only electrode bumps but also TSV electrodes for 3D packaging on the wafer, with excellent cost performance.

Development of packaging technology



TEL NEXX, Inc.

- Location : United States
- Number of employees : 153 (as of June 2012)



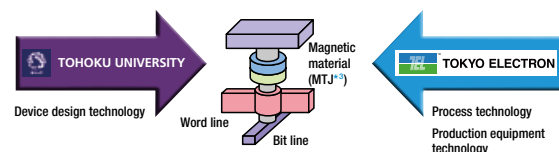
Joint development project with Tohoku University

Tokyo Electron will participate in STT-MRAM (magnetic memory) research and development led by Prof. Tetsuo Endoh of Tohoku University's Graduate School of Engineering as part of a program to be implemented at the International Academic-Industrial Collaboration Center for Integrated Electronics Research and Development (provisional name), which Tohoku University plans to open in the spring of 2013. The Company will engage in the development of manufacturing equipment technology.

Tokyo Electron has been working with Prof. Endoh on the development of STT-MRAM production equipment technology and integration technology since December 2011. Under the upcoming program, we will further develop this partnership, provide the Center with products, and aim to quickly establish manufacturing equipment technology and integration technology for the production of STT-MRAM, which is attracting attention as a next-generation memory device.

Advantages of STT-MRAM*2 (spintronics memory)

- Uses magnetic materials for the semiconductor.
- Realizes lower power consumption for servers, PCs, mobile phones, and other devices.
- Maintains data without power supply (non-volatile).



Courtesy of Prof. Tetsuo Endoh, Tohoku University

*2 STT-MRAM: Spin Transfer Torque-Magneto-resistive Random Access Memory

*3 MTJ: Magnetic Tunnel Junction

Kunshan Plant in Jiangsu, China, Starts Operations



Tokyo Electron will contribute to the development of the Chinese panel display industry by engaging in the production of flat panel display (FPD) production equipment and maintenance of components in China

Purpose of the establishment of a new plant in China

The Tokyo Electron Group has established a new production site for its flat panel display (FPD) business in Jiangsu, China. Previously, we manufactured all FPD production equipment and service parts in Japan. We decided to break with tradition, however, and build a new plant in China in order to meet the rapidly increasing Chinese demand for production equipment in a more timely manner while improving our cost structure. The plant consists of two buildings—one for production and one for administration—with a combined floor area of 28,246 m². In the beginning, the plant will only undertake periodic maintenance but

will gradually expand operations to include alteration and partial manufacturing of production equipment. While maintaining the R&D function for differentiating technologies in Japan, we will make the most of the new plant in China to flexibly respond to the needs of the quickly expanding Chinese market and enhance our competitive advantage.

By pushing for the plant's ongoing growth and success, we will contribute to the prosperity of Kunshan City and the development of the Chinese panel display industry.

TEL Kunshan Plant in Jiangsu, China

- Company name: Tokyo Electron (Kunshan) Limited
- Location : No.8, Dongguang Road, Kunshan Economic & Technical Development Zone Jiangsu, China
- Activities : Manufacture of flat panel display (FPD) production equipment and maintenance of components
- Construction began/completed: January 2011/March 2012
- Floor area : 28,246 m²



About 350 local government officers and Tokyo Electron Group personnel attended the opening ceremony, marking the completion of the new plant in a celebratory mood helped along by *shishimai* (lion dance) and other performances.

Meeting customers' requirements in a timely manner

One of the services provided by the new plant is periodic maintenance of FPD production equipment. The plant's proximity to customers allows us to conduct maintenance in such a way as to meet customer requirements in a more timely manner. The regular and proper maintenance service also ensures that our equipment will maintain its quality and be able to be used by our customers for as long as possible. The new plant also eliminates the need to transport consumables and spare parts to Japan for repair, thereby helping reduce the environmental impact of our logistics.



Manufacturing facilities at the new plant
(large processing machines)

Environmental considerations incorporated from the planning stage

Various environmental considerations, such as the need for energy and resource saving, were incorporated from the planning stage of the new plant. One such example is a system that collects waste heat from various facilities and reuses it in air-conditioning to save energy. The plant is also equipped with a system that allows us to reuse surplus water amounting to roughly 2,000 m³ annually that is generated from pure water production as wash water. In addition, the skylights, installed as smoke vents, let in plenty of outside light to help create a bright work environment.

With regard to waste liquid containing chemical substances, we not only ensure that its generation is minimized, but also that it is treated carefully and that the level of chemical substances contained in wastewater is strictly controlled before discharge.

*1 RO: Reverse osmosis operation



RO*1 water treatment room



Synthetic wastewater treatment facility



Pure water production equipment



Liquid chemicals storage tanks

Tokyo Electron's first plant in China

Tokyo Electron (Kunshan) Limited was established as the Tokyo Electron Group's first plant in China in order to deliver products to the rapidly growing Chinese market. The first products shipped from the plant are pieces of FPD production equipment and related service components. Our mission is to enhance the satisfaction level and win the trust of our 10 FPD manufacturer customers, who between them operate more than 20 factories.

With various environmental measures incorporated from the planning stage, the new plant is designed to meet very stringent environmental regulations in China. China is working very hard on environmental protection and strictly monitors companies' compliance with national and local regulation standards. The most demanding regulations are those concerning wastewater and atmospheric emissions. Understanding this, we have installed anodizing*2 and thermal spraying facilities at the new plant that offer the highest standard of treatment quality.

With this new plant, which meets China's stringent environmental regulations, we aim to win the trust and satisfaction of local customers through Tokyo Electron's characteristic excellence in QCD (Quality, Cost and Delivery).

*2 Anodizing: A process by which aluminum is made more corrosion- and wear-resistant

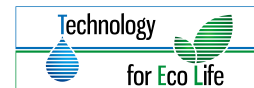


Yoichi Kurono
President
Tokyo Electron (Kunshan) Limited

New Environment Vision of Tokyo Electron

The Tokyo Electron Group has been working on various environmental activities at customers' factories, as well as within the Group itself, with the aim of reducing environmental impacts by 50% over the baseline year of fiscal 2008 by the end of March 2015. However, because this goal is expected to be achieved ahead of schedule in fiscal 2012 (see p. 15), we have decided to establish a new Environment Vision and set new environmental goals to expand the scope of the activities by making our efforts more multifaceted.

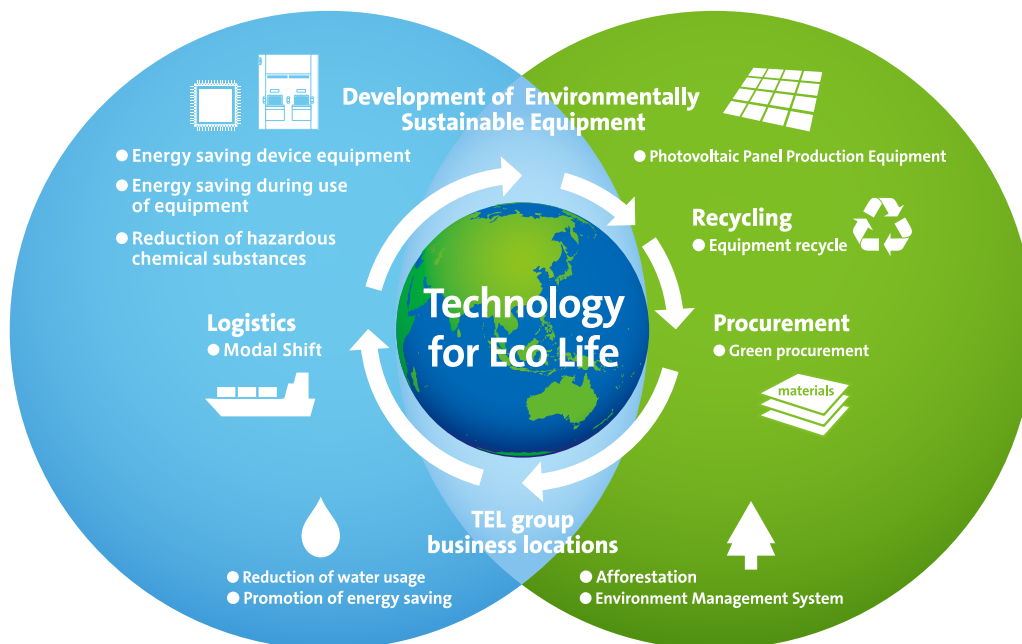
Technology for Eco Life



Addressing environmental issues with technology

The Tokyo Electron Group conducts activities with the primary goal of taking care of the earth and developing a sustainable society. The Group embraces the policy of "Technology for Eco Life; working to solve environmental problems with technology" at the core of our activities.

Global Company Serving the Planet by Providing Environmentally Sustainable Technology



TEL Environment Vision

Decreasing global environmental impact

We conduct activities to help prevent global climate change and to embrace the conservation of resources, the appropriate management and reduction of chemical substances, and the conservation of biodiversity

Decrease comprehensive environmental impact by half in factories of our customers

It is our primary goal to decrease the comprehensive environmental impact by half in our customers' factories. We contribute to building an earth-conscious society with our customers by providing our advanced technology and services.

Environmental management with high transparency

We conduct environmental management with high transparency and make efforts to create a corporation that is widely accepted by the world as a positive and environmentally sustainable member of society.

New environmental goals

Based on the Environment Vision specified on the opposite page, we have set new environmental goals in the four areas of “Products,” “Plants and offices,” “Procurement and logistics,” and “Environment management.” By keeping our “Technology for Eco Life; working to solve environmental problems with technology” policy at the core of our activities, we will continue to drive our initiatives even more vigorously as a global company serving the planet by providing environmentally sustainable equipment technology.

Products

Action	Medium- to long-term goals
Reduction of environmental impact of products	Reduce power consumption of major models of each business unit by 50% over the fiscal 2008 level by the end of fiscal 2015.
Compatibility with Chinese RoHS	Continue to ensure products' compatibility with the Chinese labeling standard.
Compliance with environmental regulations of each country	Continue to ensure products' compliance with the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) framework as well as with labeling requirements based on the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) and battery regulations of each country.
Voluntary standard based on the EU's RoHS	Continue to ensure that major models of each business unit contain 98.5% or more parts that meet the EU's Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS).

Plants and offices

Action	Fiscal 2013 goal	Medium- to long-term goals
Promotion of energy conservation	Reduce by 1% over the fiscal 2012 level.	Reduce by 1% on a per-unit basis over the fiscal 2012 level. Evaluate in a comprehensive manner based on a per-unit standard appropriate to the situation of each plant and office. See p. 20
Reduction of water consumption	Maintain the fiscal 2012 level.	Maintain the fiscal 2012 level. Evaluate in a comprehensive manner based on a per-unit standard appropriate to the situation of each plant and office. See p. 21
Recycling of waste		Maintain a recycling rate of 97% or more. Continue to achieve zero emissions. See p. 22

• The above goals are applicable only in Japan. The goals for overseas locations will be determined upon consultation in or after fiscal 2013.

Procurement and logistics

Action	Fiscal 2013 goal	Medium- to long-term goals
Green procurement	Revise the lists of prohibited and restricted substances.	Continue to implement strict control over the use of chemical substances in equipment. Strengthen the link with suppliers' environmental management systems.
Reduction of environmental impact of logistics		Promote a modal shift. Continue monitoring.

Environmental management

Action	Fiscal 2013 goal	Medium- to long-term goals
Environmental management system		Continue to obtain ISO 14001 certification for the Group's plants.
Environmental education	Formulate and implement an education program (Japan only).	Implement throughout the Group.
Environmental communication		Continue to publish and enhance Environmental and Social Reports.
Biodiversity	Determine a policy and formulate a plan upon investigation and examination.	Start activities from fiscal 2014 upon investigation and examination.



Hirofumi Kitayama
Representative Director
Executive Vice President
General Manager
Manufacturing Division (Quality)
Tokyo Electron Limited

We will continue using technology to address environmental problems in order to meet the expectations of stakeholders

The conservation and continuous improvement of the global environment is one of our priority issues. Based on this recognition, we are working to decrease environmental impacts through technology. Although our environmental goals have been renewed, our most important environmental missions remain the same: reducing the power consumption and CO₂ emissions of our products during their operation at our customers' factories. By delivering such environmentally sustainable products, we will strive to achieve the revised goals in order to maintain the trust of our stakeholders.

Corporate Governance

- The Tokyo Electron Group is strengthening its corporate governance as well as improving and reinforcing its internal control system and risk management system with the aim of maximizing its corporate value.

● Corporate governance policies

In order to maximize corporate value and enhance shareholder satisfaction, the Tokyo Electron Group is endeavoring to establish and operate optimal and highly effective structures of governance based on its three basic principles: **1) Ensure the transparency and soundness of business operations; 2) Facilitate quick decision-making and the efficient execution of business operations; and 3) Disclose information in a timely and suitable manner.**

● Corporate governance framework

Tokyo Electron uses the statutory auditor system based on the Companies Act of Japan, and furthermore has established its own Nomination Committee*1 and Compensation Committee*2 to raise the transparency and objectivity of management. The company has also adopted the executive officer system to streamline the decision-making process. Moreover, Tokyo Electron has been disclosing the individual remuneration of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

*1 Nomination Committee: This committee nominates candidates for directors and a candidate for CEO, which it submits at the Board meeting for approval.
 *2 Compensation Committee: This committee proposes the remuneration to be paid to representative directors at the Board meeting for approval.

