



Environmental and Social Report 2011



TOKYO ELECTRON LIMITED

Corporate Philosophy

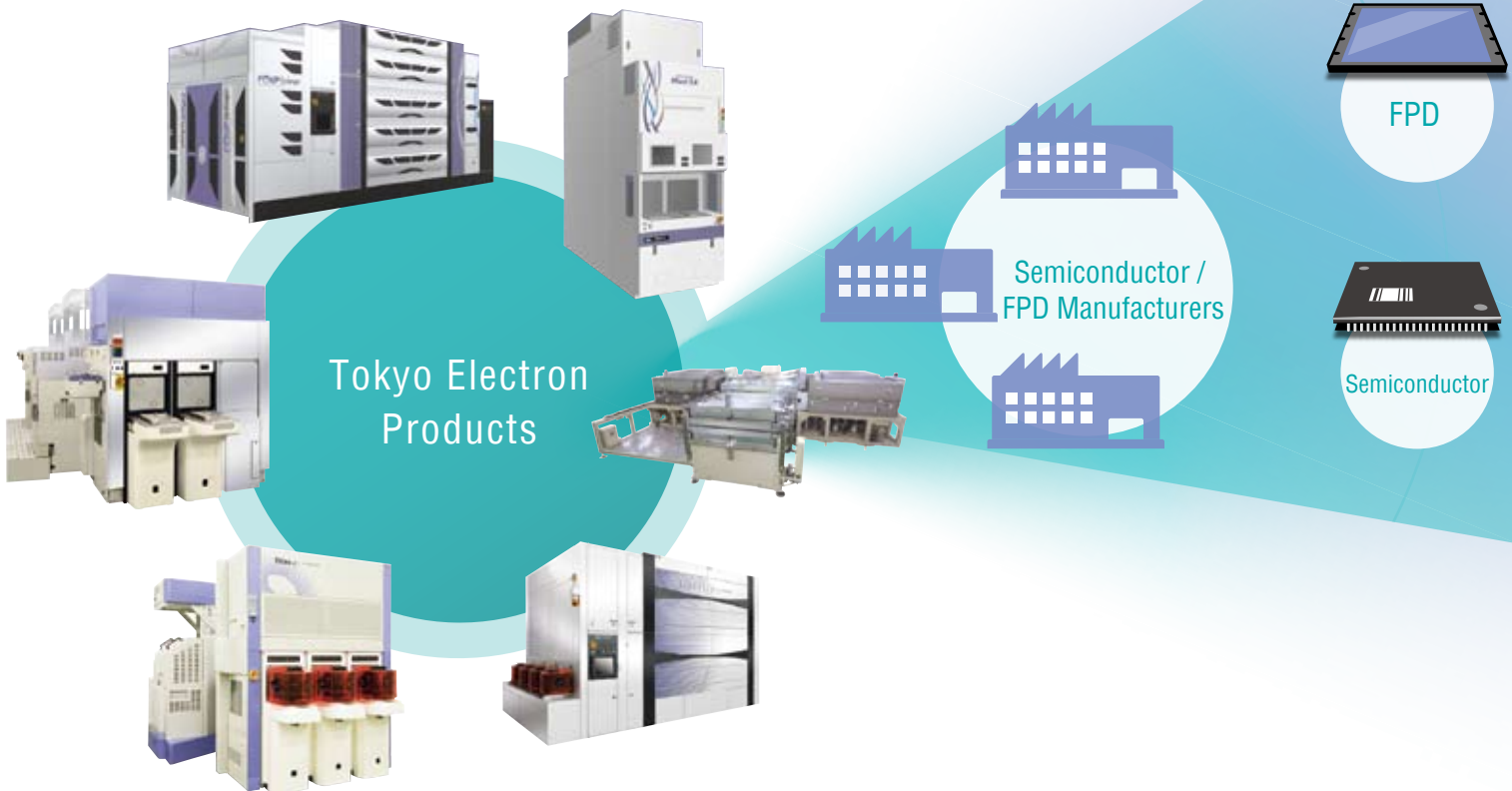
- ▶ Provide high-value products and services around the world that help people to lead healthy and enriched lives.
- ▶ Demonstrate consistent leadership as a world class company by creating hope for the future and addressing environmental problems.
- ▶ Share a sense of mission with all TEL employees,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

Tokyo Electron – A Part of Your Everyday Life

Tokyo Electron (TEL) technologies help resolve environmental issues through improving performance and reducing energy usage of products made by our customers.

Semiconductor and FPD¹ products manufactured by our customers are inside a wide range of electronics products that you come into contact with every day.

¹ Flat panel display



TEL Values

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.

CONTENTS

Tokyo Electron Corporate Policy and TEL Values p. 2
 Editorial Policy p. 3
 Message from the President p. 4

▶ **Highlight**

TEL's Global Business Presence p. 6
 Supporting the Recovery Effort p. 8
 Introducing the New Miyagi Plant 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
 Corporate Social Responsibility (CSR) p. 30

Comments from a Third-Party Expert p. 32
 Corporate Profile p. 33

Editorial Policy

This report is intended to explain the TEL Group's stance on corporate social responsibility and report on our initiatives concerning the global environment and society. The fiscal 2011 report features an expanded highlights section which covers the TEL Group's global operations, earthquake relief assistance, and the New Miyagi Plant as well as a new layout that makes it easier to understand the Group's environmental and social activities.

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

The results of the TEL Group's environmental accounting for fiscal 2011 are available (in Japanese) on our website:

 <http://www.tel.co.jp/environment/ehsreport.htm>

Scope of Report

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

Period Covered

Fiscal 2011 (April 1, 2010 – March 31, 2011). However, some information for fiscal 2012 has also been included.

Topics Covered

Areas related to the environment, society, and the economy

Guidelines referred to in preparing this report

- Environmental Reporting Guidelines (Fiscal 2007 version) issued by Japan's Ministry of the Environment
- 2006 Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI)



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.

Creating Hope for the Future, Valuing Our Stakeholders, and Utilizing Our Advanced Proprietary Technologies and Services



Our commitment to the earthquake recovery effort

First, on behalf of the Tokyo Electron Group, I would like to express our deepest sympathies and condolences for the victims of the Great East Japan Earthquake. We sincerely hope that the afflicted areas will be able to achieve a quick recovery.

The Tokyo Electron Group was one of the companies affected by the earthquake disaster, as three of its plants in the Tohoku region suffered damage. Immediately following the earthquake, however, we set up an earthquake response task force and poured all of our efforts into quickly restoring our facilities as well as assisting the disaster-afflicted areas with supplies and donations. I visited the area soon after the earthquake and saw that our employees were strongly determined to rebuild from the disaster and worked at all hours on behalf of the Company, our customers and the community. It was really an opportunity for me to once again recognize the underlying strength of the TEL Group. Local governments where our plants are located have also called upon the TEL Group to play a leading role in the recovery effort. As a company with plants in the afflicted areas, I feel a strong and renewed sense of commitment to support these local communities over the long term by further growing our company as we move forward. With this thought close to our hearts, we will continue to fulfill our corporate philosophy of helping people to lead healthy and enriched lives by providing high-value technologies and services around the world. Further, as a top manufacturer, the TEL Group will continue to address

environmental problems and demonstrate consistent leadership in creating a society that is full of hope.

Customer feedback is what motivates TEL

The assistance we provided to our customers' plants damaged in the earthquake included the extended dispatch of more than 100 engineers to quickly get these facilities back on line. Our efforts have earned us many words of appreciation and a great deal of praise from our customers.

As evidence of our status as a production equipment supplier that creates value for customers around the world, we had the honor of being presented with many supplier excellence awards in fiscal 2011. We are always encouraged by the customers' words that Tokyo Electron is not only a supplier of products, but also a partner they would like to work with well into the future. Going forward, we stand firmly committed to helping grow the business of our customers by efficiently providing superior quality products and technologies as well as reliable, trustworthy services.

Global network of development centers

The Tokyo Electron Group has been expanding its business locations around the globe. Given this expansion, we have especially focused on the globalization of our development centers in recent years. We will continue to focus our development activities in Japan, but we are now also actively moving overseas to build a framework to develop and evaluate

cutting edge technologies hand-in-hand with our customers. Currently, we have a development center located in Albany, New York, in the United States, and are undertaking joint development activities in advanced lithography-related technologies with the international consortium of IMEC, based in Belgium. In addition, following our establishment of a technology center in Hsinchu, Taiwan, in 2009, we plan to open a new process technology center in Hwaseong, South Korea, in 2012. By jointly undertaking development with our customers, who are world-leaders in their respective technologies, we will be better positioned to bring superior quality products to market in a timely manner.

Our commitment to achieving a low-carbon society

Under the slogan “Technology for Eco Life,” Tokyo Electron announced its environmental commitment and has since been actively working to mitigate its impact on the global environment with a target to cut by 50% the environmental impact of customers’ factories, as well as its own business activities and logistics. To augment these activities, we plan to focus especially on energy conservation measures in the period spanning fiscal 2011 to fiscal 2012, and to this end, we have installed a photovoltaic (PV) power generation system at our Yamanashi Plant and new Miyagi Plant.

As for the PV cell production equipment business, which we newly entered in 2008, we are working hard to develop thin-film silicon PV cell production equipment using our proprietary technologies. Thin-film silicon PV cell production equipment represents a field where we can ably utilize our long-proven technologies as a manufacturer of various production equipment, and still have sufficient opportunity to improve the energy conversion rate of today’s cells. Recent energy issues have once again sparked interest in PV power generation, and so in order to respond to the demands of society, we will focus even more on creating new groundbreaking technologies.

Creating a company brimming with aspirations and vitality

As a production equipment supplier, our aim is to be a company that helps enhance social infrastructure and enrich peoples’ lives. This mission—held equally by management and employees alike—represents our drive to become an energetic and dynamic company which we can be proud of.

Under the vision that “employees should thrive and their vitality is essential to creating the future of TEL,” we have provided opportunities for our employees’ personal growth, such as increasing spending on training programs, despite the challenging operating environment that has persisted since the 2008 credit crisis. Based on the belief that “employees are our valuable assets,” we have also instituted skill building programs suitable to each employee, a fair and equitable

performance-based evaluation system, as well as a human resource promotion system that selects young, dynamic and highly competent employees to take on jobs with greater responsibilities.

In order for our employees to maintain their vision and dynamism as they push vigorously toward our targets, I believe we must also foster attachment to and pride in our company. To this end, we have recently been undertaking corporate branding activities, which have included acting as a sponsor for sporting events and airing TV commercials. This initiative has been well received by our employees, as many have commented that the visibility of the Company boosts their commitment, and that they are proud of the fact that their family and friends know more about their Company.

Walking hand-in-hand with local communities through our CSR activities

The Tokyo Electron Group aspires to be a good corporate citizen that maintains close ties to the local community. As part of our work with local communities, we offer a classroom outreach program in Miyagi Prefecture that conducts scientific experiments for elementary and junior high school students, which further illustrates our commitment to support the education of future generations of society. In addition, our long-standing efforts in the United States to purchase green electricity, reduce water use, and undertake clean-up activities together with the local community have been widely recognized, and as a result were presented with a Going Green Award.

Moving forward, our quiet dedication to these important CSR initiatives will continue as part of our commitment to be a contributing member of the local community.

