

Tokyo Electron devotes a great deal of effort into developing technologies to bolster the competitiveness of its products. Without protection of its intellectual property rights, however, the Company would not be able to lay claim to those independently developed technologies and products as proprietary assets. It is precisely the integration of our intellectual property strategy with its technology and product strategies that allows the Company to realize maximum benefit from its development efforts. Accordingly, the Company has positioned intellectual property strategy as one of its most important strategies. To enable us to effectively use superior technologies of other companies and our products to market quickly, the Company places a high priority on license-in activities.

Contribution of License-Related Activities

Intellectual property acquired by filing applications and securing rights for the Company's proprietary products and development technologies are primarily effective not as source of income from licensing to competitors and other companies, but as a method of differentiating our products and technologies and achieving a competitive advantage.

Technology for the semiconductor and FPD fields are becoming increasingly advanced and sophisticated. To efficiently develop new products incorporating leading-edge technologies, and launch them quickly to the market, it is essential to effectively utilize all available intellectual properties, whether the Company's or those of other companies.

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

The Company has a set of internal rules that define the management of its intellectual property. The Company's procedures for acquiring and managing intellectual property are on a comparable level to those mentioned in the Policies Regarding the Acquisition and Management of Intellectual Properties issued by the Ministry of Economy, Trade and Industry of Japan.

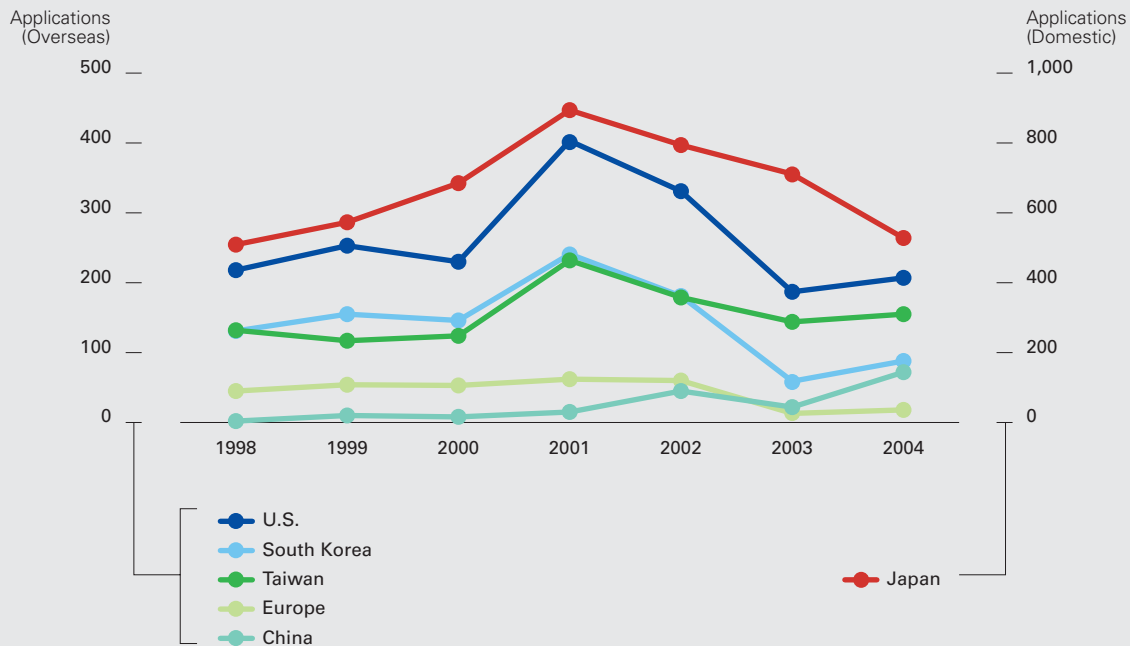
According to these rules, the Company provides incentives for inventors and creators within the Company. We established awards to honor inventors and creators and pays lump-sum payments at the time of submission or registration of applications for patents, utility model rights, designs and others. Bonuses are also issued as incentives if these creations are implemented at the Company and bonuses scaled to their earning record if such licenses and other rights are sold outside.

Management of trade secrets is handled according to the Company's "Internal rules on Managing Technology and Marketing Information" and its "Manual for managing Technology and Marketing Information." The provisions of these documents are similar to those of the government's Policies Regarding Managing Trade Secrets and Policies Regarding the Prevention of Technology Leakage.

Along with the globalization of production bases for semiconductors and flat panel displays, the Company is

emphasizing the filing of applications for intellectual property rights in countries around the world.

Number of Patent Applications



Intellectual Property by Major Country (at March 31, 2004)

	Japan	U.S.	Korea	Taiwan	China	Germany	France	Other	Total
Patent	2,453	1,875	772	969	19	103	57	350	6,598
Utility Model	64	0	2	40	6	0	0	0	112
Design	156	62	99	59	41	27	44	165	653
Trade mark	196	25	37	65	21	16	15	274	649
Total	2,869	1,962	910	1,133	87	146	116	789	8,012

Efficient Acquisition of Intellectual Property Rights

According to the Japanese Patent Office, the approval rate for patents filed by the Company in 2001 was 73.9%, ranking 10th highest in Japan.

Furthermore, according to a survey by CHI Research Inc., a U.S. intellectual property asset research company, the Company ranked No. 1 in the world for the highest

proportion of elite patents in its U.S. patent portfolio during the five-year period from 1996 to 2000. An elite patent is the one that ranks in the top 5% of the most frequently cited patents in its technological field. This ranking reflects the efficient acquisition of rights for superior patents, which is contributing to strengthen the Company's global competitiveness.