● Board of Directors

The Board of Directors consists of 14 members, two of whom are outside directors. In order to ensure that Tokyo Electron can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year.

● Board of Statutory Auditors

Tokyo Electron has four statutory auditors, two of whom are outside auditors. The statutory auditors not only attend meetings of the Board of Directors, the Top Management Conference and other important business meetings, but also conduct operations audits and accounting audits, and evaluate risk management, in addition to auditing the performance of duties by directors.

● Internal control and risk management systems

To more effectively strengthen the internal control and risk management systems of the Tokyo Electron Group, we are implementing practical measures in line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group. We have also established the Risk Management & Internal Control Department, which evaluates and analyzes risks that could affect the Group. Important risks are mitigated, and the status of risk management activities is reported regularly to the Board of Directors.

● Risk management initiatives

① Information security

Tokyo Electron has a framework in place to prevent any IT system-related incidents from occurring under the TEL Group Information Security Policy. We have also established the Regulation for Management of Technical and Business Information common to the Group in order to ensure management of confidential information and the safe and effective utilization of information assets.

② Export trade control

We are working to reinforce our export compliance system by setting up an organization responsible for export trade control throughout the Group and by defining Security Trade Regulations. We also regularly organize meetings to explain export control and provide web-based training for Group employees.

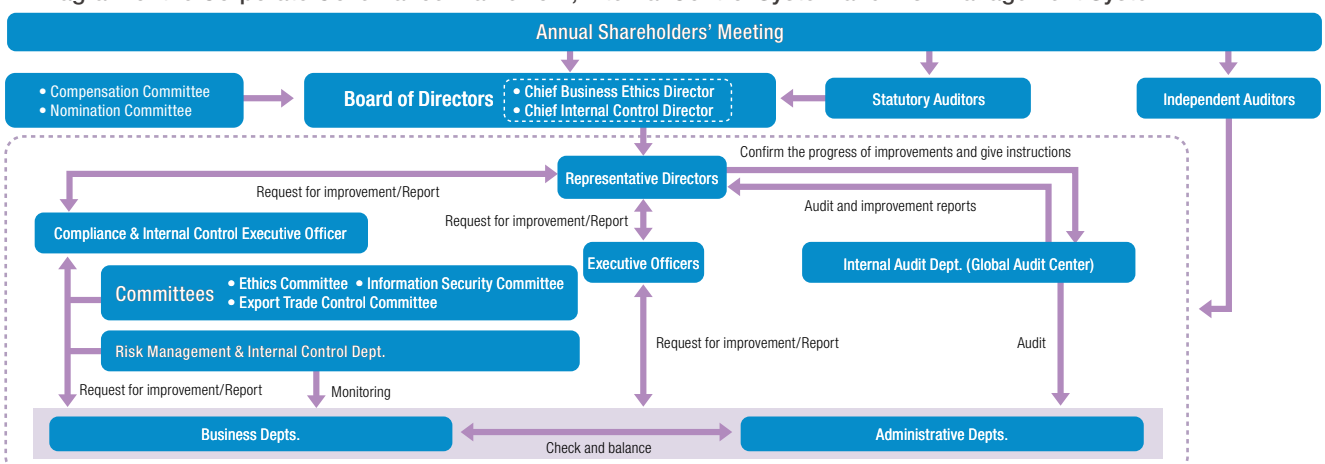
③ Business continuity management (BCM)

In order to fulfill our social responsibility by ensuring business continuity at the time of an emergency, such as an earthquake or other major disaster or during an outbreak of an infectious disease, we have formulated a Business Continuity Plan (BCP) and review it as necessary. In May 2012, we executed a BCP drill based on scenarios concerning a major earthquake hitting Tokyo.

● Audits by the internal audit department

The Global Audit Center, which is the internal audit department of the Group, is responsible for auditing the business activities of the Group's domestic and overseas bases, as well as their compliance and systems, and evaluating the effectiveness of internal control systems. When necessary, the Global Audit Center also provides guidance to operating divisions.

■ Diagram of the Corporate Governance Framework, Internal Control System and Risk Management System



Compliance

- The Tokyo Electron Group acts in strict compliance with business ethics and applicable laws to ensure that its corporate activities are fair and trustworthy.

● Stance on business ethics and compliance

Trust from stakeholders is the cornerstone of business activities. In order to maintain trust, it is necessary to continuously act in rigorous conformity to business ethics and compliance. In line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group, all Group employees are required to maintain high standards of ethics and to act with a clear awareness of compliance.

● Code of Ethics, Chief Business Ethics Director, and Ethics Committee


In 1998, Tokyo Electron formulated the Code of Ethics of the Tokyo Electron Group to establish uniform standards to govern all of its global business activities. In the same year, the company appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the Group. The Ethics Committee comprises the Chief Business Ethics Director, the Ethics Committee Chairman, and presidents of major Group companies in and outside Japan. The members meet semiannually, report on ethics-related issues faced by each company, and discuss measures to further improve ethical behavior and compliance.

The Code and its Q&A section are published in Japanese, English, Korean and Chinese, and the company distributes it to all Group executives and employees, including those overseas. Moreover, the Code is appropriately reviewed and revised in response to changes in the environmental and social demand. The most recent revision of the Code and Q&A was in April 2011.



Code of Ethics booklet

The Code of Ethics of the Tokyo Electron Group:

 http://www.tel.com/environment/corp_governance/compliance/ethical.htm

● Compliance & Internal Control Executive Officer

Tokyo Electron has appointed a Compliance & Internal Control Executive Officer from among the executive officers to raise awareness of compliance across the Group, and further improve its implementation.

● Framework for thorough implementation of compliance

Tokyo Electron has drawn up the Compliance Regulations setting out basic compliance-related requirements in line with the Code. The Compliance Regulations are intended to ensure that all individuals who take part in the business activities of the Group clearly understand the

pertinent laws, regulations, international standards and internal company rules, and consistently apply these rules in all of their activities.

① Internal reporting system

In the event that an employee becomes aware of any activity which may violate a law, regulation or principles of business ethics, the Group operates an internal reporting system that employees may use to report their concerns. The entire Group has established an ethics hotline and a compliance hotline, and this reporting system is also in place at each overseas base. In all cases, this system ensures that strict confidentiality is maintained to protect the whistleblowers and ensure that they are not subject to any disadvantage or repercussions.

② Compliance education

Through the Group's e-learning system, we provide a common training program covering the basics of compliance, internal control, confidential information management and other topics, which all executives and employees are required to complete, as well as a training program on insider trading and other subjects aimed at different levels of personnel. We regularly and actively encourage employees to participate in training via these programs. We also make information on compliance issues available to employees on a dedicated site on our Intranet and take other steps to promote broad awareness of compliance throughout the Group.

③ Confirming of information on Japanese laws

In order to reduce the risk of legal compliance violations, we regularly identify and clarify the Japanese laws that affect company operations and regulations. Information regarding revisions to relevant laws is received in a timely manner via an external Web service and appropriate responses are taken, such as amending internal regulations, changing operational procedures, and notifying all personnel affected by the revisions.

④ Follow-up on compliance survey

Following a finding by a December 2010 compliance survey targeting the executives and employees of all Group companies that there is a need for education on the issue of workplace harassment, in fiscal 2012 we focused on measures to prevent these types of incidents occurring. Measures taken include informing all employees of the availability of a contact point for consultation, as well as providing training to the consultant staff. In March 2012, we also provided managerial personnel at Group companies with web-based training on workplace harassment, with approximately 2,300 employees taking part.

EHS Management

- The Tokyo Electron Group regards environment, health and safety activities (EHS activities) as among its top business priorities.

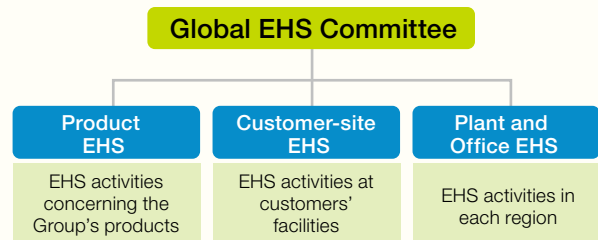
Fundamental idea behind EHS activities and our EHS promotion system

The Tokyo Electron Group regards human health, safety and the global environment as three of its most significant business priorities. Committed to earning the trust of all of those involved in our business operations and to carrying out our business activities accordingly, we base our actions on our belief that EHS activities will lead to long-term benefits for the entire Group. As a responsible corporate citizen, we are committed to realizing a healthier and more thriving society through implementation of our EHS activities.

We have established a system to promote EHS activities throughout the entire Tokyo Electron Group. Our EHS activities cover three areas: Product EHS; Customer-site EHS, which concerns product delivery and installation operations; and Plant and Office EHS. These activities are overseen by our Global EHS Committee.

Our Group companies—manufacturing subsidiaries in particular—have introduced environmental management systems based on ISO 14001 standards and are currently in the process of obtaining ISO 14001 certification.

The Tokyo Electron Group's EHS promotion system



ISO 14001 certified plants and offices

Company name	Plant/office name	Certification date
Tokyo Electron Tohoku Ltd.	Tohoku Plant	February 19, 1998
Tokyo Electron Kyushu Ltd.	Koshi/Ozu Plants	March 26, 1998
Tokyo Electron Yamanashi Ltd.	Yamanashi Plant (Fujii/Hosaka)	May 15, 1998
Tokyo Electron Miyagi Ltd.	Taiwa Plant	March 1, 2005
Tokyo Electron Technology Development Institute, Inc.	Sendai Office	June 24, 2010
Tokyo Electron Device Ltd.	Yokohama Office	July 14, 2004

● EHS training

The Tokyo Electron Group offers EHS training courses consisting of several levels for both Group employees and employees of partner companies who work at the Group's facilities. The training program for new employees also includes mandatory EHS instruction.

● EHS monitoring system

In order to enhance the effectiveness of our EHS management system, we continually increase the level of auditing concerned with monitoring system functions and results. Auditing is performed from multiple viewpoints, including within plants and offices and within the Group, and by third parties.

Tokyo Electron's manufacturing subsidiaries make every effort to comply with laws and regulations, carefully checking environmental laws, emissions standards, and other pertinent regulations while also establishing their own standards for some substances.

In fiscal 2012, there were no environment-related accidents, violations, or litigations.

● Environmental checking at newly established business locations

In fiscal 2012, we conducted environmental audits at plants and offices located in overseas markets, using a unified checklist. The

checklist covers not only basic information such as site area and total floor area but also input and output analysis, including the type and volume of energy used, volume of water consumption, implementation status of recycling, and usage of gas and chemicals (input), as well as the volume of emissions, water discharged, and waste generated (output). All the data were checked against relevant laws and regulations.



Environmental auditing underway

● Biodiversity

The importance of protecting biodiversity during corporate activities is increasing. Under our new Environment Vision (see p. 10), the Tokyo Electron Group will investigate and analyze its current status concerning this issue and then determine a policy and plan in fiscal 2013 to promote the protection of biodiversity.

The Commitment is expected to be fulfilled ahead of schedule

Tokyo Electron's Environmental Commitment, defined in 2008

- ▶ We aim to develop equipment that enables a 50% reduction—compared to 2007 levels—of the total environmental impact of new customer factories scheduled for completion in 2015 or later.
- ▶ We aim for a 50% reduction—compared to 2007 levels—of the impact of our business and transportation activities on the environment by 2015.
- ▶ We will strive to achieve these commitments in partnership with our stakeholders.

● Environmental goals expected to be achieved ahead of schedule

The Tokyo Electron Group has been working on various environmental activities at customers' factories as well as within the Group with the aim of reducing environmental impacts by 50% over the baseline year of fiscal 2008 by the end of March 2015. However, since this goal is expected to be achieved earlier than planned (in fiscal 2012), we have set new environmental goals (see p. 11).

① Develop equipment that enables a 50% reduction in the total environmental impact of customer factories

The selected major pieces of equipment are expected to achieve the target of a 50% reduction in CO₂ emissions per 300 mm wafer soon.

② Reduce the environmental impact of our business and transportation activities by 50%

②-1 Business activities

CO₂ emissions from our business sites, consisting mainly of plants responsible for the development and manufacturing of products, were reduced in fiscal 2012 by approximately 25,000 tons to about 88,000 tons compared with fiscal 2008, when the Environmental Commitment was formulated (about 113,000 tons when calculated using the fiscal 2008 standards regarding applicable plants and offices and power factor). This is due to environmental investments made for the Miyagi and Yamanashi

plants including those for photovoltaic power sources, energy conservation activities, and the reorganization of business sites. By utilizing carbon offsetting*¹ with a domestic clean development mechanism (CDM)*² (including that made available under the government scheme to support recovery following the Great East Japan Earthquake), which amounted to approximately 50,000 tons, as well as through the use of a renewable energy programs in the United States, CO₂ emissions per unit of sales*³ and total CO₂ emissions were reduced by 52% and more than 60%, respectively, making it very likely that we will achieve the 2008 goal soon.