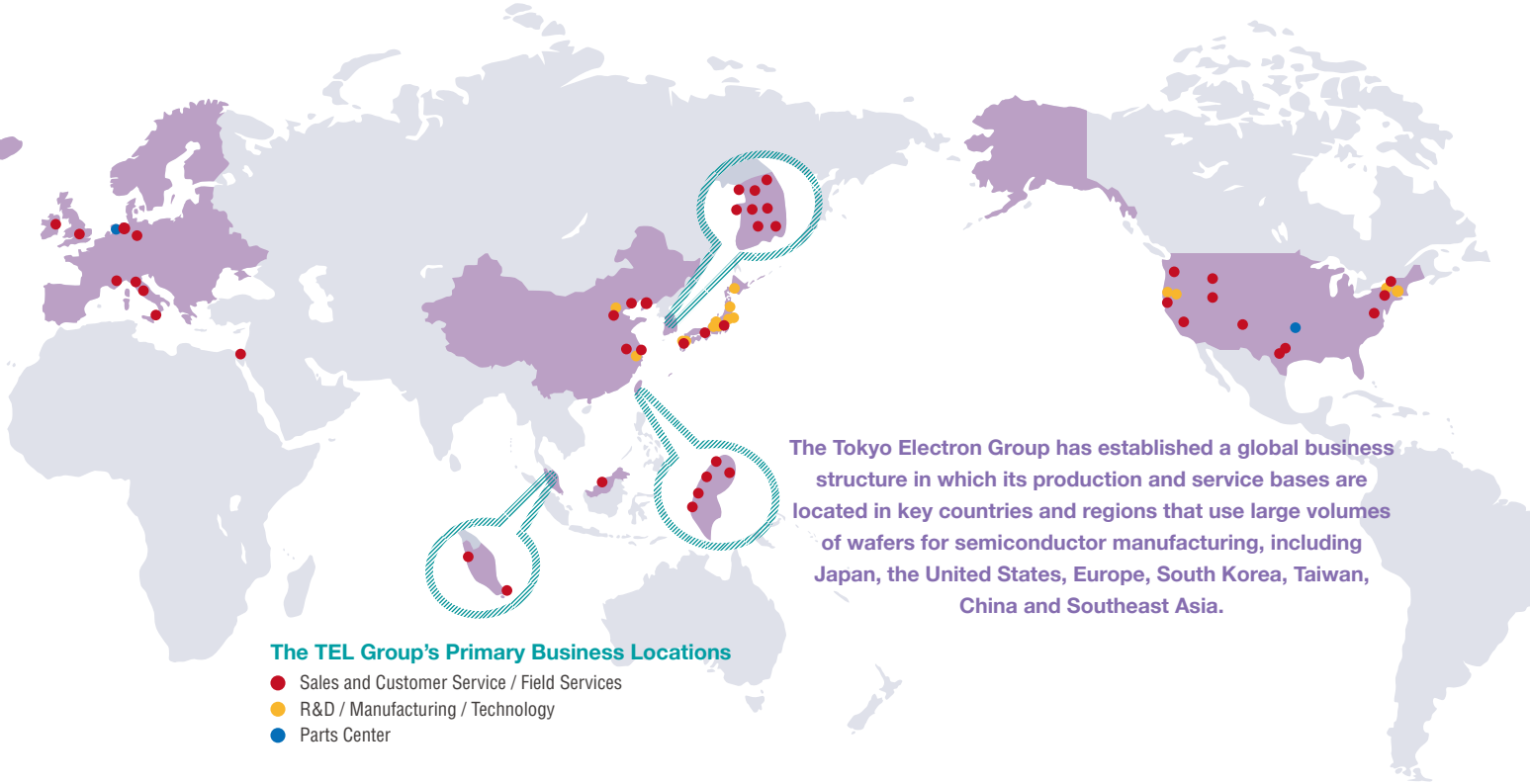
In closing, in order for the Tokyo Electron Group to contribute to the development of society through providing superior quality products, technologies and services, I believe our greatest responsibility can be found in achieving sound and sustainable growth as a company. We will continue to undertake a wide range of actions based on our corporate philosophy, while closely monitoring and incorporating feedback from all of our stakeholders. I ask for your continued understanding and support.



Hiroshi Takenaka
President & CEO
Tokyo Electron Limited



Providing Customers around the World with Superior Quality Products and Services using Our Global Network



The TEL Group's Primary Business Locations

- Sales and Customer Service / Field Services
- R&D / Manufacturing / Technology
- Parts Center

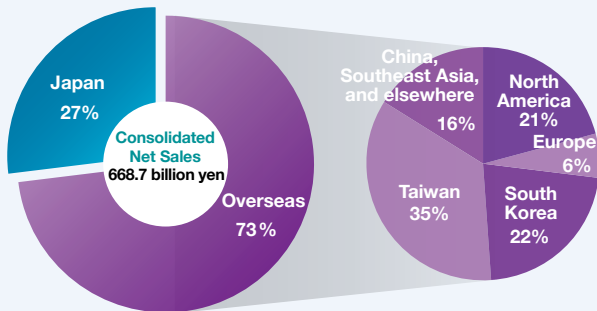


A Surefooted Global Operating Structure

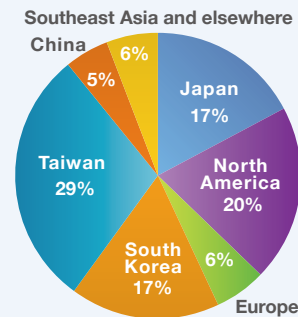
TEL's Global Network

As one of the world's foremost suppliers of semiconductor production equipment, TEL engages in a wide range of business activities including development, manufacturing and sales. We have also applied our extensive technological background in semiconductor production equipment to the flat panel display (FPD) production equipment segment. Many of the semiconductor and FPD production machines we manufacture have captured a major share in the global market. Our global network consisting of approximately 85 locations in 12 countries spread across the United States, Europe and Asia enables us to provide superior quality products and services to customers around the world.

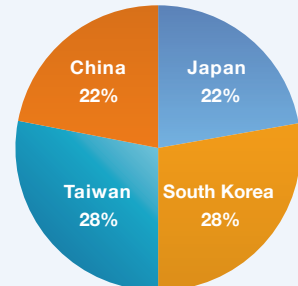
Fiscal 2011 Net Sales by Region (Consolidated)



Fiscal 2011 Semiconductor Production Equipment Net Sales by Region (Consolidated)



Fiscal 2011 FPD/PV¹ Production Equipment Net Sales by Region (Consolidated)



¹ PV: Photovoltaic cell



Globally Recognized Environmental Initiatives

TEL Included in the Global 100 List of Sustainable Corporations

TEL was selected as one of the Global 100 Most Sustainable Corporations in the World on January 29, 2011. The Global 100 is a list of corporations compiled jointly by Canadian publishing company Corporate Knights Inc. and its partners. The list recognizes businesses for their sustainability, based on an evaluation of their initiatives for the environment, society and corporate governance.

TEL received high marks for its reduction of greenhouse gas emissions, energy consumption and water usage.



TEL's Cleaning System Selected as Award Finalist for Its Reduced Environmental Impact

In July 2010 the TEL Group's EXPEDIUS™+ cleaning system was chosen as one of five finalists for the Sustainable

Technologies Award at SEMICON West held in San Francisco, California. Although not selected as the winner, the TEL Group was presented with an official commendation from SEMI.²

The Sustainable Technologies Award recognizes a piece of equipment, material or service that has a minimal impact on the environment and contributes to a sustainable society. The EXPEDIUS+ was recognized for its reduction of both water used in the cleaning process, and volatile organic compounds produced by the isopropyl alcohol cleaning agent.



Sustainable Technologies Award finalist commendation

² SEMI: Semiconductor Equipment and Materials International is a global trade association representing manufacturers of semiconductor and FPD production equipment as well as raw materials.



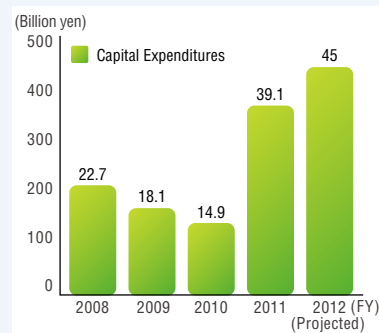
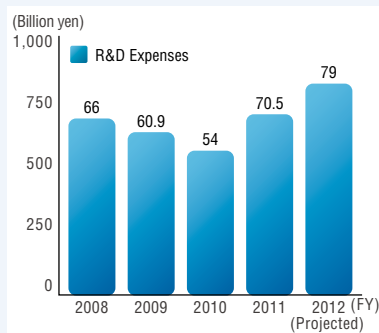
TEL's Global Approach to R&D

The Key to Growth is Greater R&D

Recognizing that bringing new high value-added products to markets in a timely fashion is key to unlocking its growth potential, TEL is actively committed to strengthening its research and development activities. In addition to the R&D divisions at each of our plants in Japan, we also carry out R&D activities at the Leading-Edge Process Development Center in Yamanashi Prefecture and the Tokyo Electron Technology Development Institute, Inc. in Miyagi Prefecture. Further, we are moving to expand our development activities outside of Japan. TEL is actively working to develop new next-generation technologies and businesses in a wide range of fields through initiatives such as establishing the TEL Technology Center, America, LLC in New York State, and through strengthening our partnership with IMEC, an

external research and development organization in Belgium. We are also working to build a structure where our R&D offices are located close to our customers in order to position us to respond promptly to their needs from early in the development stage.

Capital Expenditures and R&D Expenses



TOPICS



TEL Technology Center, Taiwan

Conducting R&D in Closer Proximity to Our Customers

We are conducting R&D in locations closer to customers as part of our management policy to provide the best solutions to match the needs of our customers. As part of this approach, we established the TEL Technology Center, Taiwan in the city of Hsinchu. In 2012, we are planning to open semiconductor process technology centers in South Korea as well as Tsukuba City in Ibaraki Prefecture, Japan. Moving forward, we will continue to take measures that enable us to produce, as well as bring to market, new and competitive products.



TEL's Actions to Assist in the Recovery Effort in the Wake of the Great East Japan Earthquake

Tokyo Electron Limited would like to express the Company's condolences to the victims of the earthquake as well as its sincerest hope for the afflicted areas to realize a quick recovery.

In response to the Great East Japan Earthquake, the TEL Group immediately established the Earthquake Emergency Response Headquarters, led by president and CEO, Hiroshi Takenaka. The Headquarters served to communicate with the afflicted areas, obtain updates and implement appropriate response measures. After confirming that all employees in the afflicted areas were safe, we quickly moved to resume operations at each plant after the necessary repairs were made.



Recovery Status since the Great East Japan Earthquake

Tokyo Electron Miyagi Limited (Taiwa, Miyagi—new plant)
Administration Building/Development Building: Began operations in June 2011 (revised start date)
Production Building: Scheduled to launch operations in October 2011

Tokyo Electron Tohoku Limited (Oshu, Iwate)
Resumed operations on March 17, 2011

Tokyo Electron Technology Development Institute, Inc. (Sendai, Miyagi)
Resumed operations on March 28, 2011

Tokyo Electron Miyagi Limited (Matsushima, Miyagi)
Resumed operations on May 9, 2011



Words of Encouragement from Outer Space to Tohoku

In August 2011, the TEL Group hosted an event for local children from the earthquake-afflicted areas in which the group talked with Japanese astronaut and International Space Station (ISS) crew member, Satoshi Furukawa, in a real-time link up between the ISS, the Japan Aerospace Exploration Agency (JAXA)'s Tsukuba Space Center, as well as the headquarters of Tokyo Electron Miyagi Limited. Mr. Furukawa took time to interact with the children and answered all of their many questions. From outer space, he sent the message that, "If you continue to do what you are capable of doing right now, tomorrow will surely be a brighter day," which helped uplift the spirits of the children in attendance.





The TEL Group's Response to the Great East Japan Earthquake

Donations to Aid Earthquake Relief and Recovery Efforts

The TEL Group has donated a total of ¥500 million in order to aid the quick recovery of the afflicted areas. Donations have been provided to the Japanese Red Cross Society (¥300 million), and the governments of Miyagi and Iwate Prefectures (¥100 million, respectively), where TEL Group's plants and offices are located.

Dispatch of Relief Goods

The TEL Group has collected relief goods and other donations including water, food, and daily living supplies from all of its business locations throughout Japan, from its local subsidiaries around the world, and from its employees. All supplies and donations were sent to the TEL Group's plants and offices located in the Tohoku region. Relief supplies have been delivered through the local authorities not only to those TEL Group employees and families in need, but have also been distributed to residents of the afflicted areas.

Communication with Suppliers

Since the earthquake and tsunami, the TEL Group has worked under its business continuity plan (BCP) to assess damages incurred by approximately 300 of its suppliers located in the six Tohoku prefectures and Ibaraki Prefecture, and also to ensure prompt response within the Company, to procure substitute products, and secure market inventories.

Radiation Testing

The TEL Group tests for radiation in all equipment and parts shipped overseas (as of the end of September 2011). This testing follows the ISO standards, with decisions regarding shipment made based on regulations of the International Air Transport Association (IATA).



Testing for radiation

Addressing Restrictions on Power Usage

At the Yamanashi Plant, we installed and commenced operations of a 2,000 kW PV power generation system located on the rooftop of the plant's facilities and parking lot on July 1, 2011. Each of our business locations is striving to reduce their power usage by replacing existing equipment with the latest energy saving models, including high efficiency turbo freezers and compressors, introducing staggered holidays that spread out



Tokyo Electron Yamanashi's PV power generation system



Tokyo Electron Yamanashi's power monitor

non-work days by department, as well as eliminating elevator use, dimming lights, and changing the air conditioner temperature settings. In addition, power consumption is being monitored in real time in order to make it more visible within the facility. This data is displayed on the intranet, which helps raise employee awareness and promote energy conservation.

