

INTELLECTUAL PROPERTY REPORT

Process and mechatronic technologies used in the manufacture of semiconductors and flat panel displays represent Tokyo Electron's core technologies. Tokyo Electron devotes considerable resources to developing technologies that bolster the competitiveness of its products. Without protection of its intellectual property rights, Tokyo Electron would not be able to lay claim to independently developed technologies and products as proprietary assets. It is precisely the integration of our intellectual property strategy with our technological and product strategies that allows Tokyo Electron to realize maximum benefits from development efforts.

With the increasing division of roles between semiconductor manufacturers and SPE suppliers, Tokyo Electron is playing an expanding role that goes beyond the supply of production equipment and embraces processing, multiple process integration and process control technologies. This situation makes protection of intellectual property rights all the more complex. Tokyo Electron places high priority on protecting intellectual property by actively filing for process recipe, software and other patents.

CONTRIBUTION OF LICENSE-RELATED ACTIVITIES

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

Tokyo Electron is also exploring the feasibility of licensing or selling its proprietary technology to third parties in other business fields and to cooperating partners.

POLICIES ON ACQUIRING AND MANAGING INTELLECTUAL PROPERTY, MANAGING TRADE SECRETS AND PREVENTING TECHNOLOGY LEAKAGE

Tokyo Electron has a set of internal rules that define the management of its intellectual property. According to these rules, Tokyo Electron provides incentives for inventors and creators within Tokyo Electron. We established awards to honor inventors and creators. We also make lump-sum payments at the time of submission of applications for patents, utility model rights, designs and other property rights. Bonuses are also given as incentives if such creations are implemented at Tokyo Electron or licensed to

third parties. The latter bonuses are scaled to the earnings record of such licenses and other rights.

Based on the Revised Patent Law that came into force in fiscal 2005, Tokyo Electron is working to make its award and bonus systems for creations easier to understand and revising how inventors are rewarded for their contributions. The goal is to bring the system into conformity with the recommendations in "The Case Studies of Procedures Under the New Employee Invention System," published in September 2004 by the Patent Office.

Management of trade secrets is handled according to Tokyo Electron's "Internal Rules on Managing Technology and Marketing Information" and "Manual for Managing Technology and Marketing Information." The provisions of these measures are approximately equivalent to those of the government's "Policies Regarding Managing Trade Secrets" and "Policies Regarding the Prevention of Technology Leakage."

By promoting greater cooperation with the materials and procurement divisions, Tokyo Electron is strengthening measures against pirated technologies at the component level. These initiatives are not limited to operations in Japan alone. They are to be expanded overseas through tie-ups with local law offices in the U.S. and in Asia.

INTELLECTUAL PROPERTY BY MAJOR COUNTRY

The following graph shows historical data on the number of patent applications filed in Japan by Tokyo Electron up to the end of March 2005. With it becoming more difficult to acquire patents in Japan and other countries, Tokyo Electron is reviewing its policy regarding the country of application, including Japan, from the standpoint of key manufacturing bases and the markets of its operating divisions.

In addition to the recent policy of emphasizing filing applications in the U.S., Tokyo Electron will also stress the need to file applications in China, South Korea, Taiwan and other Asian countries.