②-2 Customer shipments

CO₂ emissions generated during the transportation of products to customers in fiscal 2012 decreased by 54% to approximately 66,000 tons, and by 22% per ton-kilometer*⁴. For shipments outside Japan, the share of marine transportation increased by more than 20 points over the baseline year of 2008 to 37.8%. In order to address longer shipment times resulting from a shift from airborne to seaborne shipping, we will continue our efforts to minimize lead time, reduce equipment weight by reducing the number of parts used, and raise local procurement rates.








*¹ Carbon offsetting: A system by which companies can compensate for part or all of greenhouse gas emissions that cannot easily be reduced by purchasing credits equal to the amount of reduction, or reabsorption, of greenhouse gases elsewhere

*² Domestic clean development mechanism (CDM): The approved mechanism for CO₂ emissions reduction under Japan's Domestic CDM System (a Japanese government scheme that allows small and medium-sized businesses to receive funding, technology, and technical support from large businesses in order to work collaboratively to reduce CO₂ emissions and trade the reduced amount as emission credits)

*³ Per unit of sales: CO₂ emissions from business activities ÷ net sales

*⁴ Ton-kilometer: A unit of measurement equal to the weight in tons of goods transported multiplied by the number of kilometers transported

■ Goals and results for fiscal 2012 EHS activities and medium-term goals for fiscal 2013 onward

	Action	Medium-term goals	Results for FY2012	Achievement level	Plans and goals for FY2013	Related pages
EHS management	EHS internal audit	Perform EHS internal audit at plants and offices across the supply chain.	Performed safety audits at production facilities.		Conduct environmental audits as well.	p. 14
Product-related initiatives for the environment	Reduction of product-related environmental impacts	Reduce environmental impact by half in FY2016 (in comparison to FY2008). Basic unit: CO ₂ emissions per 300 mm of wafer	Implemented measures for 30-50% reduction in major equipment and made recommendations to customers.		Reduce power consumption of major models of each business unit by 50% by FY2015.	p. 15 p. 16 p. 17
	Measures to reduce the use of regulated chemical substances in equipment	Shipment of equipment with 98.5% or more of parts in compliance with the EU's RoHS	Continued shipment of equipment containing reduced amounts of chemicals since October 2008.		Continue to ensure that major models of each business unit contain 98.5% or more parts that meet the EU's RoHS.	p. 18
Logistics-related initiatives for the environment	Reduction of logistics-related environmental impacts	Reduce environmental impact by half in FY2016 (in comparison to FY2008). Basic unit: CO ₂ emissions per ton-kilometer	Achieved a 54% reduction in total CO ₂ emissions and a 22% reduction in CO ₂ emissions per ton-kilometer.		Promote a modal shift. Continue monitoring.	p. 19
Plant and office initiatives for the environment	Reduction of plant and office environmental impacts	Reduce environmental impact by half in FY2016 (in comparison to FY2008). Basic unit: CO ₂ emissions per unit of sales	Total CO ₂ emissions reduced by 60% or more Achieved a 52% basic unit reduction.		Achieve a 1% basic unit reduction over previous fiscal year. Comprehensive evaluation of basic unit reduction at each plant and office	p. 15 p. 20
	Promotion of waste recycling	Achieve a recycling rate of 97% or more. Continue to achieve zero waste at production facilities.	Increased the recycling rate of the entire Group to 97.4%. Achieved zero waste at production facilities.		Maintain a recycling rate of 97% or more. Continue to achieve zero waste.	p. 22
Health and safety related initiatives	Reduction in the number of accidents/disasters involving injuries or fatalities	Establish a system to prevent accidents that may result in an injury or fatality, and aim to eradicate accidents that may lead to a severe injury.	Achieved a 50% reduction in accidents that may lead to a severe injury, compared with FY2011.		Reduce accidents that may lead to a severe injury by 20% or more compared with FY2012.	p. 24



Achieved target



Achieved 80% of target



Achieved less than 80% of target

Product-related Initiatives for the Environment

- Tokyo Electron is working hard to reduce the impact of its products on the environment by making them more energy efficient and curbing the use of hazardous substances. In addition, the company is also striving to reduce the environmental impact of logistics by promoting a modal shift and creating innovative packaging methods.

Reducing Environmental Impact during the Use of Products

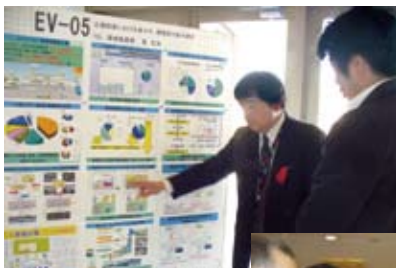
● Tokyo Electron organizations for reducing environmental impact

Tokyo Electron has two organizations working for the reduction of environmental impacts of products: the Product Environment Compliance Meeting and Products Environment Value Meeting. The Product Environment Compliance Meeting ensures that our equipment and their parts and components fully comply with environmental regulations and our voluntary programs.

The Products Environment Value Meeting has developed and started to implement roadmaps to reduce the environmental impact of each of our products. Specifically, while ensuring the effectiveness of each roadmap, the council is working to reduce the energy consumption of equipment, address chemical substance-related matters, enhance efficiency in the use of processing gases and liquid chemicals, and improve the environmental performance of existing equipment. The progress of these initiatives is monitored as part of the Group-wide medium- to long-term plan.

● Technology Symposium

The Tokyo Electron Group held its 14th Technology Symposium in January 2012 at which a variety of environmental technologies were presented. In a poster session, Tokyo Electron divisions and departments engaged in a lively exchange of ideas and information in order to share innovative technologies.



Technology Symposium



Energy-saving Measures for Products

We are promoting the reduction of product energy consumption by focusing on four approaches: reducing the energy used by the product itself; reducing the energy used by peripheral devices; ensuring systematic and efficient operation of products; and ensuring energy-saving operation of customers' factories. The energy-saving features of each piece of equipment are summarized below.

Plasma Etch System

Reduced energy consumption of peripheral devices

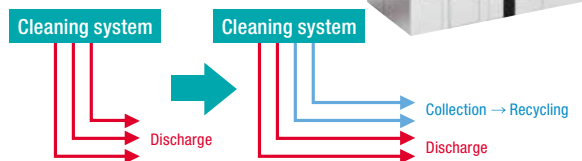
A chiller that cools the inside of a plasma etch system and a pump needed to maintain a vacuum within the chamber have been designed to operate intermittently according to the status of the system, leading to a 25% reduction in energy consumption (including a reduction in the volume of coolant and N₂ used).



Single Wafer Cleaning System

Recycling of pure water

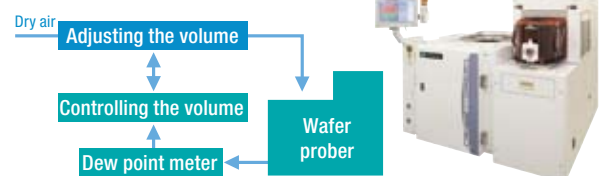
Waste fluid flow paths are divided into those for recycling and those for discharge to enable collection and recycling of pure water.



Wafer Prober

Reduced volume of dry air

The volume of dry air produced has been cut by up to 60% compared with traditional products by installing a dew point meter to monitor and adjust the volume of dry air used.



Customer's Factory

Energy-saving operation of the factory
(planned operation and proper management)

System

Efficient management

Equipment

Reduced energy usage of the equipment itself



Reduced energy usage of peripheral devices

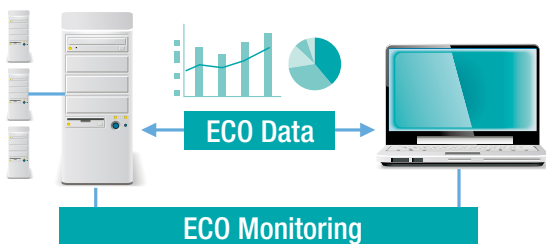
Pump Cooling Chiller Scrubber

Peripheral Devices

Eco Monitor

Visualization of energy usage (currently under development)

Various types of energy used by the different types of equipment are monitored according to the SEMI S23* guidelines, and the energy use is compared and analyzed to support energy conservation.

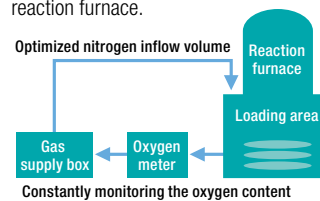


* SEMI S23: Guidelines for energy conservation for semiconductor production equipment issued by Semiconductor Equipment and Materials International (SEMI), an international industry organization for semiconductor/FPD production equipment and material manufacturers

Thermal Processing System

Reduced volume of nitrogen used

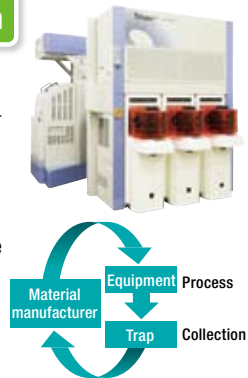
The volume of nitrogen used has been reduced by 60% compared with traditional products by monitoring and controlling the oxygen content in the loading area, where wafers are loaded for input into the reaction furnace.



Single Wafer CVD System

Recycling of ruthenium (Ru)

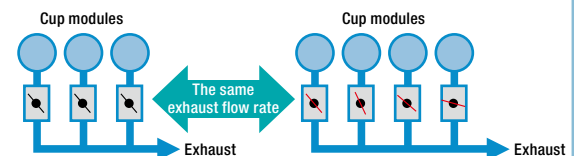
Ruthenium used during semiconductor fabrication is collected, re-refined and reused without being returned to a metallic state, making it possible for us to reduce CO₂ emissions by approximately 30% compared with the traditional process, where only newly refined ruthenium is used.



Coater/Developer

Adjusting the exhaust volume to optimal levels

The volume of exhaust from each rotary cup module in the equipment is controlled according to the operational condition.



Silicon carbide (SiC) Epitaxial CVD System



Photovoltaic Panel Production Equipment



Measures against Regulated Chemical Substances

The Tokyo Electron Group's policy regarding regulated chemical substances:

- ① We will quickly supply products that are in compliance with the laws and regulations of countries in which our customers operate.
- ② We will set our own standards and continue to make efforts to reduce the use of regulated chemical substances in our equipment.

● Voluntary measures taken to reduce the use of regulated chemical substances in equipment

Although the Tokyo Electron Group's products are not subject to the EU's RoHS*1 Directive, a widely known set of standards regulating the use of hazardous chemicals, the Group is committed to voluntarily reducing the use of the six substances specified by the directive: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenylethers (PBDEs).

In addition, we work with our suppliers to promote the use of alternative products that meet the requirements of the directive, while we also use a dedicated database to manage the chemical substances contained in the components and parts used in our products.

From the second half of fiscal 2009, we began shipping equipment containing 98.5% or more parts that meet the directive. The share of these pieces of equipment with fewer regulated chemical substances as a proportion of our major pieces of equipment exceeded 50% as of the end of March 2012. They include the following:

- CLEAN TRACK™ LITHIUS Pro™
- CELLESTA™+
- TELINDY PLUS™
- Tactras™ RLSA™ Etch

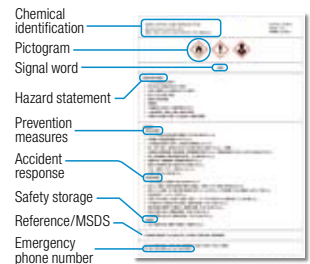
We will continue to strive to further increase the proportion.

*1 RoHS: Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment

● Complying with the laws and regulations in countries and regions where our customers operate

- ① We provide equipment in full compliance with China's version of RoHS, enacted in March 2007, to which Tokyo Electron Group's products are subject. China's RoHS, like the EU directive, regulates the use of lead, mercury, cadmium, hexavalent chromium, PBBs and PBDEs and requires that necessary information be provided to customers.
- ② Countries around the world have begun to introduce regulations based on the Globally Harmonized System of Classification and Labelling of Chemicals (GHS)*2 formulated by the United Nations. The Tokyo Electron Group makes available safety information on chemical substances specified by the GHS through (material) safety data sheets, or (M)SDS, as well as labels affixed to containers carrying chemical substances. Shown below is an example of a label in compliance with Japan's GHS standards.

*2 Globally Harmonized System of Classification and Labelling of Chemicals (GHS): A system agreed upon by the United Nations that is intended to provide unified standards across various countries for the classification of hazard level, labeling and the content of (M)SDS.



Example of a label that complies with Japan's GHS standards

- ③ Europe has instituted the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation*3, a standard that requires that safety information related to exposure be provided for a product containing more than 0.1% in weight of any substance of very high concern (SVHC), as well as the Regulation on Classification, Labelling and Packaging Substances and Mixtures ("CLP Regulation")*4, which has a broader scope than the GHS. In compliance with these standards, we consistently undertake investigations to identify the presence of any SVHC in our equipment and provide necessary safety information when a SVHC amounting to more than 0.1% is present in any of our products.
- ④ With regard to the battery regulations*5 enacted by the EU and Taiwan, we check whether applicable batteries are used inside our products and take necessary measures to maintain compliance with the requirements. We have also begun building a framework that will enable us to fully comply with these regulations from the very bottom of the supply chain.