TOPICS

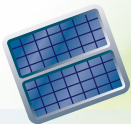
Donation of PV Power Generation Systems

The TEL Group has proposed the installation of temporary small-scale PV power generation systems suitable for evacuation centers and temporary government offices in the earthquake-afflicted areas, and is moving forward to soon donate ten 10 kW systems to the governments of Miyagi Prefecture and Iwate Prefecture. The construction of these PV power generation systems is simple and does not require building a separate foundation. As such, they can be installed on unpaved ground within a short period of time. In addition, these systems come equipped with a storage battery, enabling self-sustained operations in case of power outages.



Conceptual image of a PV power generation system installation

Our New Plant: A Cutting Edge “Eco Plant”



Tokyo Electron's New Miyagi Plant

About Tokyo Electron's New Miyagi Plant

In the summer of 2010, the Tokyo Electron Group began construction of Tokyo Electron Miyagi Limited's main plant in Taiwa Town, Miyagi Prefecture. In June 2011, the administration and development buildings began operations, and we plan to launch operations at the production building in October 2011. The new plant will consolidate the development and production of etching equipment for semiconductors, a market which is expected to see robust growth going forward. This integrated structure will help shorten the development phase of high value-added products, while corresponding changes in our production methods will improve productivity and reduce production lead times.

The etching process is an extremely critical step in the manufacturing of semiconductors, and as such, represents one of our core businesses. In addition, the new plant will also manufacture our etching system Tactras™ RLSA™ Etch that uses new plasma technologies. The site of the new plant is approximately 300,000m² and consists of three buildings, each focused on either production, development or administration, with a total floor area of approximately 70,000m².

1,000 kW PV Power Generation System

A large 1,000 kW PV power generation system has been installed on the roof of the production and development buildings, while energy saving facilities have also been used extensively throughout, making it an extremely eco-friendly plant. This system, which uses a thin-film PV cell panel that was made using TEL Group-related production equipment, features a 750 kW unit installed on the roof of the production building and a 250 kW unit

atop the development building. In addition, the system's power generating status is displayed on a monitor in the entrance hall, while employees can also confirm this information in real time over the intranet.

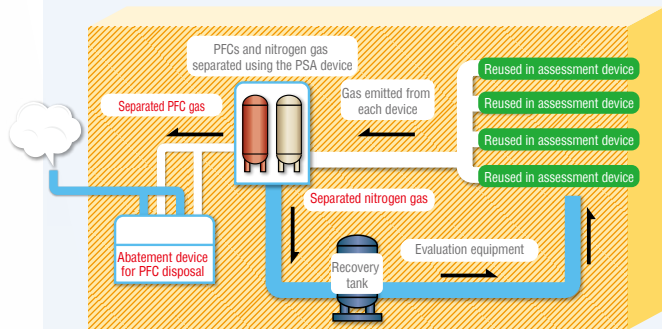


Thin-film PV cell panel installed at the new plant

PFC Gas Abatement System with PSA Unit

Our Gas Abatement System uses a pressure swing adsorption (PSA) device to separate and recover nitrogen gas from the gases used in the cleaning and etching processes, as well as a system that breaks down PFCs¹ with an abatement device. This marks the first time the TEL Group has installed such a system. Consequently, we will be able to mitigate our impact on the environment through broadly reducing our emissions of PFCs—a greenhouse gas, curbing the amount of nitrogen gas we use by recycling recovered nitrogen gas, and cutting our energy consumption by minimizing the required number of PFC abatement devices.

¹ PFC (perfluorocarbon): A fluorocarbon compound containing absolutely no hydrogen or chlorine that is one of the six gases subject to reductions stipulated in the Kyoto Protocol. Although PFCs do not damage the ozone layer, they have a greenhouse effect several thousand times that of CO₂.



Overview of the PFC Gas Abatement System with PSA Unit

Promoting the Concept of *Mieruka* (Visualization)

Energy used in offices, production processes and assessment facilities can be checked by employees over the intranet using the Eco Factory Monitor. Empowering employees to visibly monitor their use of energy will help us promote energy conservation activities where all employees participate.



Eco Factory Monitor

Efficient Natural Light Collection and Use of LED Lighting

The new plant employs LED lighting in the clean rooms of both the production and development buildings. This will help us curb

not only energy use from lighting, but also reduce the load on the facilities' air conditioning system because LED lighting lowers the amount of heat emitted from lighting fixtures. LED lighting also has a longer service life than conventional fluorescent fixtures, which we expect will help us reduce costs associated with replacement lights. Furthermore, a natural light collection system will be used to reduce the use of lighting in offices, while the air conditioning system's use of natural ventilation will help conserve energy.



LED lighting



Natural light collection system

Basic Environmental Agreement Concluded

On May 26, 2011, Tokyo Electron Miyagi Limited concluded a basic environmental agreement with Miyagi Prefecture and Taiwa Town. The signing ceremony was held at the Miyagi prefectural government building and attended by Miyagi Prefecture Governor Yoshihiro Murai, Taiwa Town Mayor Hajimu Asano, and Tokyo Electron Miyagi Limited President Hirofumi Kitayama, who each signed the agreement. This agreement focuses on the development and operation of an environmental management system as well as public information disclosures. Tokyo Electron Miyagi Limited constantly implements the PDCA cycle² for its own environmental plan in order to independently undertake proactive environmental measures.

² PDCA cycle: Seeking continual improvements through repeating the four steps of Plan, Do, Check and Act.

Aspiring to Be the World's Foremost Manufacturer



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

I believe the mission of the new plant, through its integrated structure encompassing the development and manufacturing of etching equipment, will be to continue to provide greater value added products in a timely fashion. By extensively eliminating wasted time, communications and costs, we will be able to shorten the development period for new products, as well as improve quality and productivity beginning in the development stage. In addition, as a means to fulfilling one of our environmental commitments—aiming to reduce by 50% the impact of our business and transportation activities on the environment by 2015, compared to 2007 levels—the new plant employs a PV power generation system and LED lighting to help mitigate our environmental impact. And in terms of materials and logistics, we hope to receive the understanding of our suppliers throughout Japan toward the creation of a new system where parts are consolidated at strategic points in each region, then shipped jointly whenever possible. By achieving these challenges one at a time, we will aspire to be recognized by our customers as the world's foremost manufacturer of semiconductor production equipment.

Corporate Governance

The TEL 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

The TEL Group is striving to strengthen its corporate governance through a variety of measures in order to maximize corporate value and enhance shareholder satisfaction. We are endeavoring to establish and operate optimal and highly effective structures of governance that are based on our three basic principles for reinforcing corporate governance.

1. Ensure the transparency and soundness of business operations
2. Facilitate quick decision-making and the efficient execution of business operations
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 has established its own Nomination Committee¹ and Compensation Committee² in order to increase the transparency and objectivity of management. Tokyo Electron has also adopted the executive officer system to streamline the decision-making process. In addition, Tokyo Electron has been disclosing the individual remunerations of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

¹ Nomination Committee: This committee nominates candidates for directors to be selected at the annual shareholders' meeting, and nominates a candidate for CEO to be selected by the Board, 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 15 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. During fiscal 2011, the Board of Directors met on 11 occasions.

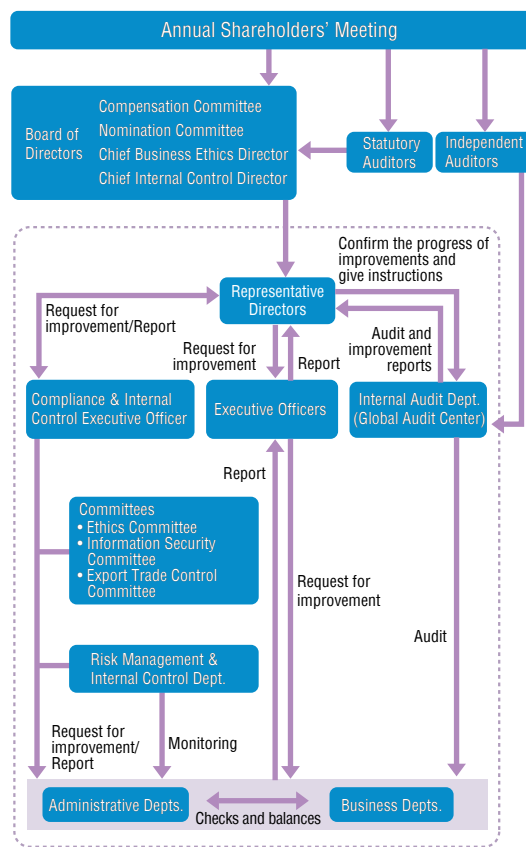
Board of Statutory Auditors

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 Management Meeting 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. During fiscal 2011, the board of statutory auditors met six times.

Internal Control and Risk Management Systems

To strengthen the internal control and risk management systems of the TEL Group more effectively, Tokyo Electron is implementing practical measures in line with the Fundamental Policies Concerning Internal Controls within the TEL Group.

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



Tokyo Electron has also appointed a Chief Internal Control Director and a Compliance & Internal Control Executive Officer. Under them, Tokyo Electron has established the Risk Management & Internal Control Department, which evaluates and analyzes risks that could affect the TEL Group and works to reduce risks by promoting the necessary measures.

In addition, the Global Audit Center, as an internal audit organization, oversees the internal auditing activities of the entire group's domestic and overseas bases, as well as their compliance and systems. When necessary, the Global Audit Center also provides guidance to operating divisions.

Compliance

The TEL Group acts in strict compliance with business ethics and applicable laws to ensure that its corporate activities are fair and reliable.

Stance on Business Ethics and Compliance

Trust is the cornerstone of the TEL Group's business foundation. The fundamental requirements for maintaining trust are rigorous conformity to ethical standards and compliance with the law, by individual employees and by each of our organizations.

In line with the basic policy for internal control systems in 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 (revised in April 2011) to establish uniform standards to govern all of its global business activities.

In the same year, Tokyo Electron appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting awareness of business ethics throughout Tokyo Electron.

This Code of Ethics prescribes a common code of behavior for all employees of Tokyo Electron and the Group, and Tokyo Electron distributes it to all Group employees, including those overseas.

The Code of Ethics of the Tokyo Electron Group

I. Principles

1. Compliance with Applicable Laws
2. Acting in Accordance with Social Conscience
3. Maintaining Harmonious Relationships with Local Communities

II. Honest and Fair Business Activities

- (A) Technology, Safety, and the Environment
 4. Ensuring Safety and Pursuing Quality
 5. Promoting Environmental Preservation Activities
 6. Ethics in Manufacturing
- (B) Fair Trade
 7. Implementing Fair and Open Competition
 8. Fair Business with Suppliers
 9. Handling of Confidential Information
 10. Strict Export/Import Controls
 11. Reasonable Exchanges of Gifts and Entertainment within the Bounds of Common Sense
- (C) Relationship between the Company and Individuals
 12. Prohibition of Conduct Causing Conflicts of Interests
 13. Prohibition of Improper Use of Company Assets
 14. Prohibition of Conduct of Harassment

III. Being a Good Corporate Citizen

15. Prohibition of Insider Trading
16. Prohibition of Political Activities and Contributions
17. Prohibition of Involvement in Antisocial Forces
18. Respect for Individuals

Compliance & Internal Control Executive Officer

Since April 2009, Tokyo Electron has appointed Compliance & Internal Control Executive Officer from among its 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 its Code of Ethics. 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 continuously 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 laws, regulations or principles of business ethics, Tokyo Electron operates an internal reporting system (Hotline) that employees may use to report their concerns. Strict confidentiality is maintained to protect the whistle blower, and to ensure that they are not subjected to any disadvantages or repercussions.

(2) Employee Training

Tokyo Electron conducts web-based training programs for employees, makes information on compliance issues available to employees via the Intranet, and takes other steps to promote broad awareness of compliance throughout Tokyo Electron.

(3) Confirming Information on Japanese Laws

In order to reduce the risk of legal compliance violations, Tokyo Electron regularly identifies and clarifies 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 regulations, changing operational procedures, and notifying all personnel affected by the revisions.

(4) Compliance Survey

In December 2010, the TEL Group conducted an anonymous compliance survey via the Internet targeting approximately 12,000 employees and executives from its Group companies in Japan and overseas with the purpose to ascertain the understanding, penetration and inherent risks regarding compliance within the TEL Group and to utilize this to develop improvement measures and prioritize its actions. Going forward, we will use the results of this survey to continually enhance our compliance practices and programs.

EHS Management

The TEL Group regards environment, health and safety activities (EHS activities) among its top business priorities.



Fundamental Idea behind EHS Activities and Our EHS Promotion System

The TEL Group regards people's health, safety and the global environment as three of its most significant business priorities. We are committed to earning the trust of all of those involved in our business operations and to carrying out our business activities accordingly, basing 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 affluent society through implementation of our EHS activities.

