

# 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. Since the beginning of the fiscal year under review, as measures to raise profitability, Tokyo Electron has been promoting three themes: (1) launching new products imbuing high added value, (2) raising manufacturing capabilities, and (3) expanding after-sales businesses. Protecting the intellectual property rights of independently developed proprietary technologies and products is vital in this context to ensure the smooth growth of businesses.

The integration of our intellectual property strategy with our technological and product strategies is thus important to realizing maximum benefits from development efforts.

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 patent applications for equipment schematics, software technologies, several process management technologies for manufacturing equipment and other patents.

## 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. These rules were revised based on the purport of the Revised Patent Law that came into force last year. Under these rules, Tokyo Electron provides incentives for inventors and creators within Tokyo Electron. We 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. We also established awards to honor inventors and creators.

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 imitation and pirated technologies at the component level. Furthermore, outside of Japan, Tokyo Electron is strengthening tie-ups with local law offices in the U.S. and in Asia and actively conducting other activities to counter imitation and pirated products. These include cooperating with Japan's Ministry of Economy, Trade and Industry, Japan External Trade Organization,

Japan Intellectual Property Association and other organizations, and participating in various activities.

## Intellectual Property by Major Country

The graph in this section shows historical data on the number of patent applications filed in Japan by Tokyo Electron up to the end of March 2006. 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 particular, in addition to the recent policy of emphasizing filing applications in the U.S., Tokyo Electron is also stressing the need to file applications in China, South Korea, Taiwan and other countries as a countermeasure against imitation and pirated products, mainly in East Asia.

## Contribution of License-related Activities

In developing and implementing our intellectual property rights strategy, we do not see intellectual property rights acquired by filing applications and securing rights for proprietary products and 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 and constantly enhancing the efficiency of research and development, and on quickly launching new products. We also respect the intellectual property rights of others, just as we do our own, and effectively use them through licensing.

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