*3 Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH): A regulation pertaining to the registration, evaluation, authorization and restriction of chemicals. For products containing SVHC in particular, manufacturers are required to provide information on the SVHC content of their products as well as information to ensure the safe use of the products.

*4 Regulation on Classification, Labelling and Packaging Substances and Mixtures ("CLP Regulation") (EC No. 1972/2008): An EU regulation concerning the classification, labeling, and packaging of chemicals and mixtures

*5 Battery regulations: Regulations enforced in each country to facilitate the collection and recycling of batteries, including the mandatory indication of the recycling symbol on batteries

● Future plans

- ① We will further increase the shipment ratio of equipment containing reduced amounts of regulated chemical substances.
- ② We will effectively utilize the Joint Article Management Promotion-consortium (JAMP) and other frameworks as well as broaden our collaboration with customers and suppliers to promote more rational and accurate measures for the management of regulated chemical substances. We will also continuously improve our chemical substance management system to further strengthen our control over chemical substances.
- ③ We will further tighten the management of regulated chemical substances on a global level to achieve an even higher level of environmental compliance of products.

Approaches to Reducing the Environmental Impact of Logistics

● Tokyo Electron's stance on the environmental impact of logistics

Regulations concerning logistics have been tightened with a view to helping curb global warming. At the same time, companies are facing growing demands for measures to reduce the environmental impact of their logistics. For its part, the Tokyo Electron Group will continue striving to reduce the environmental impact caused by the transport of its products through such means as promoting a modal shift*1 for domestic and overseas transport and adopting packaging methods with a smaller environmental footprint.



Shift to modes of transportation with less environmental impact

*1 Modal shift: A shift in the mode of transportation. Specifically, switching from conventional freight transportation by truck or aircraft to means such as marine and rail, which have a lower impact on the environment.

● Reducing the environmental impact of logistics

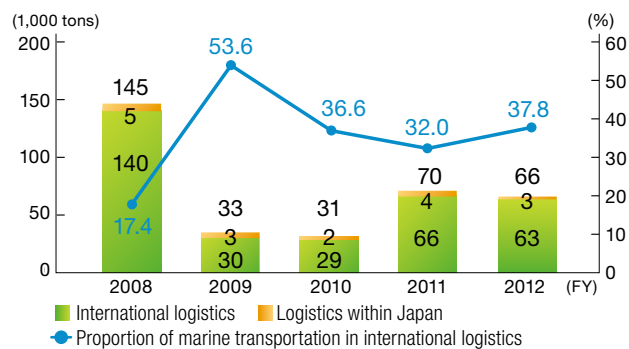
We calculate and monitor CO₂ emissions generated from sources regulated by the Act Concerning the Rational Use of Energy for logistics purposes within Japan, as well as CO₂ emissions of international logistics between Group companies and to overseas customers. Our goal, set in 2008, has been to cut CO₂ emissions per ton-kilometer of international transportation to half of fiscal 2008 levels by fiscal 2015. As a result of our efforts toward meeting this goal, in fiscal 2012 we achieved a 54% reduction in the total volume of CO₂ emissions, and a 22% reduction on a per-ton-kilometer basis. The share of marine transportation used for exports also increased by more than 20 points over the baseline year to 37.8%.

With respect to logistics within Japan, it is estimated that our modal shift efforts in fiscal 2012 led to a reduction in CO₂ emissions of approximately 92 tons.

A modal shift in exports has also been promoted, and we are now using seaborne shipping for all FPD production equipment as well as for semiconductor production equipment delivered to our customers in Korea and parts of Europe and North America. In order to make the change

from airborne to seaborne shipping easier, we are working to reduce production lead time to ensure there is no impact to on-time delivery.

■ CO₂ emissions from logistics and the proportion of marine transportation



● Green packaging

We use wooden frames and corrugated cardboard as packaging materials when shipping products. To reduce the amount of resources used for packaging, we also use reusable corrugated cardboard boxes for some shipments inside Japan. Furthermore, casters and special tools used for moving products on-site at the customers' premises are collected and brought back to Group plants for reuse as part of our efforts to save resources.

● The Ministry of the Environment's support project for consignors working on the reduction of CO₂ emissions from logistics

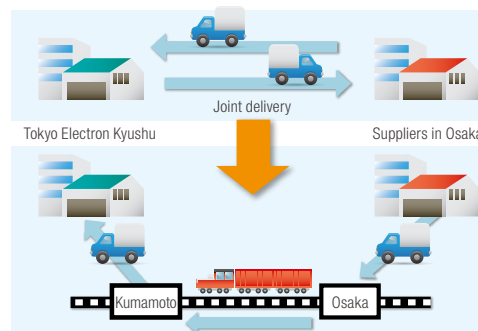
In fiscal 2012, we took part in the Ministry of the Environment's trial project to support consignors seeking effective measures to reduce logistics-related CO₂ emissions. The objective of this project is to calculate the actual volume of greenhouse gas emissions generated from the supply chains of consignors so as to help consignors plan countermeasures and identify problems in the implementation of those countermeasures. By participating in this project, the Tokyo Electron Group could verify the calculation methods for determining the volume of CO₂ emissions and the effects of the modal shift for international logistics and joint delivery implemented within the Group. We will reflect the findings arising from this project in our future activities.

TOPICS

Reducing environmental impact by promoting the use of rail transportation to carry goods from suppliers

Tokyo Electron Kyushu is actively promoting the use of rail transportation when procuring from suppliers to reduce environmental impact. In fiscal 2012, the company switched the mode of transportation from road to rail for freight from Osaka. To maintain high transportation quality, the company introduced various measures, including the employment of special pallets that attenuate train vibrations. In February 2012, when the rail transportation started, it is estimated that CO₂ emissions were reduced by 82% or approximately 2.3 tons compared with the traditional freight transportation by trucks. From fiscal 2013, the company is also planning to eliminate the use of courier services and direct delivery by suppliers so as to reduce the environmental impact of procurement logistics. These efforts are expected to lead to not only the reduction of CO₂ emissions but also shortened transportation time, lower logistics costs, and decreased workloads.

■ Modal shift to rail transportation



Plant and Office Initiatives for the Environment

- From fiscal 2013, we will focus on the reduction of energy consumption, water usage, and waste as well as the promotion of recycling, and strive to achieve set goals in each of these areas.
- We are also fully committed to the strict management of chemical substances in consideration of their potential impact on the environment as well as on the health and safety of employees, customers and others.

Measures to Help Prevent Global Warming

● Efforts to reduce energy consumption

Since the goal for reducing CO₂ emissions set in 2008 is expected to be achieved in fiscal 2012 (see p. 15) thanks to our vigorous environmental investment and energy-saving activities, we have defined new goals for fiscal 2013 and onward. When these new goals were set, it was decided that each plant and office would choose in what unit energy consumption is measured and reported, depending on the form of its business. The plants and offices in Japan have chosen to use kiloliter of crude oil equivalent*1 as the unit for measurement and to report in accordance with the Act Concerning the Rational Use of Energy. They will now work to reduce energy consumption calculated based on that unit by at least 1% year on year as required by the act. The Group as a whole will continue striving to reduce energy consumption across the board.



Photovoltaic power generation at the new Miyagi Plant

● Energy consumption and CO₂ emissions

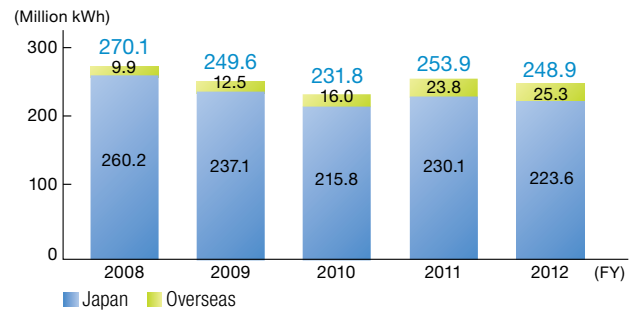
Power consumption in fiscal 2012 decreased by approximately 2% compared with fiscal 2011. Although power consumption at overseas plants and offices increased due to the opening of new facilities, power consumption at sites in Japan decreased by 2.8% despite the addition of the Miyagi Plant. In fiscal 2012, it is also estimated that a total of 2,113 MWh of electricity was generated by photovoltaic cells installed at the Yamanashi Plant and new Miyagi Plant, which accounted for about 1% of the Group's total energy consumption.

CO₂ emissions generated from energy consumption increased by approximately 3% compared with fiscal 2011. However, because CO₂ emissions fluctuate considerably according to the change in electric power companies' emission factors, the increase in CO₂ emissions in fiscal 2012 is considered primarily attributable to the worsened power emission factors in Japan.

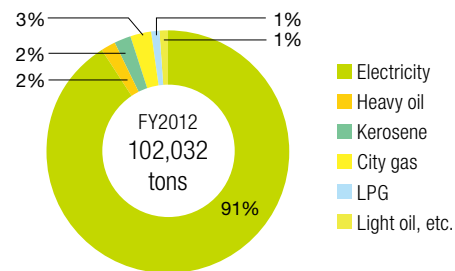
● The use of greenhouse gases other than CO₂

In the process development of products, as well as dry etching and cleaning processes, we use hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆), which are greenhouse gases. In fiscal 2011, our use of these chemicals increased as a result of an increase in production and additions to the number of plants covered in our calculation. We are currently promoting the installation of air treatment equipment, among other measures, to reduce greenhouse gas emissions.

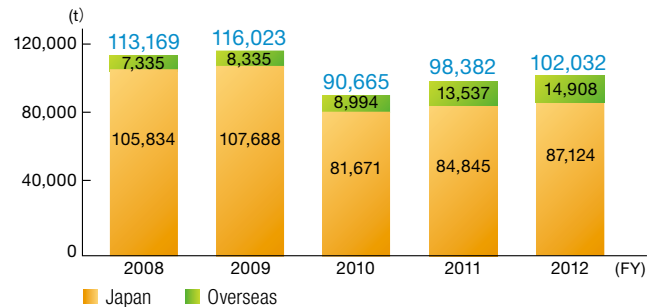
■ Electricity consumption



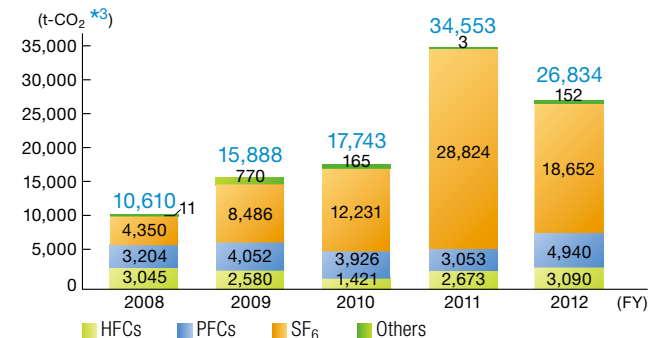
■ Breakdown of CO₂ emissions from energy consumption*2 by source



■ CO₂ emissions from energy type × consumption



■ Greenhouse gases other than from energy consumption



*1 Kiloliter of crude oil equivalent: Volume of electricity, heavy oil, gas, and other types of energy used × Per-unit calorific value of each energy type × Conversion rate for crude oil equivalent

*2 We used adjusted emission factors for individual electric power providers for the emission factor for electricity consumption in Japan in fiscal 2012. For the emission factor for electricity consumption overseas, we used estimated factors calculated by the Federation of Electric Power Companies of Japan based on values published by the International Energy Agency (IEA).

*3 t-CO₂: An unit indicating the amount of CO₂ and other greenhouse gases emitted, absorbed or stored, which is converted to the weight of CO₂ in tons with an equivalent greenhouse effect

Initiatives to Conserve Resources

Our approach to resource conservation

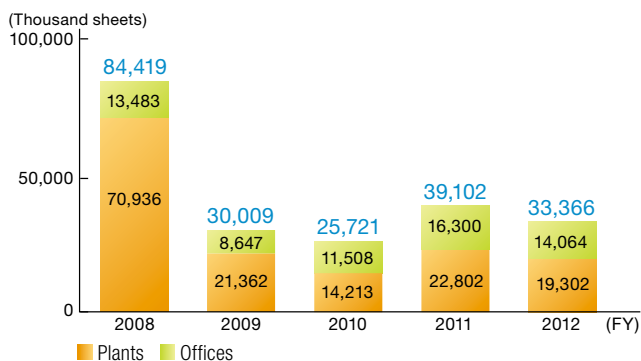
The Tokyo Electron Group is working to minimize the use of limited natural resources by reducing the volume of paper and water used.

We also use recycled printer toner cartridges in our offices and actively cooperate with manufacturers in the recovery of end-of-life cartridges.

Efforts to reduce the use of paper

Our employees are encouraged to use duplex copying, to copy at a reduced size, and to digitize information and internal circulars. As a result of these efforts, the Group's total use of copier paper in fiscal 2012 decreased by approximately 14%, or more than five million sheets of copier paper, compared with fiscal 2011. This is a reduction to less than half of fiscal 2008 figures, and the amount of paper used as a percentage of sales has also decreased.