We have established an EHS promotion system in order to foster EHS activities throughout the entire TEL Group. Our EHS activities cover three areas: Product EHS; Customer-site EHS, which concerns product delivery and design operations; and Plant and Office EHS. These activities are overseen by our Global EHS Committee.

TEL's Group companies and TEL's manufacturing subsidiaries in particular, began implementing environmental management systems based on ISO 14001 standards in 1997 and are currently in the process of obtaining ISO 14001 certification.

The TEL 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 (Fuji/Hosaka area)	May 15, 1998
Tokyo Electron Miyagi Ltd.	Matsushima 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 TEL Group offers EHS-based training courses for both group employees and employees of partner companies who work at the Group's facilities. The training course 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 that checks

system functions and results. Auditing is performed from multiple viewpoints, including within plants and offices, within the Group, and by third parties.

TEL's manufacturing subsidiaries endeavor 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 2011, there were no environment-related accidents,

Goals and Results for Fiscal 2011 EHS Activities and Goals for Fiscal 2012 EHS Activities

	Action item	Midterm Goals	Results for FY2011	Achievement level	Plans and goals for FY2012 onward	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		Continue to conduct audits	p.14
Product-related initiatives for the environment	Reduction of product-related environmental impacts	Reduce environmental impact by half in FY2015 (in comparison to FY2008) Basic unit: CO ₂ emissions per 300 mm of wafer	Implemented measures for 30-50% reduction in strategically targeted equipment and made recommendations to customers		Develop and implement specific technology-based measures to achieve a 50% reduction and continue to make recommendations to customers	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		Increase the number of products in compliance; continue to examine chemical-related regulations and implement measures for compliance	p.18
Logistics-related initiatives for the environment	Reduction of logistics-related environmental impacts	Reduce environmental impact by half in FY2015 (in comparison to FY2008) Basic unit: CO ₂ emissions per ton-kilometer	Achieved 14% basic unit reduction through shifting to seaborne shipping for domestic and overseas destinations		Help customers streamline their logistics by shortening equipment delivery lead time, which facilitates a modal shift, and by providing lighter shipping weights and increased local procurement	p.15 p.19
Plant and office initiatives for the environment	Reduction of plant and office environmental impacts	Reduce environmental impact by half in FY2015 (in comparison to FY2008) Basic unit: CO ₂ emissions per unit of sales	Total CO ₂ emissions reduced by 7%, but basic unit increased		Promote energy conservation activities by installing PV power generation systems and undertaking energy-saving measures. Use carbon offsetting	p.15 p.20
	Waste reduction	Continue zero emission efforts at manufacturing plants	Achieved zero emissions at manufacturing plants. The recycling rate for the entire Group rose slightly over the previous fiscal year		Continue zero emission efforts and examine reducing the total amount of waste	p.22
Health and safety related initiatives	Reduction in the number of accidents/disasters involving injuries or fatalities	Achieve a 30% year-on-year reduction in the number of accidents involving injuries or fatalities	The number of accidents involving injuries or fatalities increased partly due to a rise in product shipments, thus the target was not achieved		Reduce accidents involving injuries or fatalities in FY2012 to the same or lower level as in FY2010	p.24

Achieved target Achieved 80% of target Achieved less than 80% of target

Tokyo Electron's Environmental Commitment

In May 2008, the TEL Group spelled out its environmental commitment under the environmental action slogan "Technology for Eco Life."

- 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.

Progress in TEL's Environmental Commitment

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

Some equipment delivered to customers has already been close to achieving the target of a 50% reduction per 300 mm wafer unit. In addition to devoting efforts on the equipment level, we are also striving for an overall reduction in environmental impacts, including optimizing our customer's energy use¹ and addressing peripheral equipment that they currently possess.

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

Starting in fiscal 2011, the environmental impact of business activities and logistics are now managed separately.

(1) Business Activities

As sales decreased in fiscal 2011, the amount of total CO₂ emissions was 7% lower when compared to the baseline year (fiscal 2008), but there was an increase on a per unit of sales² basis.

In fiscal 2011, in addition to the existing environmental investment and energy saving programs to reduce CO₂ emissions, PV power generation systems were installed at our new plant in Miyagi Prefecture as well as the Yamanashi Plant. Furthermore, we

are working to halve our CO₂ emissions per unit of sales through actively utilizing carbon offsetting³ with domestic CDM.⁴

(2) Customer Shipments

The amount of CO₂ emissions in fiscal 2011 was cut approximately in half in comparison to the baseline year, and improved by approximately 14% per ton-kilometer.

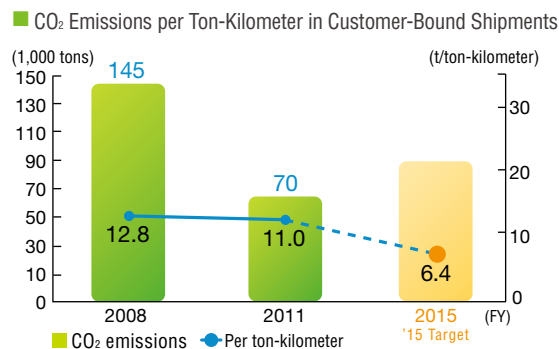
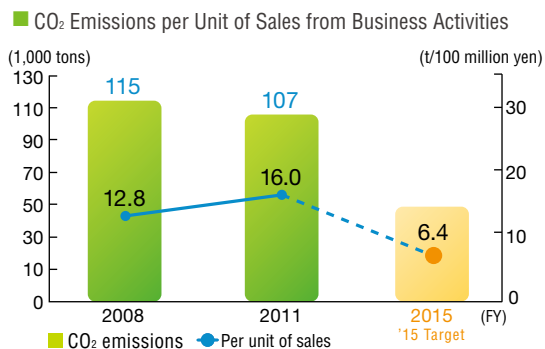
For shipments outside of Japan, transitioning from airborne to seaborne shipping entails lengthened shipment times, which we are addressing through efforts to reduce time spans needed to set up new equipment. Additionally, we are working to raise local procurement rates and reduce shipment weight by reducing equipment parts. We are striving to make this overall transition easier and working hand-in-hand with customers to reduce by half our basic units (CO₂ emissions per ton-kilometer).

¹ Energy use: Refers to the power, exhaust, coolant, purified water, etc. involved in manufacturing a product.

² Per unit of sales: CO₂ emissions from business activities ÷ net sales

³ Carbon offset: The compensation for part or all of greenhouse gas emissions that cannot easily be reduced by purchasing credits equal to the amount of reduction, or reabsorption, in greenhouse gas elsewhere.

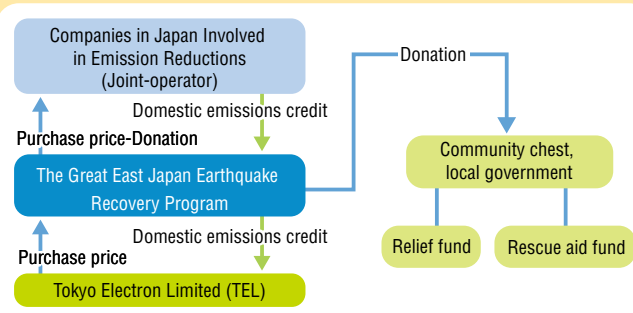
⁴ Domestic CDM (Clean Development Mechanism): The approved reduction amount in CO₂ emissions in Japan's Domestic CDM System (a Japanese government scheme that allows small and medium-sized businesses to receive funding, technology, and technical support from large businesses in working collaboratively to reduce CO₂ emissions and trade the reduced amount as emission credits)



TOPICS

Domestic CDM Greenhouse Gas Reduction Credit — TEL's Participation in the Great East Japan Earthquake Recovery Program

The TEL Group plans to take part in the Great East Japan Earthquake Recovery Program under Japan's Domestic Carbon Credit System. Through continued participation in this scheme, the Group will obtain carbon offset credits to fulfill its environmental commitment at the same time as supporting the areas damaged in the Great East Japan Earthquake.



Product-related Initiatives for the Environment

● Reducing the Impact of Our Products on the Environment

Our Approach

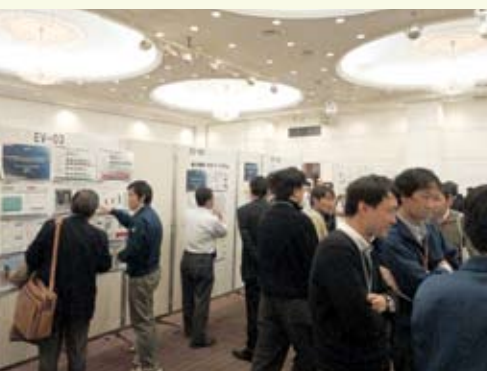
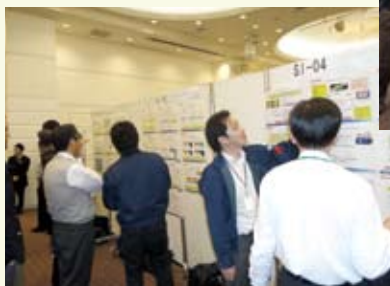
The TEL Group believes it is important to promote environmentally conscious product designs within its business activities, as is clearly stated in the environmental commitment. We give top priority to supplying energy-saving equipment and to reducing or finding alternatives to the regulated chemical substances contained in our products.

TEL Organizations for Reducing Environmental Impact

Two working groups, the Chemical Substances Steering Team and the Product Working Team, have been established to promote the TEL Group's efforts to reduce the environmental impact of its products. The Chemical Substances Steering Team works to reduce or substitute the use of regulated chemical substances in our equipment parts and components. The Product Working Team has developed and started to implement roadmaps to reduce the environmental impact of each of our products. In preparing these roadmaps, TEL business units were required to address the following mandatory items: reducing equipment energy requirements, addressing chemical substance-related matters, reducing the number of parts and processing steps required, reducing the use of processing gases and liquid chemicals, and improving the environmental performance of existing equipment. The progress of these initiatives is monitored as part of the Group-wide mid- to long-term plan.

■ Environmental Roadmap

1. Reducing our products' energy requirements
2. Addressing matters related to chemical substances
3. Reducing the number of parts and processing steps required
4. Reducing the use of processing gases and liquid chemicals
5. Improving the environmental performance of existing equipment



The 13th TEL Group Technology Symposium

TEL 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, TEL is also striving to reduce the environmental impact of logistics by promoting modal shifts and creating innovative packaging methods.

Energy-saving Measures for Products

Our technology development efforts to reduce product energy consumption focus on the following five areas:

- (1) Reducing the energy used by the product itself
- (2) Reducing the energy along with supplementary devices
- (3) Managing the product in an energy-saving manner
- (4) Reducing the energy used in the clean room¹
- (5) Managing the clean room in an energy-saving manner (planned operation and proper management).

Energy-saving management of the clean room involves our cooperation with customers and facility manufacturers. We will work to further reduce the energy consumption of our products in close cooperation with these partners. In addition, as one measure to reduce device energy consumption, we are working to more accurately measure the amounts of energy consumed by devices that use electricity, water, dry air, cooling water, and exhaust heat, as well as supplementary devices (e.g. vacuum pumps and cooling equipment), by following the SEMI S23² guidelines.

¹ Clean room: A room in which dust floating in the air is controlled at or below a defined cleanliness level and in which the temperature/humidity is maintained at a specific level. Dust can easily cause defects in precision machinery or cause errors in operation, and so clean environments are vital to ensuring that the machinery operates correctly.

² 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.

Technology Symposium

Following on from fiscal 2010, in February 2011, the TEL Group held its 13th Technology Symposium. Presentations were made on environmental technologies and a poster area was also set up, enabling TEL divisions and departments to engage in a lively exchange of ideas and information.

Developed Silicon Dioxide Film Formation Process at Room Temperature – TELINDY PLUS™

The Thermal Processing System Business Unit (TPS BU) has developed a process for forming silicon dioxide films for double patterning³ at room temperature. In conventional processes, a temperature of several hundred degrees is required in order to break down gases and promote a vapor phase reaction, but this newly developed process takes place at room temperature through techniques such as selecting the source gas and generating radicals⁴ of oxidized species using plasma. This process has yielded the following results.

1. Reduced Number of Process Steps:

This process makes it possible to form film atop a highly heat-susceptible resist and achieve miniaturization using double patterning, which curbs the use of energy and other utilities.

2. Reduced Environmental Impact from Film Formation:

Because heat is not required when forming the film, this process reduces the environmental impact from energy usage, heat emissions and cooling water by 48% in CO₂ equivalent.