Copier paper consumption (Japan)



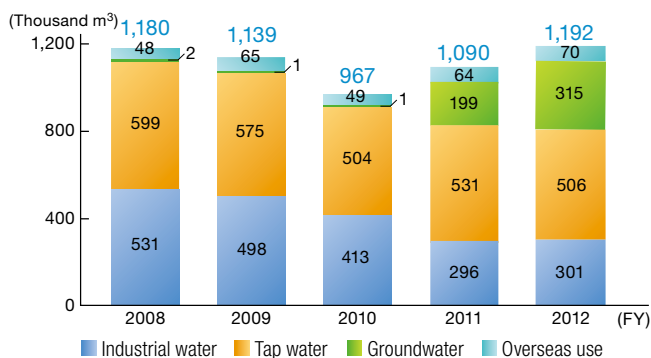
We are also encouraging the use of environmentally friendly paper and introducing products that will help conserve resources, such as paper cups made from a bamboo-based material, for internal use.

Efforts to reduce water consumption

As the management of water consumption is becoming an increasingly important issue for society, in fiscal 2012 we conducted studies on how water is used and recycled at our company to identify ways to further reduce water consumption. Based on the results of these studies, we have set a new goal of maintaining the same level of water consumption in fiscal 2012. Our water consumption in fiscal 2012 increased by approximately 9% year on year, partly due to the increased volume of water used for process evaluations.

Moving forward, we will continue monitoring our water consumption to ensure that it will not exceed the fiscal 2012 level on a per-unit basis.

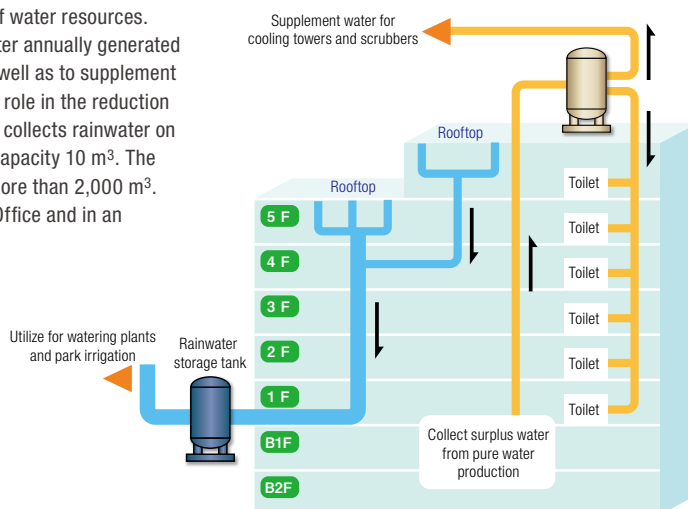
Water consumption



TOPICS

Efforts to reduce water consumption at Tokyo Electron Taiwan

Tokyo Electron Taiwan has adopted systems for collecting and recycling wastewater and rainwater at its Head Office building to ensure the effective utilization of water resources. The wastewater recycling system collects around 2,000 m³ surplus water annually generated from pure water production and reuses it in toilets and other places as well as to supplement water for cooling towers and scrubbers. The system plays an important role in the reduction of wastewater discharged into sewers. The rainwater collection system collects rainwater on the rooftop of the building and stores it in an underground tank with a capacity 10 m³. The total annual volume of rainwater stored in the tank is estimated to be more than 2,000 m³. The rainwater is used for watering plants on the premises of the Head Office and in an adjacent park.



Initiatives for Reducing Waste

Our approach to waste reduction and recycling

The Tokyo Electron Group conducts various activities to minimize waste, recycle whatever waste is generated to the greatest extent possible, and dispose of non-recyclable waste in a proper and responsible manner.

To be more specific, we separate recyclable waste from non-recyclables, use new manufacturing processes that do not involve waste generation, hire only waste disposal companies inspected and authorized by our company, periodically check final waste disposal practices, and also focus on educational activities related to the sorting of waste and other topics. Some business sites have begun using electronic manifests*1 to ensure proper management of waste.

*1 Electronic manifest: A system in which the flow of industrial waste is managed via a communication network linking information processing centers, the companies generating the waste, waste collection and transportation companies, and waste disposal companies. It replaces the conventional paper-based control manifest.

Volume of waste generated and recycling rates

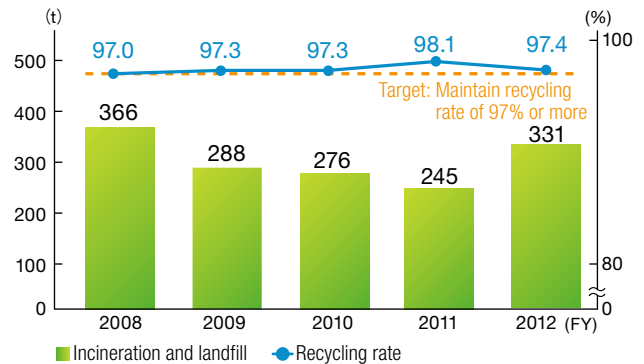
Although the volume of incinerated and landfill waste increased over the fiscal 2011 level, the recycling rate*2 in fiscal 2012 was 97.4%, achieving the target set in fiscal 2011 to maintain a recycling rate of 97% or more. As for liquid waste, including chemicals used in our product development and evaluation processes, nearly 100% is currently recycled.

*2 Recycling rate: Recycled amount ÷ Amount of waste generated × 100

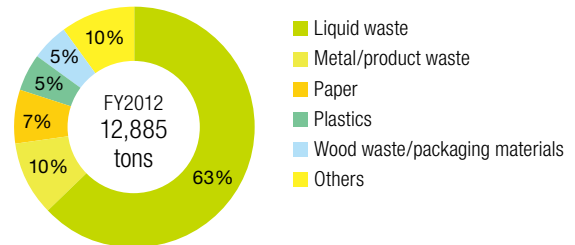
Zero waste

The Tokyo Electron Group defines plants where less than 2% of waste generated is incinerated or put into landfill as “zero waste plants.” In fiscal 2012, we achieved zero waste at all but one of our plants in Japan as a result of our efforts to reduce waste and recycle.

Recycling rate and generation of incinerated and landfill waste (Japan)



Breakdown of waste (Japan)



Recycling rate for industrial waste generated at Tokyo Electron Group plants in Japan

Plant	Recycling rate
Tohoku Plant	99.2%
Taiwa Plant	100%
Yamanashi Plant (Hosaka)	100%
Yamanashi Plant (Fujii)	100%
Koshi Plant	100%
Ozu Plant	100%

TOPICS

Waste recycling promotion by an overseas Group company

Tokyo Electron U.S. Holdings, Inc. is actively promoting the recycling of waste. Its activities include a campaign against the use of Styrofoam cups, which cannot be reused and do not biodegrade, as well as the recycling of mobile phones and other electronic waste. A total of more than 500 mobile phones had been recycled as of fiscal 2012.



Campaign poster discouraging the use of Styrofoam products

Management of Chemical Substances

● Our approach to the management of chemical substances

The Tokyo Electron Group uses chemical substances mainly in the development and manufacturing phases of products. In the development phase, whenever we introduce a new chemical substance or alter the method of using a chemical substance, we make sure to check for environmental, health and safety risks and take the necessary measures before the new substance or method is adopted. With regard to hazardous and harmful chemicals used in the manufacturing process, we are promoting their replacement with safer substances.

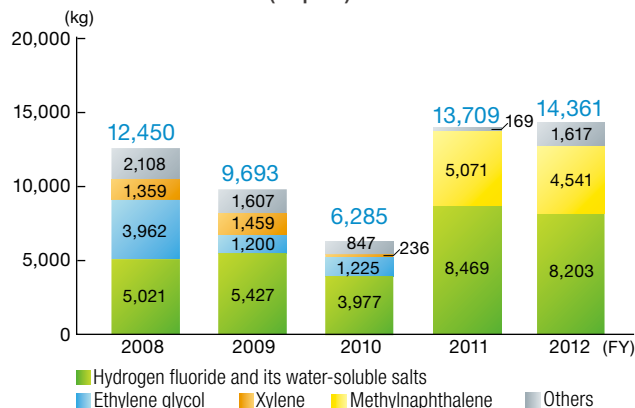
● Compliance with the PRTR* law

In accordance with the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof ("PRTR law"), we ensure that chemical substances regulated under the act are managed rigorously, and that the amounts of regulated substances used, discharged and transferred are consistently monitored. Hydrogen fluoride, one of the regulated substances, is used in large quantities by the Group, particularly during the cleaning of test wafers. Methylnaphthalene, a substance found in heavy oil, is also used in boilers and other facilities at some of our business locations. We make sure to properly dispose of these hazardous substances after use either through specialist waste disposal contractors or using our in-house processing equipment. We will continue to properly manage risk relating to these chemical substances.

● Safe storage of PCBs

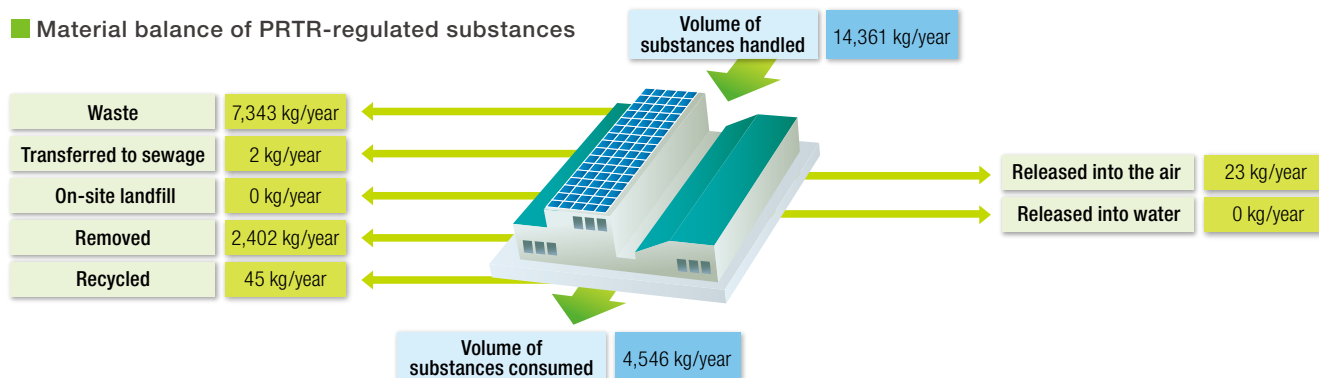
Based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and the Waste Management and Public Cleansing Act, the Tokyo Electron Group reports annually on the storage, management and disposal of waste containing polychlorinated biphenyls (PCBs) to the governor of each of the prefectures in which our plants are located. We ensure that all PCBs, including traces of PCBs that were detected in transformers and condensers marked for disposal following the demolition of one of our closed plants, are managed properly in accordance with the acts.

■ Volume of PRTR Class I Designated Chemical Substances handled (Japan)

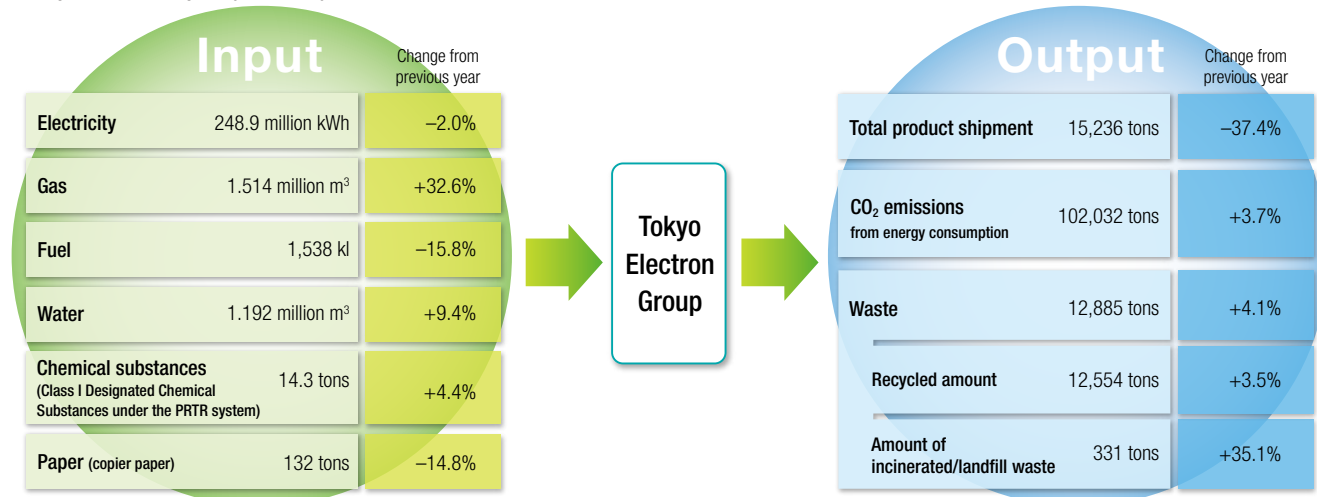


* PRTR (Pollutant Release and Transfer Register): A system under which the use of chemical substances that may be hazardous to human health and the ecosystem, their release into the environment, and their transfer (contained in waste) off the original business premises are identified, tabulated, and disclosed

■ Material balance of PRTR-regulated substances



■ Input and output (FY2012)



Health and Safety Initiatives

- Health and safety are a vital foundation of our business activities.
- The Tokyo Electron Group promotes “health and safety first” in every aspect of its activities.

● Our approach to health and safety

As part of our social responsibility activities, the Tokyo Electron Group places great importance on ensuring that our customers, employees and everyone else involved in our business can work in a safe workplace environment, use our products safely, and enjoy good health.

In fiscal 2012, we further expanded our existing safety inspection activities at our customers’ factories in Japan and overseas. For newly built factories in particular, our safety specialists verify with the customer the safety of the work environment as well as the availability of safety equipment before our product is delivered, using a check sheet created specifically for new factories.

When installing our production equipment in a clean room, for instance, there is a risk of tripping or falling during the installation because a floor opening needs to be made so that the equipment can be connected to power and other utilities*1. In order to ensure that workers are well aware of these risks and carry out all the necessary safety measures, like installing barricades in the work area, we implement regular programs at each business site. These programs simulate actual working conditions using one of our own clean rooms to instruct participants on proper work procedures and how to deal with dangerous situations. Similar safety education and practical hands-on training sessions are also conducted in other countries and regions around the world.



Practical training in a clean room

*1 In addition to a power cable, production equipment needs to be connected with exhaust, cooling water and pure water piping, among others.

● Preventing workplace accidents*2 before they occur

Although the number of workplace accidents that occurred in fiscal 2012 was almost the same as in fiscal 2011, the frequency of serious accidents that could have led to severe injury was reduced to half of that in fiscal 2011, thanks to vigorous activities aimed at eradicating serious accidents. These activities include checking, before our product is delivered, evacuation routes and emergency exits from clean rooms as well as the availability of safety facilities, such as a shower room that can be used when a worker is exposed to a liquid chemical; identifying potential hazards at work sites; conducting safety inspections; and providing training based on accident case studies. We conduct these activities regularly to prevent accidents before they occur. In fiscal 2013, its 50th year, the Tokyo Electron Group is reminding its employees of the Group’s “safety first” policy and working to further foster a safety culture with the aim of totally eliminating workplace accidents through the collective efforts of the entire Group.

*2 Workplace accident: Following the guidelines of the United States Occupational Safety and Health Administration (OSHA), the Tokyo Electron Group defines an accident involving an injury to an employee as a “workplace accident.”

■ Workplace accident occurrence rate



*3 Accident that could lead to a severe injury: An accident that, in the worst-case scenario, could result in a severe injury with after-effects

● Safety education

Since July 2000, the Tokyo Electron Group has been promoting Group-wide safety education to encourage a shared understanding of the importance of safety. Basic safety education targeted at all Group

TOPICS

Multilingual safety promise booklet for overseas locations

The safety promise booklet summarizes important points to prevent accidents and ensure safety in the workplace. These points have been identified as the result of analyzing past accidents. Workers check the booklet before work as an aid to preventing accidents. In addition to Japanese, the booklet is now available in English, Korean and Chinese for use by our overseas organizations, where it has proved popular due to its ease of carrying and use.



employees is conducted using a manual created by the Group for this purpose. More advanced safety education based on the guidelines compiled by the Semiconductor Equipment Association of Japan (SEAJ) is provided for our technical employees who work in clean rooms. In light of our safety track record from fiscal 2011, advanced safety refresher courses in fiscal 2012 focused on the hazards of electrical work and the handling of heavy goods and chemicals. These refresher courses are available via our Intranet and on CD, and roughly 7,700 employees participated in these courses during fiscal 2012. We also make sure that workers take a pre-work safety check test prior to visiting customers' factories to verify their understanding of customers' rules and practices.



Refresher training and pre-work safety check test on the Tokyo Electron Group Intranet

● Introduction of MoveSMART*4

We have introduced the MoveSMART program to our locations in North America and Europe as a way to prevent low back pain and other work-related musculoskeletal disorders. MoveSMART is a wide-ranging safety education program developed by U.S. company Strategic Safety Associates based on martial arts, ergonomics*5, exercise and sports science, industrial psychology, and actual work-related experiences. The objective of the program is to prevent backache and other problems caused by adopting physically straining postures during work hours. Trainers trained exclusively for the Tokyo Electron Group are assigned to our offices in North America and Europe to implement the program.



Practice of MoveSMART

● EHS seminar in Taiwan

On February 23, 2012, Tokyo Electron Taiwan organized a seminar to explain the Tokyo Electron Group's environmental and safety commitments to our semiconductor and FPD manufacturer customers.

The seminar introduced efforts made by our plants and offices to protect the environment and save energy along with our environment-friendly products and technologies, while also detailing our safety activities to reduce accidents and anti-seismic measures taken for our plants and products. A video created for safety education purposes that explained how some past accidents occurred was shown at the end of the seminar. The seminar attracted about 50 participants from leading semiconductor and FPD manufacturers in Taiwan. Because Taiwan, like Japan, is earthquake-prone, there were many questions regarding the anti-seismic measures, particularly the seismic isolation technology adopted for our products. There was also a request that we produce a video similar to the one screened in the seminar that could be used throughout the industry.



EHS seminar in Taiwan



The installation position of the system

Seismic isolation technology



Video explaining how past accidents happened

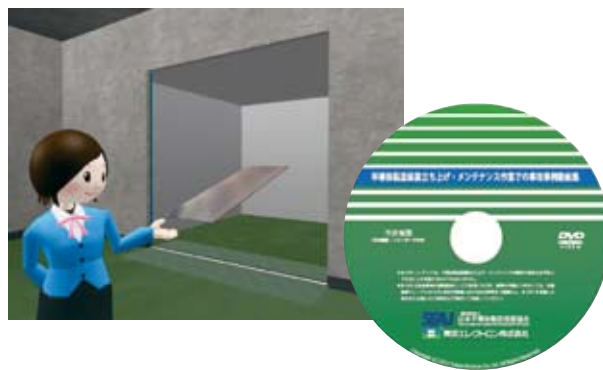
*4 MoveSMART is a trademark or registered trademark of Strategic Safety Associates, Inc. in the U.S. and other countries.

*5 Ergonomics: A scientific approach in which both physical and psychological human functions and properties are studied in order to design and develop equipment and environments based on the findings

TOPICS

Accident case study DVD

The Tokyo Electron Group has produced a DVD on case studies of clean room and other accidents that have occurred in recent years and offered copies to the Semiconductor Equipment Association of Japan (SEAJ). The DVD explains how accidents have occurred during work carried out at high elevation, near a floor opening, while carrying heavy objects, or under other circumstances during the setup or maintenance of semiconductor production equipment. It then explores their causes and suggests ways to prevent accidents from the viewpoint of workers. We created this DVD with the hope that it will be utilized as a supplementary tool for the prevention of similar accidents, hazard prediction, safety education, and other safety management activities across the industry.



Relationship with Customers and Suppliers

- In order to enhance customer satisfaction and realize mutual prosperity
- with suppliers, the Tokyo Electron Group ensures that its policies on
- product quality and procurement are and remain fair and honest.

● Our approach to product quality

The objective of the Tokyo Electron Group's product quality policy is to generate customer trust in the Group through continuous provision of products and services that consistently satisfy its customers. In order to establish and maintain a manufacturing system that does not produce defective products, we have acquired ISO 9001 certification and work to ensure that our product quality management system operates effectively.

■ The Tokyo Electron Group's Commitment to Quality

1. Quality is our top priority

TEL's goal is to achieve the highest quality in the world.

2. Product quality awareness

All employees must understand the importance of product quality to the TEL's business. Quality must always be given priority, even if profits are temporarily affected. That is how we build long-term trust, and contribute to society.

3. Observing company rules

Employees must observe the rules stipulated by each TEL organization to ensure that quality remains our top priority and continues to improve. These rules and regulations are reviewed regularly to ensure that they are appropriate and effective in our effort to improve quality.

4. Employee responsibility

Employees are responsible for making product quality their top priority. They must remain aware of potential problems, actively identify and analyze them, and take necessary action for improvement.

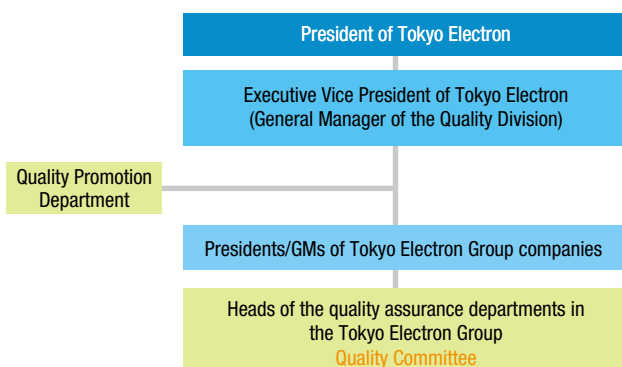
5. Managers' responsibility

Managers must monitor on-site conditions at all times, spot problem areas, and give instructions for improvement. Managers must ensure that their subordinates have a good understanding of the overall TEL business environment, including customers' requirements, and must make employees aware of the importance of enhancing the quality of all TEL products and services.

● Quality assurance system

The Tokyo Electron Group has established a quality committee comprising heads of the quality assurance departments of each business unit. The committee meets regularly to oversee efforts to enhance product quality and address priority issues, thus promoting the improvement of product quality for the entire Group.

■ Framework for the Tokyo Electron Group's product quality system



● Our approach to procurement

The Tokyo Electron Group considers it important to build partnerships with suppliers based on its corporate philosophy and code of conduct, to develop mutual trust with them, and to seek mutual growth.

■ Procurement Policy of the Tokyo Electron Group

1. Partnerships

Our business partners are focused on creating products that achieve genuine customer satisfaction.

We evaluate fairly and select our suppliers based on our selection criteria, and on the premise of continuous pursuit of high-value technologies and open competition.

We are forging links with our suppliers that enable us to rely on each other and to grow.

2. Compliance with applicable laws and social norms

We comply with laws and social norms aimed at ensuring fairness in transactions and respect for individuals, and we engage in procurement activities with integrity based on corporate ethics, so that we will be highly valued as an excellent global company.

3. Ensuring quality and safety

Under our management policies of 'Safety first' and 'Quality is our top priority' we pursue safety and quality in our parts and products, on a global level.

4. Coexistence with the global environment

By actively employing environmentally-friendly parts and technologies (promotion of green procurement), we create products with a low environmental impact.

5. Promoting lead-time reduction

To enable us to respond flexibly to market needs, we ensure lead-time reduction and stable supply to our customers.

6. Promoting cost reduction

We are reducing overall costs to enable us to offer products that meet market needs at prices that satisfy our customers.

7. Global procurement activity

In order to offer our customers parts and products that are compatible with market needs, we have an open-door policy and promote flexible and prompt procurement.

8. Information management

We keep strict control of the confidential information of our customers and suppliers obtained by us in the course of our business.

● Communication with suppliers

The Tokyo Electron Group not only uses electronic data interchange (EDI)* for procuring parts and materials online, it also operates its own website as a supplementary tool to promote efficient two-way communication with suppliers.

We promote suppliers' understanding of the general circumstances of our business as well as our policies and creed through joint projects involving a variety of issues, general day-to-day opportunities, and various specific platforms, including the semiannual Production Update Briefing held by the Group's manufacturing companies and the annual TEL Partners Day.

* Electronic data interchange (EDI): A framework to facilitate the electronic exchange of information related to commercial transactions among corporations in a unified standard format



TEL Partners Day held in fiscal 2012

Relationship with Shareholders and Investors

● Our approach to information disclosure

Tokyo Electron is committed to making information about the company available in a fair, equitable and timely manner to ensure that shareholders and investors can obtain an accurate, in-depth understanding of the company and its activities and can evaluate its corporate value appropriately. We also value and respect opinions received from our stakeholders concerning information disclosed and utilize their feedback as a point of reference to guide our future corporate management.

● Information disclosure methods

Tokyo Electron releases timely disclosure information via the Tokyo Stock Exchange's Timely Disclosure Network (TDnet) and promptly posts the same information on its corporate website. Even when it does not fall into the category of material information, we voluntarily disclose information which may be of interest to stakeholders in a fair, equitable, and easy-to-understand manner using various communication channels, including on our website or in printed form.

To ensure that foreign investors have fair and equal access to our information, all information is, in principle, released simultaneously in Japanese and English.

● Basic policy on returns to shareholders

Our dividend policy is to link dividend payments to business performance and earnings, and our basic policy for returns to shareholders is to maintain a payout rate of around 35% based on consolidated net income.

We aim to maintain profitable growth in order to enhance corporate value by effectively utilizing internal reserves and concentrating investments in growing businesses while at the same time delivering direct returns to shareholders through dividends based on our performance and earnings.

Constituent of the
FTSE4Good Global Index



Tokyo Electron has been a constituent of the FTSE4Good Global Index since September 2003. The FTSE4Good Global Index is a social responsibility investment (SRI) index provided by the FTSE Group, a world-leading index firm wholly owned by the London Stock Exchange.

● The Tokyo Electron Group emphasizes fair, equitable, and timely disclosure of information to and dialogues with shareholders and investors, both in Japan and overseas.