3. Reduced Size of Equipment:

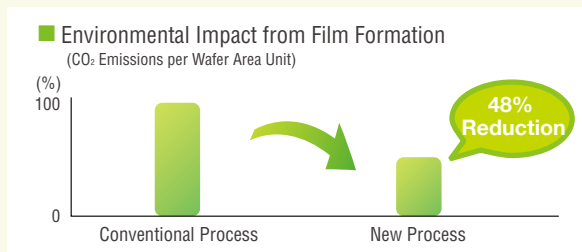
Because no heater is required to apply heat to the wafer, this process is able to reduce the number of parts by 30% and surface area by 39%.



TELINDY PLUS

³ Double Patterning: One type of miniaturization process.

⁴ Generating radicals: Describes one type of atom configuration where a single electron orbits around the atomic nucleus in the outer shell, where normally electrons orbit in a pair.



Certas WING™ – Reducing Environmental Impacts through Dry Cleaning and High Throughput

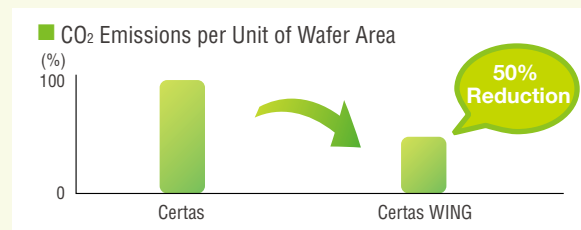
Certas WING is a gas chemical etching device that is able to etch and clean the surface of wafers without the use of a liquid cleaning agent. The completely dry process unit, compared to liquid cleaning units, does not require chemical solutions, eliminates costly waste liquid processing equipment and

streamlines maintenance. In addition, Certas WING can process two wafers in the chamber simultaneously, which increases throughput⁵ two-fold over the previous Certas™ model and reduces CO₂ emissions per unit of wafer area by approximately 50%.

⁵ Throughput: Processing capacity per unit of time.



Certas WING



Reducing Etching Equipment Energy Consumption Packaged Solution – UNITY™ IIe

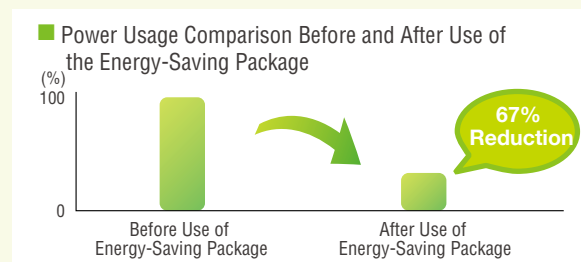
The Field Solutions Business Unit (FS BU) is working to reduce the environmental impact of existing devices already delivered to customers.

We have worked together with the component manufacturer to develop and propose a solution that combines a software program and a low energy consumption dry pump. The software program shuts down the dry pump used in the etching system⁶ when not in use, or facilitates intermittent operations when in use. By employing this packaged solution, our customers can reduce energy consumption from their existing equipment by up to 67%, while the environmental impact when the device is in use, including power, can also be cut by 88% in CO₂ equivalent.

⁶ Etching System: Refers to the etching machine and peripheral equipment, such as the chiller for the coolant in the etching device and the pump needed to maintain a vacuum within the chamber.



UNITY IIe



Measures against Regulated Chemical Substances

Tokyo Electron Group Policy

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.

Taking Initiative to Reduce the Use of Regulated Chemical Substances in Equipment

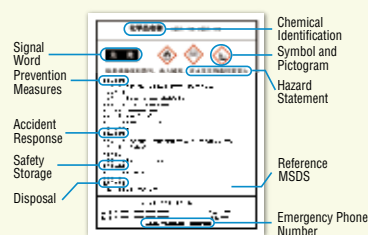
The EU's RoHS,¹ which took effect in July 2006, is widely known as a set of standards regulating the use of hazardous chemicals. The TEL Group is committed to meeting RoHS standards regarding the use of lead, mercury, cadmium, hexavalent chromium, poly-brominated bi-phenals (PBB) and poly-brominated diphenylethers (PBDE), as well as voluntarily reducing these six substances in equipment not subject to these standards. In addition, we work with our suppliers to promote the use of alternative products that meet stringent reduction standards for regulated chemical substances, while we also use a dedicated database to manage the chemical substances contained in components and the parts used in our products. From the second half of fiscal 2009, we began shipping equipment containing fewer regulated chemical substances, which we define as products containing 98.5% or more parts that meet the EU RoHS standards.

¹ RoHS: Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment.

Complying with the Chemical Substance 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, which covers our products as well. China's RoHS, like the EU's RoHS, regulates the use of lead, mercury, cadmium, hexavalent chromium, PBB and PBDE and requires that necessary information be provided to customers.
2. Countries around the world have begun to implement GHS² based on the recommendation of the United Nations. The TEL Group provides its customers with safety information on chemical substances covered by the GHS using material safety data sheets (MSDS) and other means, and affixes labels to containers of chemical substances to display the necessary safety information. The example below shows a label in compliance with China's GHS standards.

² GHS (Globally Harmonized System of Classification and Labeling of Chemicals): A system agreed upon by the United Nations that is intended to harmonize and integrate various countries' classification standards for chemical harmfulness and toxicity, labeling and MSDS details.



Label in Compliance with China's GHS Standards

3. Europe has instituted REACH standards,³ which require safety information be provided in case of exposure regarding a product containing more than 0.1% in chemical substances of significant very high concern (SVHC), as well as CLP⁴ standards, which has a broader scope than GHS. In compliance with these standards, we investigate the presence of those chemical substances designated as SVHC and provide the safety information when necessary.

³ REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): A set of regulations pertaining to the registration, evaluation, authorization and restriction of chemicals. For products containing SVHC (Substances of Very High Concern) 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 CLP (EC No 1972/2008 Regulation on Classification, Labeling and Packaging of Substances and Mixtures): EU regulations concerning the classification, labeling, and packaging of chemicals and mixtures.

4. As for the Battery Directive⁵ enacted by the EU and Taiwan, we confirm whether applicable batteries are used inside each unit and take the necessary measures to be in compliance with these regulations. We are also examining how to build a framework that will enable us to fully comply with these regulations from the very bottom of the supply chain.

⁵ Battery Directive: A set of regulations on the registration, evaluation, approval and restrictions of chemical substances in batteries that requires information be provided on the nature of chemical substances used and safe handling instructions whenever a SVHC is included in a product.

Future Plans

1. We will modify and enhance our existing internal chemical substance management system.
2. We will further increase the shipment ratio of equipment containing reduced amounts of regulated chemical substances.
3. We will effectively utilize the framework of the Joint Article Management Promotion-consortium (JAMP) and broaden our collaboration with customers and suppliers to promote more rational and accurate measures against regulated chemical substances.
4. We will work to establish and strengthen systems in compliance with applicable laws and regulations not only at our plants in Japan but overseas as well, and we will also begin to supply equipment containing fewer regulated chemical substances from our overseas plants. In addition, we will strengthen initiatives through stepping up collaboration with the TEL Group's locally incorporated subsidiaries overseas and by enhancing internal systems.

Approaches to Reducing the Environmental Impact of Logistics

TEL's Environmental Approach to Logistics

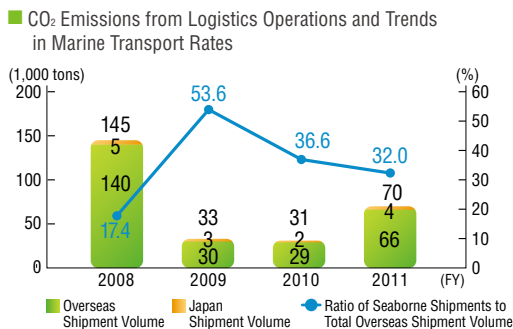
The TEL Group has established a Logistics Working Team and relevant divisions and departments have created and are implementing action plans.

In April 2006, Japan's Act Concerning the Rational Use of Energy was revised and regulations concerning logistics were strengthened with the aim of reducing global warming. Accordingly, there is now greater demand for reducing the environmental impact of logistics operations. In response, the TEL Group has been actively reducing the environmental impact caused by the transport of its products. For example, we are promoting a modal shift⁶ for domestic and overseas transport and adopting packaging methods with less environmental impact. We will continue these active measures in logistics in order to fulfill our environmental commitment.

Reducing the Environmental Impact Stemming from Logistics

For shipments within the Group and product shipments to customers, we calculate and monitor the regulated scope of CO₂ emissions under the Act Concerning the Rational Use of Energy for logistics in Japan and for overseas logistics. As part of our environmental commitment, we are aiming to halve CO₂ emissions per ton-kilometer resulting from overseas shipments, compared to fiscal 2008 levels, by fiscal 2015 (see page 15).

In fiscal 2011, our CO₂ emissions rose significantly in both Japan and overseas. This can be attributed to the rise in production and shipment volume buoyed by an increase in sales. However, thanks to our efforts to actively promote a modal shift,



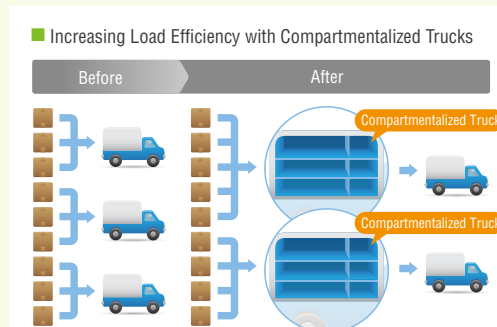
we were able to reduce CO₂ emissions in our logistic operations in Japan by approximately 130 tons in fiscal 2011.

We used seaborne shipping in 32% of our exports to overseas markets in fiscal 2011. We have calculated that once we are able to lift this ratio to 50%, and further promote local procurement, we will be able to achieve our environmental target for this segment. Progress in our modal shift has meant that we use seaborne shipping for all FPD production equipment and semiconductor production equipment to our customers in South Korea and parts of Europe and North America. We have also started to shift over to seaborne shipping for some of our customers in China and Taiwan. 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 on the final delivery even if we use seaborne shipping.

Green Packaging

Most of the TEL Group's products are precision machinery, which means they require special packaging to maintain precision and maintain a clean condition. We use special wooden frames and corrugated cardboard as packaging materials. As a way to reduce the resources used for packaging, we have begun using reusable corrugated cardboard boxes when shipping large parts to customers inside Japan.

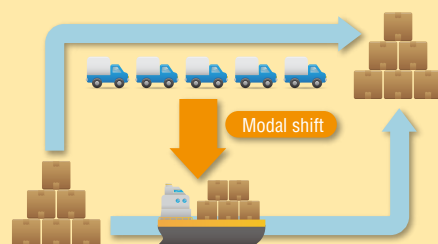
The FPD Business Unit (FPD BU) uses compartmentalized trucks for shipments within Japan to help reduce the use of packaging materials, compared to conventional methods, and increase load efficiency. As a result, we were able to reduce our fleet of trucks by more than 30%.



TOPICS

Promoting a Modal Shift in Japan

Because TEL Group products are precision machinery that require special shipping methods, in the past we used to ship these individually using trucks. However, after examining alternative shipping methods together with marine shipping companies and other transport providers, we began to ship products with less of an environmental impact using seaborne freight, beginning in May 2007. Currently, we are using five shipping routes, and we estimate that we have been able to reduce our cumulative CO₂ emissions by 650 tons. Moving forward, we stand firmly committed to proactively working to further reduce our CO₂ emissions during the transport of our products.



⁶ Modal shift: A shift in the mode of transportation (e.g. switching from conventional freight transportation by truck or aircraft to marine and rail transportation, which have a lower impact on the environment).

Plant and Office Initiatives for the Environment

Measures to Help Prevent Global Warming

Reducing Energy Consumption

In accordance with Tokyo Electron's Environmental Commitment, the TEL Group aims to achieve a 50% reduction in CO₂ emissions per unit of sales¹ by fiscal 2015 compared with the base year of fiscal 2008. In order to achieve this target, we began to make investments in fiscal 2010 that are expected to reduce our CO₂ emissions by approximately 5,000 tons cumulatively, while in fiscal 2011 specific measures were taken at our manufacturing sites and offices in order to reduce energy consumption. As an example of Group-wide initiatives outside Japan, Tokyo Electron U.S. Holdings, Inc. is implementing environmental measures that include purchasing green electricity.

Energy Consumption and CO₂ Emissions

Energy consumption in fiscal 2011 increased by approximately 10% compared to fiscal 2010 partly due to increased production as a result of the growing shipment volume in each region. On the other hand, we were able to reduce our use of heavy oil by about 16% as a result of recent efforts to shift energy sources. CO₂ emissions from the use of energy increased by 8% compared to fiscal 2010. There was a significant increase in our overseas CO₂ emissions, which was attributable to expanded scope for calculations of emissions in the United States and the launch of operations at our new technology center in Taiwan. In terms of CO₂ emissions per unit of sales, we achieved a significant improvement of more than 30%.



PV power generation system at the Yamanashi Plant

Reducing 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 calculations, but we are currently taking measures to address this, including installing a PFC abatement device in our New Miyagi Plant.

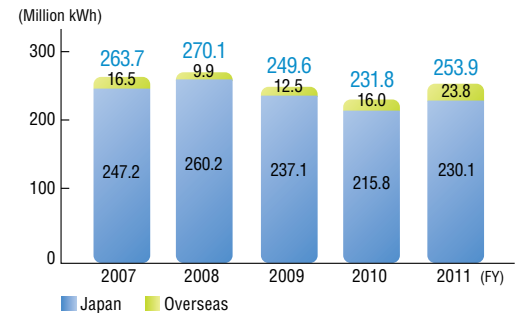
¹ CO₂ emissions (energy use) per unit of sales: CO₂ emissions from energy consumption/sales.

We used adjusted emission factors for individual electric power providers for the emission factor for electricity consumption in Japan in fiscal 2011. 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).

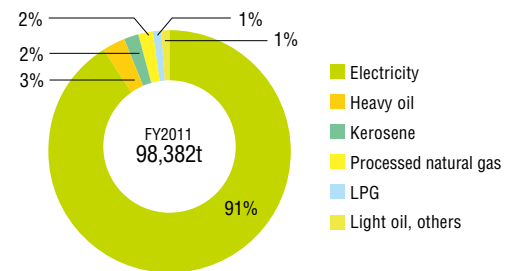
² t-CO₂: A unit indicating the amount of CO₂ and other greenhouse gases emitted, absorbed, or stored, which is converted to the weight of CO₂ with an equivalent greenhouse effect.

In addition to our efforts to reduce CO₂ emissions by half and lower energy consumption, we are proactively working to conserve resources, minimize waste and promote recycling. We are also fully committed to rigorously managing chemical substances in consideration of their impact on the environment as well as general health and safety.

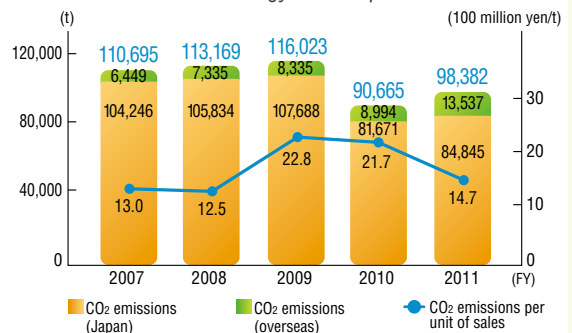
Electricity Consumption



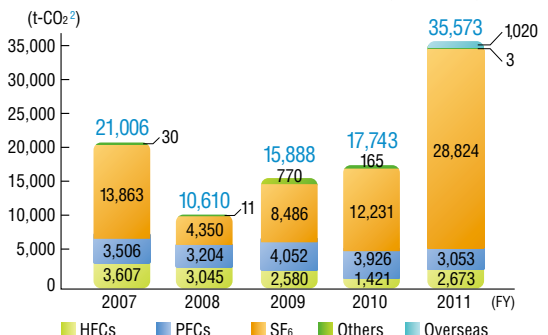
Breakdown of CO₂ Emissions from Energy Consumption



CO₂ Emissions from Energy Consumption



Greenhouse Gases Other Than from Energy Consumption



● Initiatives to Conserve Resources

Our Approach to Resource Conservation

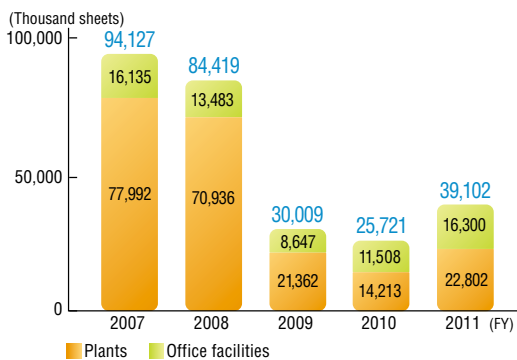
The TEL Group is working to minimize its use of limited resources. Specifically, we are reducing the use of copier paper and stationery and implementing green procurement practices, giving preference to environmentally conscious products. We have also replaced printer toner cartridges for use in our offices with cartridges made from recycled materials and cooperated with the manufacturers in recovering 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.

The Group's total use of copier paper in fiscal 2011 increased significantly over fiscal 2010. This was due in part to a broad increase in production and shipments in comparison to fiscal 2010. However, the total use of copier paper in fiscal 2011 was still less than half of fiscal 2008 figures, while the amount of paper used as a percentage of sales has also decreased.

■ Copier Paper Consumption (Japan)

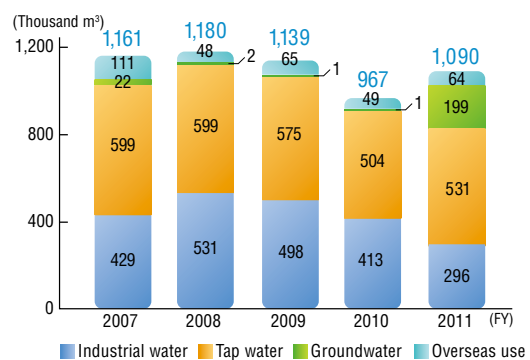


We are encouraging the use of environmentally friendly paper and introducing resource-conserving activities by introducing products such as paper cups made from a bamboo-based material. We are also working to raise employee awareness so that they use fewer paper cups and bring their own cups to work.

Efforts to Reduce Water Consumption

Our water use in fiscal 2011 increased by approximately 10%, which was due partly to an increase in production. At the same time, we are increasing the use of ground water after having received government approval. As more and more people are becoming conscious of their water use, we are conducting studies on the use of various water resources and recycling methods. In addition, we are investigating effective ways of utilizing water, based on our daily efforts to prevent wasted water, through the installation of automatic faucets in restrooms and other facilities and the reuse of water via re-circulating cooling systems used in our manufacturing processes.

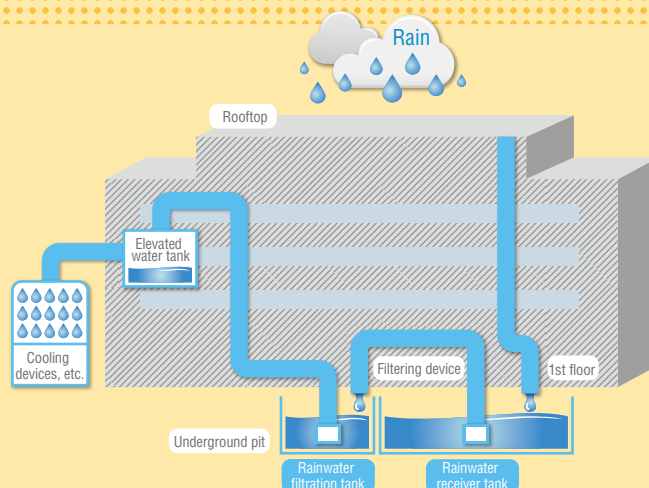
■ Water Consumption



TOPICS

Reusing Rainwater (Yamanashi Plant)

Tokyo Electron's Yamanashi Plant (Fujii) reuses rainwater as part of its water conservation program. Rainwater that falls onto the rooftop of Building No. 1 in the Fujii area is first collected in the rainwater receiver tank located in the basement. After the water is filtered and purified, it is reused in water-cooled chillers (air conditioners) and scrubbers (air purifiers). We estimate that Building No. 1 has recycled over 30,000 tons of rainwater in the 10 years since its completion.



● Initiatives for Reducing Waste

Our Approach to Waste Reduction and Recycling

The TEL Group is working hard to reduce and recycle its waste. We work according to a clear policy: minimize waste first and foremost, recycle whatever waste is generated to the greatest extent possible, and dispose of non-recyclable waste in a proper and responsible manner.

We separate recyclable waste from non-recyclables, use new manufacturing processes that do not involve waste generation, monitor the qualifications of contract waste disposal companies, periodically review 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 manifests¹ to ensure proper management of waste materials.

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

Volume of Waste Generated and Recycling Rates

We have set a new target to maintain a recycling rate² of greater than 97%. In fiscal 2011 our recycling rate was 98.1%, and compared to fiscal 2009 figures, incinerated and landfill waste declined by 11.2%. Nearly 100% of liquid waste, resulting from the chemicals used in our product development and evaluation processes, is currently being recycled.

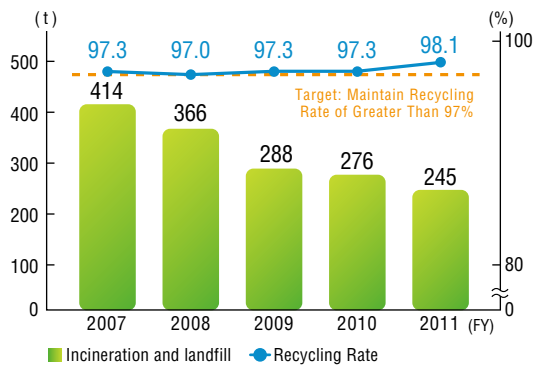
² Recycling rate: $\frac{\text{Recycled amount}}{\text{Amount of waste generated}} \times 100$



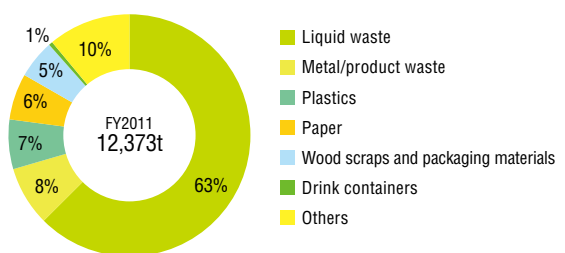
Zero Emissions

The TEL Group defines plants where less than 2% of waste generated is incinerated or put into landfill as “zero emission plants.” In fiscal 2011, all of our manufacturing plants in Japan achieved zero emissions as a result of our efforts to recycle and reduce waste.

■ Recycling Rate and Generation of Incinerated and Landfill Waste (Japan)



■ Breakdown of Waste (Japan)



■ Recycling Rate for Industrial Waste from TEL Group Plants in Japan

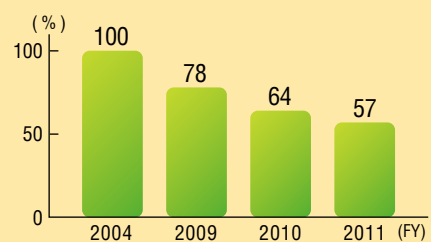
Plant	Recycling rate
Tohoku Plant	99.3%
Miyagi (Matsushima) Plant	99.2%
Sendai Office	99.9%
Yamanashi Plant (Hosaka area)	100%
Yamanashi Plant (Fujii area)	100%
Koshi Plant	100%
Ozu Plant	100%

TOPICS

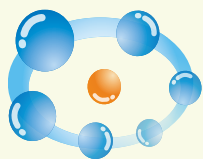
Initiatives to Recycle and Reduce the Use of Paper in Offices

At the TEL Group's corporate head office, we have set up dedicated collection boxes for confidential documents and recycle these into raw materials for recycled paper. Before this, we used to shred or incinerate these documents as waste, but since instituting this new collection system we are now able to recycle 100% of these documents. When converting this amount of recycled paper into the equivalent in harvested timber, it shows that we were able to conserve 216 trees in fiscal 2011. In addition, encouraging employees to bring their own cups has helped us reduce our use of paper cups by more than 40% compared to fiscal 2004.

■ Paper Cup Usage with the Fiscal 2004 Level Set at 100%



Management of Chemical Substances



Our Approach to the Management of Chemical Substances

The TEL Group uses chemical substances mainly in developing and manufacturing products. In developing products, whenever we adopt new chemical substances that have not been used before or use chemical substances in a way that is different from their traditional usage, we first closely examine the development facilities and methods, and then assess the environmental and operational risks associated with the use of the substances. We do not begin using the substances until all the necessary measures have been implemented. We are also replacing dangerous and harmful chemicals used in the manufacturing process with safer substances.

Compliance with the PRTR Act

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 (PRTR³ Act), we identify the amounts of regulated substances used, discharged and transferred, and rigorously control these substances. Hydrogen fluoride, which we use large quantities of during the cleaning of test wafers, is covered under this Act. In addition, in April 2010 a revision to this Act added methylnaphthalene as a designated chemical substance. Methylnaphthalene is a substance found in heavy oil and is used in boilers and other facilities at some of our business locations. Ethylene glycol, which we had been handling in large volumes until fiscal 2010, was removed from the list of designated chemical substances by this same revision.