● Annual shareholders meeting

To encourage as many shareholders as possible to attend annual shareholders meetings and fully exercise their voting rights, we send out invitations well in advance—more than three weeks prior to the meeting—and avoid the date when most major Japanese companies hold their shareholders meetings. Shareholders who cannot attend a meeting can vote via the Internet. We also participate in the web-based voting platform for institutional investors operated by Investor Communications Japan (ICJ).

Our website also carries notices of convocation, notices of resolution, the results of the exercise of voting rights, and presentation materials.

● Earnings release conference

We hold an earnings release conference to report our financial results to securities analysts and institutional investors after every quarter. By making these conferences open to members of the press, as well as by posting all the material handouts on our website, we ensure that information provided at the conferences is also available to individual investors.

Published IR materials



Financial Review



Presentation materials used at an earnings release conference



Materials prepared for an annual shareholders meeting



Financial Report



Annual Report



Factbook

Relationship with Employees

- We are striving to create a work environment that values employees' enthusiasm, autonomy and willingness to take on challenges and enables them to reach their full potential.

● Basic concept of the Tokyo Electron Group's Human Resource (HR) management system

In pursuit of our vision of becoming an energetic, dynamic and creative company, the Tokyo Electron Group's HR management system is designed to help each employee achieve self-development and to contribute to the greater dynamism of the organization. Our evaluation system does not simply focus on results but also emphasizes the process leading up to them, including, in particular, the efforts made and the level of skills demonstrated by individual employees in achieving the results. The purpose of this system

is to fairly evaluate employees' total job performance based on the following three criteria: ① **individual role** (mission), ② **scope of abilities required at each step of a process** (competency), and ③ **results achieved according to role** (performance). The competency factor in ② is used not only for evaluation and assessment purposes but also as a guideline for each employee to improve their skills and for the Group to determine capability development targets for each employee.

■ Basic concept of the Tokyo Electron Group's HR management system

	Mission	Competency	Performance
Employee	Understand his/her individual/organization's role.	Develop professional skills.	Capitalize on his/her skills to achieve his/her individual/organization's goals.
Company	Clarify and convey the company's philosophy and goals.	Provide all employees with opportunities to develop their career and skills as required to achieve their individual/organization's goals.	Point-addition scoring method Ensure fair distribution of remuneration.

● Career development support

The Tokyo Electron Group provides a variety of support to its employees in response to their different career ambitions.

① Self-Declaration

Employees can communicate their preferred career path and submit other work-related requests by filling out a dedicated form. An interview is held and necessary arrangements are made as needed.

② Open Job Posting System

Employees can apply at their own volition to join new projects or projects with a high degree of urgency. By widely recruiting eager and aspiring employees from within the Group and giving them additional opportunities to develop their career, this system proves effective in adding a greater level of dynamism to the organization, as well as in promoting projects.

③ Outstanding Employee Award

This award is presented to young and mid-career employees who have actively undertaken challenges at the frontline of business and produced great results for the Group. In addition to giving recognition to outstanding employees, the award is also intended to communicate the impressive performance of the award-winners to all employees as a way of increasing motivation throughout the Group.

● Creating a comfortable work environment

We have introduced various employee support measures as part of our efforts to create a comfortable work environment.

① Health Declaration

We announced our Health Declaration in February 2012. Based on our firm belief that "the healthy growth of the Group can be achieved only through its human resources" and our "employees are valuable assets and they must be mentally and physically healthy in

order to perform world-class work," we promote employee health management through Group-wide efforts.

② Childcare support program

We support a balance between work and childcare by offering a range of childcare support including childcare leave, childcare support working hours, nursing leave, and childcare support leave. In fiscal 2012, a total of 76 employees took childcare leave.

③ Anniversary time off

Employees can take two weeks to one month of leave when their term of service has reached 10, 15, 20 or 25 years.

④ Employee education

We are also taking active steps to prevent on-the-job mental health problems and continuously improve the work environment by providing education on mental health and harassment.

Enjoying both work and family!

Tokyo Electron offers a range of childcare support and both managers and employees are supportive about childcare. I was worried about returning to work after taking childcare leave, but my boss and colleagues welcomed and supported me warmly, and this helped me quickly regain my normal pace of work. Although my child is already in elementary school, I can still use the childcare support working hours and other systems to attend school events and PTA activities as often as I'm able. To fulfill my responsibilities concerning both work and childcare, I need to maintain a good balance between them. I think Tokyo Electron's childcare support program is well designed to fit our lifestyles and allows us to keep the balance.



Yumiko Takai
General Affairs Department
Tokyo Electron Limited

● Respect for individuals

The Code of Ethics of the Tokyo Electron Group prohibits any act of harassment, discrimination based on gender, nationality, age, race, creed, religion, and others, forced labor, and child labor. By strictly observing this Code of Ethics, we make utmost efforts to create a work environment that is free from discrimination and comfortable for everyone.

● Basic policy on human resource development

Based on the belief that our “employees are valuable assets,” the Tokyo Electron Group encourages and supports employees’ proactive approaches toward learning by establishing the following three principles:

- ❶ **The workplace must support employee development.**
- ❷ **Self-motivation and a sense of responsibility are the basic requirements for employees to develop their talents and careers.**
- ❸ **The company must build a platform or framework that provides employees with the opportunity and motivation to learn.**

We also believe that education and training only succeed when implemented continuously. In line with this belief, we are working to enhance our management organization and maintain our educational budget.

● TEL UNIVERSITY

With the aim of providing employees with opportunities for continued learning and thereby enhancing the capabilities of both individual employees and the organization overall, the Tokyo Electron Group has established an internal educational institution. TEL UNIVERSITY is intended to provide employees with opportunities to obtain the knowledge and skills necessary to perform world-class work and build their management and organizational capabilities as well as to develop the leaders of tomorrow.

As part of its curriculum to develop the leaders of tomorrow, TEL UNIVERSITY teaches employees about management philosophy grounded in ideals along with how to cultivate a broad perspective and deep psychological insights, as well as general strategic abilities. Through dialogue with the Group’s own executives and experts from various fields, the training program also seeks to encourage employees to establish their own values on which they can base their decision-making.

We also offer a training program for group leaders in charge of their respective workplaces. During this program, group leaders express their own vision and reflect on what actions to take today to make it a reality, with other participants providing input and feedback.

The Group’s executives also attend TEL UNIVERSITY courses and take part in lively discussions with employees.

■ Overview of TEL UNIVERSITY

	Learn about Tokyo Electron	Become professional	Increase organizational capability	Undertake corporate management	Learn about the world
Executives	Introduction	Utilize technical knowledge gained	Action learning toward future organizational vision	Become next-generation top management	Gain language skills
Leaders	• Introduction for mid-career recruits	• MOT* • Project management	• Organizational capability development program	• Top management training • Next-generation top management program • Pre-next-generation top management program • Basics of corporate management	• English learning program • Other languages
Mid-career employees		Gain technical knowledge • Technical lecture • Semiconductor • Core technologies • Common basic technologies	Learn management skills • New group leader development program • Basics of management		Get to know other cultures • Understanding different cultures
New/young employees	Introduction • Introduction for new employees	Gain basic knowledge • Basics of work • Baseline education • Basic technologies			

* MOT: Management of Technology

Successful human resource development requires employees that are enthusiastic about learning, superiors and colleagues who support employee growth, and a corporate culture that fosters employee enthusiasm and development. By actively learning at TEL UNIVERSITY and applying what they have learned to their tasks and in their workplaces, employees can not only achieve individual growth but also help promote the growth of the organization as a whole.

Going forward, TEL UNIVERSITY will continue to contribute to the growth of the Tokyo Electron Group by developing competent professionals.

❶ Organizational capability development program

Managers learn how to share their future vision—a picture of the organization/team they want to realize—with their staff in the workplace as well as how to implement that vision while promoting the growth of each staff member. This helps them to further increase the strength of their organization/team, even amid challenging conditions.

Training under this program is provided four times a year. In fiscal 2012, a total of 76 managers took part in the training. The training takes the form of action learning, under which each manager is encouraged to pursue his or her own future vision concerning their organization/team discussed during the training through repeated practice in the actual workplace.



Organizational capability development program

❷ Professional capability development program

TEL UNIVERSITY also offers professional education for employees in various jobs, with a particular emphasis on the semiconductor and other technical fields.

Regarding semiconductors, we provide a technical course targeted at engineers along with a more basic course that provides employees who are not directly involved in semiconductor production technologies with an easy-to-follow introduction to semiconductors.

In technical seminars, Tokyo Electron’s internal experts in various fields give seminars on their area of specialization based on the company’s actual products. This facilitates the sharing of practical knowledge that can be used by engineers at each site.

Many employees took part in the program in fiscal 2012, with 290 employees participating in the semiconductor courses and 413 employees attending the technical seminars.



Professional capability development program

Relationship with Local Communities (Corporate Citizenship)

- The Tokyo Electron Group seeks mutual development with local communities through various communication activities that foster a relationship of trust.

Major activities performed by the Group's plants in Japan



Driving etiquette campaign in fiscal 2011

Taking part in a traffic safety campaign

Since the majority of employees working for the Yamanashi Plant commute by car, we consistently remind our employees of the importance of safe driving. As part of these efforts, we took part in Safety Driving Challenge 123, a campaign organized by the Traffic Policy Division of the Yamanashi Prefectural Government's Linear Transportation Bureau to realize zero accidents and zero violations during a period of 123 days between July 21 and November 30, 2011. A total of 810 employees in 162 teams joined the campaign from the Tokyo Electron Group. We also participate in the Driving Etiquette Ladies campaign organized by the Nirasaki Police Station every year. In fiscal 2012, our employees engaged in traffic safety awareness activities on the street, among other volunteer activities, during the campaign.

Tokyo Electron Yamanashi Ltd.

- Head Office: Nirasaki City, Yamanashi Prefecture
- Number of employees: Approximately 900
- Business : Development and manufacturing of semiconductor production equipment (single wafer CVD and cleaning systems), FPD production equipment, and photovoltaic panel production equipment



Support for child welfare facilities and medical institutions

As part of its contribution to local communities, Tokyo Electron Kyushu each year conducts support activities for child welfare facilities and medical institutions located in the vicinity of the Koshi Plant. Last year on July 7, the day of the "star festival" in Japan, employees delivering cakes to an orphanage and a disabled children's care facility were greeted with smiles and thanks all round from the children. In a hospital in Koshi City, volunteer employees of Tokyo Electron Kyushu—mainly those who joined the company in fiscal 2012—helped out at a bazaar held as part of the hospital's summer festival and assisted patients using wheelchairs. The new employees also provided an entertainment to patients and visitors during the festival. By working together on the planning, preparation and implementation of the entertainment, the new employees were able to experience the importance of teamwork, one of the TEL Values. We will continue our activities to support local communities.



Tokyo Electron Kyushu Ltd.

- Head Office: Koshi City, Kumamoto Prefecture
- Number of employees: Approximately 1,900
- Business : R&D, design, manufacturing, and installation of semiconductor and FPD production equipment





Afforestation project

In May 2012, Tokyo Electron Tohoku took part in the Corporate Afforestation Program organized by the local government to help prevent global warming and protect biodiversity. This is the second year the company has participated in the campaign, following an earlier tree-planting activity in May 2011. The company is planning to develop a forest on land owned by Oshu City located to the west of the company's plant in the Esashi Core Industrial Park over the five-year period ending fiscal 2016. In this fiscal year, about 150 employees and their families, as well as representatives of the prefectural and municipal governments and a forestry union, worked together to plant 640 konara oak trees and commemorative Japanese cherry trees on a 0.32 hectare plot of land located adjacent to the 0.14 hectares on which trees were planted last year. The company will carry out weeding in the summer and take part in the program again next year.

Tokyo Electron Tohoku Ltd.

- Head Office: Oshu City, Iwate Prefecture
- Number of employees: Approximately 730
- Business : Development, design, and manufacturing of semiconductor production equipment (thermal processing system)



Support for Science Soccer School

Science Soccer School, a sports clinic for children in the fourth to sixth grades, was held under the Tokyo Electron auspices. Designed to get kids interested in science through sports, the event was constituted of two parts: a science experiment session, in which the mechanics of soccer were examined through the prism of science, and a training session, in which ex-J. League players offered the youngsters tips and techniques for improving their game. About 100 local elementary school children and their parents were invited to take part. Our employees worked as volunteers to support the operation of the event.



Tokyo Electron Miyagi Ltd.

- Head Office: Taiwa Town, Kurokawa District, Miyagi Prefecture
- Number of employees: Approximately 1,030
- Business : Development, design, and manufacturing of semiconductor production equipment (plasma etch system)



Relationship with Local Communities (Corporate Citizenship)

Major activities performed by the Group's overseas locations



New green office building (Milan Office)

The Italian Branch celebrated the re-opening of the Milan Office in January 2012, following its relocation to a new building in Vimercate. The new building is located five kilometers away from the former office and 25 kilometers from the center of Milan. The management and employees celebrated the re-opening Italian style by enjoying a traditional Italian lunch together. The new building has been awarded the top Platinum level of the Leadership in Energy & Environmental Design (LEED) certification issued by the U.S. Green Building Council (GBC), attesting to its eco-friendly credentials. The LEED green building program is an internationally accepted system for rating buildings, homes and communities designed, constructed, maintained and operated in such a way as to improve the environment and promote human health. The new Milan Office is surrounded by abundant greenery, well lit with natural light thanks to large windows, and designed to reduce energy consumption of air conditioners year round.

Tokyo Electron Europe Ltd.

- Head Office: Crawley, West Sussex, U.K.
- Business : Headquarters for operations in Europe. Service and sales support for semiconductor production equipment

Fun Run event (China)

The fourth Fun Run charity event organized by the Zhangjiang Group and Zhangjiang Parkyard Hotel was held on September 23, 2011, with around 30 companies taking part, including leading Chinese semiconductor manufacturers.

Tokyo Electron (Shanghai) (TES) took part in the event for the third consecutive year, fielding a team of 32. Fun Run, which started four years ago with only 200 participants, has grown into a large event, attracting roughly 1,200 participants in 2011. Donning red T-shirts, the runners took off on the four-kilometer course at 8:40 a.m. As well as participating in the run itself, TES also donates 5,000 RMB every year to two charities supported by Fun Run: Giving Tree and River of Hearts. The total amount of donations raised by the organizer in 2011 for children living in poverty and children with disabilities was about 200,000 RMB. TES will continue to support these charities.



Christmas presents for orphaned children (Taiwan)

As in the previous year, Tokyo Electron Taiwan (TET) distributed Christmas presents to children at a local orphanage last year. This event was planned by the TET Welfare Committee and presents were prepared in accordance with requests received from the children in advance. On the day of the event, the TET president and employees dressed in Santa Claus costumes handed out presents to every child. TET also encourages charitable giving by placing donation boxes in office spaces where beverages and sweets are offered to employees as well as by purchasing "red envelopes" (used for giving money to children during the New Year holiday) whose prices include donations.

Tokyo Electron Taiwan Ltd.

- Head Office: Hsinchu, Taiwan
- Business : Service and sales support in Taiwan; R&D of semiconductor production equipment

Tokyo Electron (Shanghai) Ltd.

- Head Office: Shanghai, China
- Business : Service and sales support in China



Han-Ma-Eum Sports Day (Korea)

In September 2011, Tokyo Electron Korea (TEK) organized a sporting event on the sports grounds located on its premises. Under a beautiful blue sky, the more than 300 employees and their families who joined the Han-Ma-Eum Sports Day enjoyed a fun and lively event. Divided into four teams, participants competed in various sports and activities including soccer, ssireum (traditional Korean wrestling equivalent to Japanese sumo), arm-wrestling, tug-of-war, and water rocket launching. Before the final ssireum match, onlookers were treated to adorable dance performances by some of the employees' small children, choreographed to Korean pop songs. Prizes were also awarded to winners of individual competitions such as shooting basketball hoops and "human spider-man," a game in which

participants in Velcro suits jump onto a Velcro wall, each trying to get higher than the others.



Tokyo Electron Korea Ltd.

- Head Office: Hwaseong, Korea
- Business : Service and sales support in Korea



Promotion of environmental activities (United States)

Tokyo Electron U.S. Holdings (TEH) is promoting a variety of environmental activities, including the purchasing of renewable electricity, which is estimated to have reduced CO₂ emissions by approximately 1,000 tons at the Headquarter Office in Austin and the Portland Office during fiscal 2012. The Portland Office has also been awarded and recognized as a Gold Level customer, and the Austin Office has been recognized by Austin Energy in various media such as billboards, newsprint and the internet.

The company has also introduced the "TEL is Green" campaign through its internal intranet to raise employee awareness of environmental issues and provide employees with information on environmental resources such as a ridesharing database for carpoolers, recycling opportunities, and air quality forecasts, to name a few. The company also takes part in the "Keep Austin Beautiful Adopt-A-Street" campaign in its local neighborhood and makes annual donations to The Nature Conservancy and the Clean Air Force.



Tokyo Electron U.S. Holdings, Inc.

- Head Office: Austin, Texas, United States
- Business : U.S. Group headquarters

Comments from a Third-Party Expert

I have read Tokyo Electron's Environmental and Social Report 2012 and received a further explanation of the company's environmental and social activities from the director of Tokyo Electron's Corporate Environment Promotion Department and others. Here I express my views on this report as a third-party expert. I would also like to note that I had an opportunity to visit Tokyo Electron Yamanashi Limited, a Group company responsible for manufacturing and development, as part of this review and inspected sites where semiconductor and FPD production equipment is manufactured.



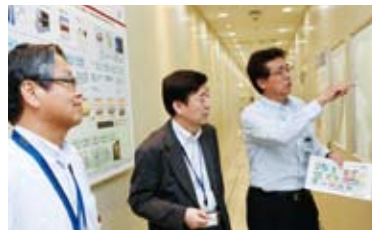
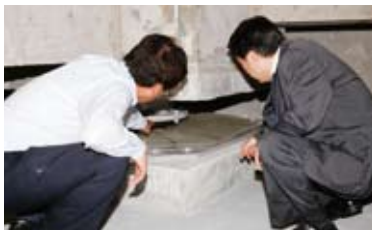
1. The new Environment Vision

Under the new Environment Vision, the company has set new specific environmental goals, including those for the reduction of energy consumption, with a view to becoming a company that addresses global environmental issues through technology. The new Environment Vision specifies the company's priority issues, which include not just the reduction of the environmental impacts of the company's plants, offices and logistics operations but also the development and sale of more environmentally friendly products with lower CO₂ emissions. This, I think, will allow Tokyo Electron to share a common environmental policy and goals and create common value with customers, thereby helping it to maintain a favorable relationship with its customers and society at large, which will in turn facilitate the company's sustainable growth.

2. EHS management

The company's goal set in 2008 was to reduce CO₂ emissions generated from its business activities by 50% over the fiscal 2008 levels by fiscal 2015. However, because this goal is expected to be achieved in fiscal 2012 in terms of both per-unit emissions and total emissions, Tokyo Electron has decided to set even more challenging goals. This proactive attitude to continue improvement efforts rather than simply be content with achieving the goal ahead of schedule is praiseworthy.

With regard to the company's consumption of water, a precious limited natural resource, the figure increased slightly over the fiscal 2008 level and by approximately 9% year on year. I hope, therefore, that the company will work even harder to reduce its water consumption.



3. Relationship with employees

Tokyo Electron is making efforts to create a work environment that encourages employees to take on new challenges. The personnel evaluation system, which focuses on the process of achieving goals, various career advancement support systems, and the internal educational institution are some examples of these efforts designed to help each employee realize their full potential, and I think they are beginning show results in the form of good business performance. In order for the company to continue growing as a global company, it needs to embrace a diverse range of employee experiences and views. I would like to know what activities are undertaken and what policy is adopted by the company with regard to this kind of diversity management, including that for employees of Group companies overseas.

4. Future issues

From this report, I was able to get a clear sense of the earnest efforts made by the company toward environmental preservation and social contribution as well as the effects brought about by such efforts. I could also understand the efforts made by the company as a global corporation to also build trust in overseas markets, such as the completion of the environmentally considerate Kunshan Plant in China.

However, the semiconductor industry is currently confronting major changes amid fierce global competition. In these circumstances, if the report focused more on clearly explaining the position and role of Tokyo Electron throughout its supply chain rather than just detailing its products, the company's corporate value would become clearer to stakeholders.

Note: The third-party comment above does not constitute an opinion on the accuracy or completeness of the information included in this report.

Yoshito Nakamura

Professor, Faculty of Business Administration
Toyo University
Certified Public Accountant
Auditor, Supporting Organization of JOCV
Auditor, Kawasaki City Council of Social Welfare
Director, Research Institute of Accounting for Construction Industry



Response to the Third-Party Comment

I am deeply grateful to Prof. Nakamura, who once again took time out of his busy schedule to visit our development and manufacturing sites and talk with members of the General Affairs Department at the Yamanashi Plant (Fujii/Hosaka). I furthermore appreciate Prof. Nakamura's efforts to understand our environmental and social activities. This year marks an important year for us, the year we begin enhanced environmental and social activities with the aim of achieving the new environmental goals. We take Prof. Nakamura's recommendations concerning the reduction of our water consumption, diversity management, and activities across the supply chain seriously and will work even harder to further broaden and deepen our activities and to report them in the next and following issues of this report.



Toshiya Matsuda

Director
Corporate Environment
Promotion Department
Tokyo Electron Limited

Corporate Profile

Company name: Tokyo Electron Limited (TEL)
 Address: Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo, Japan 107-6325
 Phone: +81-3-5561-7000
 Established: November 11, 1963
 Capital: ¥54,961,190,000 (as of April 1, 2012)
 Main products: Semiconductor production equipment, flat panel display (FPD) production equipment, photovoltaic panel production equipment
 Number of employees: 1,259 (non-consolidated; as of April 1, 2012)
 10,940 (consolidated; as of April 1, 2012)

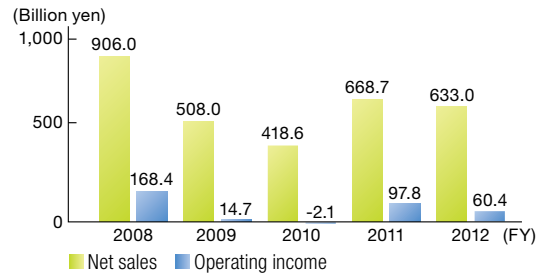
Japan



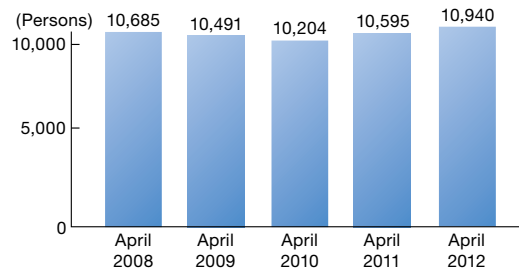
Overseas



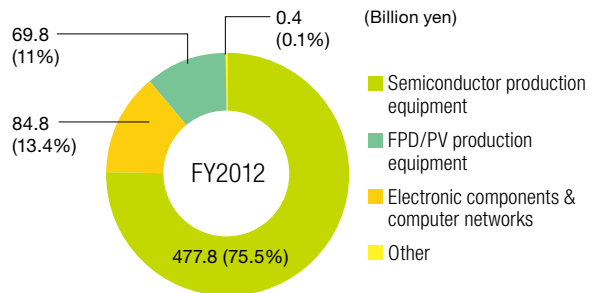
Net sales and operating income (consolidated)



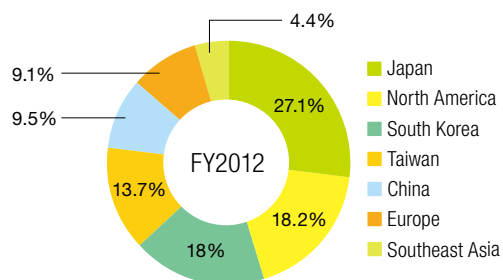
Number of Group employees



Net sales by division (Consolidated)



Net sales by region (Consolidated)



Tokyo Electron Limited summarized the values and codes of conduct of the Tokyo Electron Group as TEL Values in April 2006. We will share TEL values with all employees of the Group around the world, which will in turn drive us toward new growth in the future.

TEL Values

Pride

We take pride in providing high-value products and services.

Challenge

We accept the challenge of going beyond what others are doing in pursuing our goal of becoming number one globally.

Ownership

We will keep ownership in mind as we think things through, and engage in thorough implementation in order to achieve our goals.

Teamwork

We respect each other's individuality and place a high priority on teamwork.

Awareness

We must have awareness of and accept responsibility for our behavior as respectful members of society.

TEL Eco-Life Painting and Photo Contest

The Tokyo Electron Group held the TEL Eco-Life Painting and Photo Contest from July to September 2012 as part of its activities to raise environmental awareness. We received a host of entries from overseas and Japan.



Spring in Japan (Japan)



A Day of Bees (South Korea)



A Resting Place (China)



Four Seasons (South Korea)



Glittering Terraced Paddy Fields (Japan)



Sweet Swans (Italy)



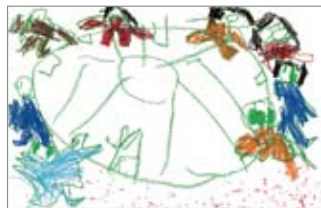
Where is the water (Taiwan)



A Snail's Breakfast (South Korea)



An Egret's Breakfast (Japan)



A Circle of Ecology, A Circle of Friends (Japan)



The Bee and the Edelweiss (Italy)



Rainbow-colored Dragonflies (Japan)



TOKYO ELECTRON

TOKYO ELECTRON LIMITED
 Corporate Environment Promotion Department
 2-30-7 Sumiyoshi-cho, Fuchu City
 Tokyo 183-8705, Japan
 Tel: +81-42-333-8050 Fax: +81-42-333-8477
<http://www.tel.com>



* Green power has generated by power plants of Solar, Wind, Small Hydro, Geothermal and Biomass.



The main body of this report (pages 3 to 34) was printed on paper made from trees thinned from forests as part of forest invigoration efforts.



This report was printed using environmentally-friendly vegetable oil ink.