After use, we properly dispose of dangerous and hazardous chemical substances either through specialist waste disposal contractors or using our in-house processing equipment. Going forward, we will continue to properly manage risk relating to these chemical substances.

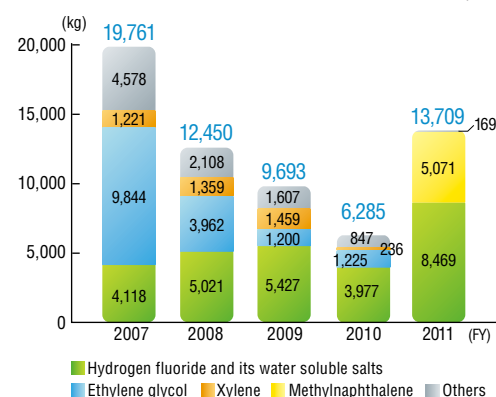
Input and Output (FY2011)

Input		Change from previous year
Electricity	254.04 million kWh	+9.6%
Gas	1.142 million m ³	-2.4%
Fuel	1,826 kl	-7.6%
Water	1.090 million m ³	+12.7%
Chemical substances (regulated as Class 1 designated chemical substances under the PRTR Act)	13.7 tons	+121.0%
Paper(copier paper)	155 tons	+52.0%

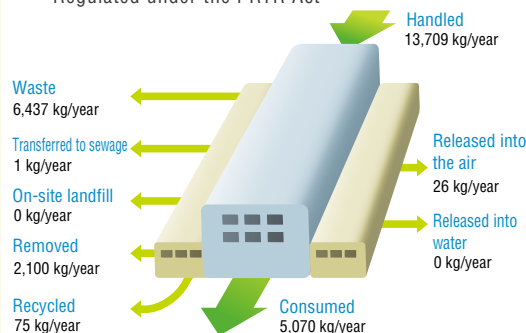
The Tokyo Electron Group

Output		Change from previous year
Total product shipment	24,322 tons	+84.8%
CO ₂ emissions from energy consumption	98,382 tons	+8.5%
NO _x emissions	10.5 tons	+4.0%
Waste	12,373 tons	+22.6%
Recycled amount	12,128 tons	+23.6%
Amount of waste	245 tons	-11.2%

Amount of Handled Substances Regulated as Class 1 Designated Chemical Substances under the PRTR Act (Japan)



Material Balance of Chemical Substances Regulated under the PRTR Act



³ PRTR (Pollutant Release and Transfer Register): Under the PRTR system, 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) outside of the business premises are identified, tabulated, and disclosed.

PCB Storage

Based on the Act on the Proper Treatment of PCB Waste and the Waste Disposal and Public Cleaning Acts, the TEL Group reports annually on the storage, management, and disposal of waste containing polychlorinated biphenyls (PCB) to the governor of the prefectures in which our plants are located. We rigorously manage our compliance with the above Acts, as we did so when trace amounts of PCB were detected from transformers and condensers set for disposal after the demolition of one of our closed plants in fiscal 2011.

Health and Safety Initiatives

With health and safety positioned as a vital foundation of its business activities, the TEL Group promotes “health and safety first” from a range of aspects.

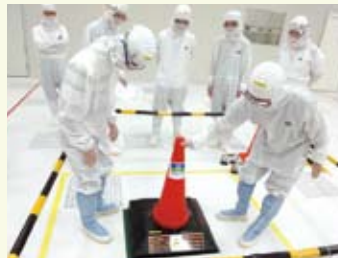
Our Approach to Health and Safety

As part of our Corporate Social Responsibility (CSR) activities, the TEL Group places great importance on ensuring that our customers, employees, and everyone else involved in its business can work in a safe workplace environment, use our products safely, and enjoy good health.

In fiscal 2011, we further expanded our existing safety inspection activities at our customers’ plants in Japan and overseas. For plants that newly install our production equipment, we use a check sheet to verify with the customer the safety of the work environment as well as the installation of safety equipment.

There is a risk of tripping or falling during the installation work of our production equipment in clean rooms because construction work is required to make an opening in the floor for the equipment to be connected to power and other utilities. In order to raise awareness of these risks and to instruct workers on the proper procedures, such as installing barricades in the work area, we held a trainer development class for around 40 employees in Taiwan in fiscal 2011. This course took place in one of our clean rooms and simulated actual working conditions in order to

instruct participants on work procedures and situations. Similar types of safety and practical hands-on training programs are being conducted in other countries and regions around the world.



Practical training class in the clean room

Preventing Workplace Accidents before They Occur

The number of workplace accidents¹ that occurred across the entire TEL Group in fiscal 2011 (excluding accidents during the commute or very minor accidents) increased over fiscal 2010 figures. This was mainly attributable to an increase in production

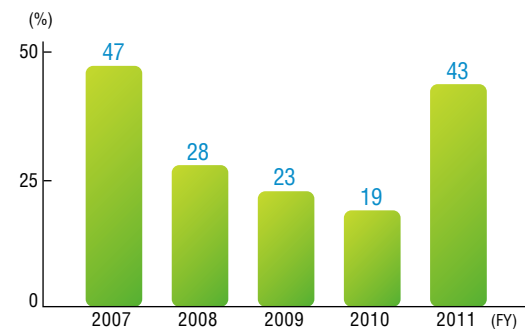
and the number of equipment setups due to our rapid expansion into new markets.

The TEL Group issued an internal state of emergency proclamation in the second half of fiscal 2011 in order to curb a rise in the number of workplace accidents. This was followed by a series of measures led by the presidents of each Group company to reduce accidents collectively across the entire Group. Specifically, our efforts focused on stepping up safety education, holding meetings before work to detect risks, ensuring the use of safety equipment, adhering to safety rules, and better preventing ergonomic² accidents. Moving forward, we will continue with safety education for our workers, ensuring safe workplace environments and also further expanding workplace safety inspections led by managers and supervisors. As a new measure, we also began conducting a pre-work check test using the intranet. We are firmly committed to completely eliminating workplace accidents collectively as an entire company.

¹ Workplace accident: The TEL Group defines an accident involving an injury to an employee that belongs to the TEL Group as a “workplace accident,” following the guidelines of the United States Occupational Safety and Health Administration (OSHA).

² Ergonomics: A scientific approach that researches both physical and psychological human functions as well as properties and designs to develop equipment and environments to match these. Here, the term ergonomic accident refers to a musculoskeletal disorder that occurs as a result of lifting a heavy object, work that requires unnatural postures, or repetitive work processes.

Workplace Accident Occurrence Rate



■ TEL Group Workplace Accident Occurrence Rate
Note: Fiscal 2001 set at 100 for the Accident Occurrence Rate

TOPICS

Safety Promise Booklet

The safety promise booklet summarizes the precautions and checks required during work at our plants or our customers’ plants. Broken down into sections, including “The 7 Points of Safety,” “Electrical Work,” “Working in High Places” and “Safety Equipment,” the safety promise booklet features the essential rules to keep in order to ensure workplace safety. This booklet is distributed to and utilized by all workers.





Safety Education

Since July 2000, the TEL Group has been promoting the concept of safety education throughout the entire Group. We have produced a manual as a tool for basic safety education that is provided to all Group employees. More advanced safety education is provided for our technical employees who work in clean rooms, using the guidelines compiled by the Semiconductor Equipment Association of Japan (SEAJ). In light of our safety track record from fiscal 2010, advanced safety refresher courses in fiscal 2011 focused on the themes of preventing ergonomic accidents before they occur and safety in work tasks involving large production equipment.

As a new trial beginning in fiscal 2012, we are now conducting a pre-work check test, having upgraded our previous system in which we used our intranet to verify our customers' rules and practices prior to visiting their plants. Through this test, workers are able to achieve safer working conditions by confirming safety rules immediately prior to work.



Pre-work check test and refresher training using the intranet

Training Using Videos

The TEL Group utilizes a safety education tool that simulates actual cases of accidents from the past using 3D video to help prevent serious accidents or accidents that have the risk of developing into serious accidents.

Centered primarily on accidents during work involving semiconductor and FPD production equipment, this tool enables employees to look back on whether effective communication was used, whether proper management was undertaken, and whether the workload of employees involved at the time was a factor. By heightening sensitivity toward risks involving work in high places, work involving heavy objects,

electrical work and robotic moving parts, we are better able to prevent accidents before they happen.



Educational tool using 3D video

Implementing Hands-on Safety Education

Tokyo Electron FE Limited conducts hands-on safety education for employees of the TEL Group as well as employees of partner companies that work within the TEL Group. This same curriculum is also being taught to a large number of our customers and in schools. In July 2010, we organized a two-day safety hands-on training class for around 80 participants at the request of one of our customers.

This training program begins with a lecture on the correct way to wear safety belts and importance of lockout-tagout³ activities, and goes on to hands-on training which covers a broad range of areas, from the wearing of safety belts during work on tall structures to awareness of physical loads suspended in the air, awareness of the risk of electrocution, and experiencing first-hand exposure to chemical liquids in a practice setting. Through these simulated experiences of danger, participants learn about the importance and seriousness of workplace safety, which has helped us to prevent accidents.

³ Lockout-Tagout: To prevent unintended actuation of a power switch on equipment by using tools such as a key to put it out of commission (lockout) and a tag to indicate that use of shutoff or similar equipment is prohibited (tagout).

Hands-on Learning Curriculum

1	Orientation
2	Wearing safety belts on tall structures (single belt / harness)
3	Flying fragments
4	Sparks
5	Electrocution
6	Chemical spatters
7	Lockout-tagout training



Wearing safety belts on tall structures

TOPICS

Offering Stretching Seminars to Prevent Low Back Pain and Shoulder Pain

The TEL Group provides a stretching seminar as one way of combating low back pain and shoulder pain resulting from the workplace or otherwise. We have seen a rise in reports of low back pain and shoulder pain, with low back pain particularly high, and nearly all of these cases occurred during work because of lifting or bending. To address this, in fiscal 2011, we held a stretching seminar for employees troubled by low back pain and shoulder pain with the goal of preventing injuries, relieving stress and promoting good health. Classes were fun but serious and were taught by professionals including Pilates and yoga instructors and other health specialists.





Relationship with Customers and Suppliers

The TEL Group sets honest policies for product quality and procurement aimed at satisfying customers and enhancing growth with suppliers.

Approach to Product Quality

The TEL Group aims for product quality that generates customer trust in its products and services through continuous provision of products and services that consistently satisfy its customers. In order to ensure that our manufacturing systems do not produce defective products, we have acquired ISO9001 certification and also work to ensure that our product quality management system operates effectively.

■ TEL'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 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.

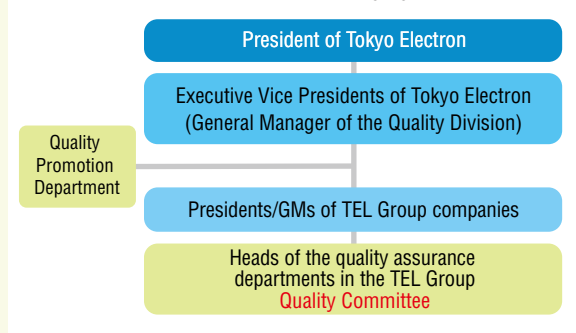
5. Managers' responsibility

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 TEL 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 improvement and enhancement of product quality for the entire Group.

■ Framework for TEL's Product Quality System



Approaches to Procurement

In accordance with its corporate philosophy, the TEL Group believes in the importance of growing its business together with its suppliers through building partnerships based on mutual trust.

■ Procurement Policy of the TEL Group

1. Partnerships

Suppliers represent a key business partner to developing products that can gain the true satisfaction of customers. The TEL Group selects its suppliers in accordance with its selection criteria in a fair and equitable manner based on the precondition of free competition and that suppliers continue to pursue high value-added technologies. We will continue to build relationships with our business partners that enable both parties to grow and that are based on mutual trust.

2. Cost reduction

The TEL Group will reduce its total costs in order to provide products aligned to market needs at satisfactory prices.

3. Lead time reduction

The TEL Group will reduce product delivery lead time and ensure stable supplies of its products to customers in order to agilely respond to market needs.

4. Coexistence with the global environment

The TEL Group will proactively employ components and technologies that are considerate of the global environment (promotion of green procurement) and undertake product manufacturing with a reduced impact on the environment.

5. Global procurement activities

The TEL Group will flexibly and speedily promote global procurement activities in order to provide to its customers components and technologies that conform to market needs.

6. Compliance with legal and social codes

The TEL Group will adhere to the laws, regulations and social codes of the countries and regions in which it operates, and will undertake honest procurement activities grounded in sound corporate ethics so that it can be recognized as a leading company globally.

7. Product quality/safety assurance

Under the management policies "safety first" and "quality is our top priority," the TEL Group will continue to seek quality and safety in its components and products on a global level.

8. Information management

The TEL Group will rigorously manage and safeguard confidential information from its customers and suppliers obtained through its business activities.

Communication with Suppliers

The TEL Group not only uses EDI* for procuring parts and materials, but also operates its own website as a two-way tool for communicating with suppliers.

We make daily efforts to address a variety of challenges faced by our suppliers, and we seek to share the values set out in our corporate philosophy using various platforms, including the Production Update Briefing held semiannually by the Group's manufacturing companies and the annual TEL Partners Day.

* EDI (Electronic Data Interchange):

A framework to electronically exchange information related to commercial transactions among corporations in a unified standard format.



TEL Partners Day held in fiscal 2011

Relationship with Shareholders and Investors

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

Information Disclosure

Approaches to Information Disclosure

Tokyo Electron is committed to disclosing information about the Company in a fair, prompt and accurate manner, to ensure that all stakeholders, including shareholders and investors, can obtain an accurate, in-depth understanding of the Company and its activities in order to evaluate the Company's corporate value appropriately. The Company also solicits feedback from its stakeholders as part of its information disclosure activities, then uses the feedback as a point of reference to guide corporate management.

Information Disclosure Methods

Tokyo Electron releases timely disclosure information via the Tokyo Stock Exchange's "Timely Disclosure Network" (TD-net), and will post the same information promptly 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, accurate, and easy-to-understand manner, through various means of



TEL's corporate website

communication, including on our website or in printed form.

To ensure that foreign investors have fair and equal access to this information, we strive to disclose all information simultaneously in Japanese and English.

Communicating with Shareholders and Investors

Annual Shareholders Meeting

To encourage lively discussions at annual shareholders meetings and to encourage shareholders to exercise their voting rights, invitations are sent out early—more than three weeks prior to the meeting—and for the convenience of our shareholders, we work to avoid the date when most major Japanese companies hold their shareholders meetings. Tokyo Electron participates in the web-based voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ).

Tokyo Electron's website carries notices of convocation, notices of resolution and materials for annual shareholders meetings. An English version of the notice of convocation for the annual shareholders meeting is also provided.

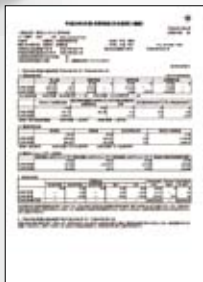


48th Annual General Meeting of Shareholders (held in June 2011)

Quarterly Financial Conference

Tokyo Electron conducts meetings to discuss its financial results with securities analysts and investors; these meetings are also open to members of the press. The Company makes audio recordings of its fiscal year-end and mid-term financial results meetings, and posts these recordings on the Company's website. All of the documents distributed at its quarterly financial results meetings are also posted on the website.

Publicized IR-related Materials



Financial Summary



Presentation materials used at a results briefing



Materials prepared for an annual shareholders meeting



Financial Report



Annual Report



Fact Book

Tokyo Electron is a constituent of the FTSE4Good Global Index.

Since September 2003, Tokyo Electron has been chosen for the FTSE4Good Global Index, which is a CSR index provided by the FTSE Group. The FTSE Group is a world-leading index firm, a joint venture between the Financial Times newspaper and the London Stock Exchange.



FTSE4Good



Relationship with Employees

We are striving to create a workplace that enables all of our employees to reach their full potential based on respect for their enthusiasm, autonomy, and willingness to take on challenges.

TEL's Basic Philosophy on its Personnel System

In pursuit of our vision of becoming an energetic, dynamic and creative company, the TEL Group respects the autonomy of its employees and their willingness to undertake challenges, thereby helping them to realize their full potential.

Our personnel system is designed to help each employee achieve self-development and to contribute to greater dynamism of the organization. Our evaluation system does not simply focus on results but also emphasizes the process leading up to the results, including in particular, the efforts made and the level of skills demonstrated by individual employees in achieving these results. The purpose of this system is to fairly evaluate employees' total job performance based on the following three criteria: individual role (mission), scope of abilities required at each step of a process (competency), and results achieved according to role (performance). The competency factor is used not only for evaluation and assessment purposes but also as a guideline to improve individual skills and nurture the capabilities required for each workgroup.

Career Developing Program

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

Once a year, employees fill out a Self-Declaration form to communicate their preferences regarding job transfers or to share individual work-related requests. These employee requests are taken into consideration. We have also instituted an Open Job Posting System where employees can apply at their own volition to new projects or projects with a high degree of urgency. By widely recruiting eager and aspiring employees from within the Company and giving them opportunities to pursue their own career path, this system has added a greater level of dynamism to the organization. In addition, employees in the general job category are promoted to management positions, in line with their wishes, after they are evaluated for those positions through an interview.

Workplace to Support Employees

The TEL Group is committed to developing a system for helping employees to achieve work-life balance. These efforts include enhancement of childcare leave,¹ childcare support working hours,² nursing leave³ (5 days per year) and childcare support leave (5 days per year). In fiscal 2011, a total of 69 employees took childcare leave.

We have instituted a "refreshment vacation" system, which allows employees to take a two-week to one-month holiday when their term of service has reached 10, 15, 20, or 25 years. We are also taking active steps to prevent on-the-job mental health problems, which have increased recently in Japan, by increasing our healthcare staff and providing education on mental health issues.

¹ Childcare leave: A system under which employees can take leave until the end of the April following the date on which their child turns 18 months old (or until their child reaches the age of three in some exceptional cases).

² Childcare support working hours: A system under which employees can opt to work for shorter hours by one and a half hours per day until the end of the fiscal year in which their child completes elementary school (age 12).

³ Nursing leave: A system under which employees with children that have yet to enter elementary school are eligible to take 5 days of leave to provide nursing care to a child in need or 10 days for two or more children in need.

Enjoying both work and child-raising

This spring I returned to work from my second childcare leave. I have found that programs available to assist employees returning from childcare leave have improved and that there are more colleagues like me who are balancing childcare with work. Although it saddens me somewhat when my children cry after I drop them off at daycare, I arrive at work more focused and driven than ever knowing that at the end of the day they will be there to greet me with a great big smile and a hug when I pick them up. I am grateful knowing that this slice of happiness has been made possible by the warm support of my colleagues in my department.



Kanako Ichikawa
Legal Department
Tokyo Electron Limited

■ Concept of the TEL Group's Personnel System

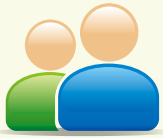
	Mission	Competency	Performance
Employees	Understand your own role as well as the mission of the organization	Refine your own professional skills	Utilize your skills to attain your individual targets as well as the targets of the organization
Company	Convey the Company's mission and targets	Provide the skill-building and career development opportunities necessary for employees and the organization to reach their targets	Evaluate employees based on their merits Provide a fair distribution of compensation

TEL's Basic Philosophy on Human Resource Development

Based on the belief that “employees are our valuable assets,” the TEL Group fosters a spirit of learning among its employees, characterized by the following three principles established for its human resource development.

- (1) The workplace must support employee development.
- (2) Self-motivation and a sense of responsibility are the basic requirements for employees to develop their talents and careers.
- (3) The Company must build a platform or framework that provides employees with the opportunity and motivation to learn.

The Group believes 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

The TEL Group established an internal educational institution, TEL UNIVERSITY, with the aim of providing employees with opportunities for continued learning, thereby enhancing the capabilities of both individual employees and the overall organization. TEL UNIVERSITY is intended to provide employees with opportunities to obtain the knowledge and skills necessary for each to perform world-class work, build employees' management capabilities and organizational strengths, as well as 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, perspective and humanity, as well as about general strategic ability. Through dialogue with TEL executives and experts from various fields, the training program also seeks to have employees establish their own values and create a cornerstone for their decision making abilities.

Reflecting on my time in the BLP-B Training Program

In the BLP-B Training Program,* younger employees active on the front lines of the TEL Group work together in a training camp format to discuss the concept of leadership and being a leader. Together we spent a total of one year and six months in the program. Before, I used to spend my days earnestly pursuing the most cutting edge technologies as an engineer, but through the final assignment of the program, which requires participants to join forces to develop a recommendation to TEL executives, I became more willing to commit myself to growing our company and more aware of the role I can play in making this happen. Utilizing my newly acquired leadership skills from the BLP-B Training Program, I hope to contribute to the growth of the TEL Group by developing leading edge technologies that stand out from our competitors.

* BLP-B Training Program: A training program offered to mid-career employees that seeks to develop the future leaders of the TEL Group by teaching basic professional knowledge and skills as well as fostering participants' thought processes and awareness as leaders.



Takashi Matsumoto
Technology Development Center
Tokyo Electron Limited

We also offer a training program for group leaders in charge of their respective workplaces. During the program, group leaders express their own vision and reflect on what actions to take today to reach that vision. Other group leaders taking part in the program also share their visions so that everyone can discuss ways of achieving them.

TEL executives also attend TEL UNIVERSITY courses and take part in lively discussions with employees. Successful human resource development requires employees that are enthusiastic about learning, as well as managers and a corporate culture that support employee growth. Employees actively learning at TEL UNIVERSITY and applying what they have learned to their work and workplaces promotes the growth of both individual employees and the organization as a whole.

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

TOPICS

Professional Development Education

With the aim to enhance the technical competencies of the TEL Group, TEL UNIVERSITY offers a special curriculum for the development of professionals that focuses on core technologies, shared platform technologies and semiconductor devices. Lectures on semiconductor devices are open to all employees, not just engineers, and teach employees about the history of the semiconductor, its operating principles, how it is made, and the growth of the industry. Employees taking part in the lecture have noted that they were able to better understand their job after knowing more about the technology, and that they had a stronger desire to provide even better production equipment to customers who manufacture semiconductor devices. As a result, employees have grown more proactive toward their work and overall the Company has been infused with a stronger sense of dynamism.



Lecture on semiconductor devices

Corporate Social Responsibility (CSR)

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

Corporate Citizenship Activities

The TEL Group believes that one of its tasks is to contribute to the development of society, while always complying with social laws and norms. Based on this belief, we engage in a variety of activities in Japan and overseas as a good corporate citizen.



Initiatives in Japan

Afforestation and Tree Planting Activities

Each of the TEL Group's plants and offices proactively take part in tree planting activities. In May 2011, shortly after the Great East Japan Earthquake, Tokyo Electron Tohoku Limited planted 420 konara oak trees and five commemorative Japanese cherry trees on a 0.14 hectare plot of land owned by Oshu City located to the west of its site. Part of the Company's afforestation program to help prevent global warming, this event was attended by a total of 125 employees and their family members. In addition, a total of 14 employees and their members from the Sapporo Technology Center of Tokyo Electron Software Technologies Limited took part in a tree planting event organized by the Hokkaido Prefectural Government in which they planted around 70 trees including Sakhalin fir and Glehn's spruce. Other TEL Group companies, including Tokyo Electron Yamanashi Limited and Tokyo Electron Kyushu Limited, are also taking part in afforestation activities.



Local Community Events (Miyagi Prefecture)

Following our success in 2009, the TEL Group once again organized "Talk about Fun Science!" for elementary school students and their parents in Miyagi Prefecture in 2010. In conjunction with this event, we also held classroom outreach sessions in which we led special classes on scientific experiments in six elementary schools in Miyagi Prefecture with the cooperation of professors from Tohoku University. The main event was held at Tokyo Electron Hall Miyagi, and during the science show participants were able to see the power of air from an air cannon and had the chance to feel static electricity in action as everyone in attendance held hands to receive a small shock. Conference rooms in the hall were made into a makeshift science experiment zone thanks to the help of researchers from Tohoku University and members of local NPO organizations. Given the highly favorable feedback from participants, we plan to continue holding this well-received event going forward.



Initiatives Overseas

Campaign to End Breast Cancer (Europe)

On October 29, 2010, employees at the head office of Tokyo Electron Europe Limited (TEE) in Crawley, UK, participated in Wear It Pink Day to raise money in the fight against breast cancer. As part of their efforts to raise awareness and support this charity event, employees wore pink attire to work. With breast cancer being one of the most prevalent forms of cancer, in the UK alone one in nine women will be diagnosed with breast cancer in their lifetime. Donations collected by TEE were gifted to leading global research projects being conducted in the UK and Ireland. Funds will be used to study breast cancer mechanisms and to provide higher quality diagnosis, treatments and prevention programs.



Recognized with a Going Green Award (United States)

Tokyo Electron U.S. Holdings, Inc. (TEH) was recognized with a Going Green Award by the Austin Business Journal. This award consists of eight different categories. TEH was presented with the award from the Green Business category in recognition of its purchases of green electricity, recycling of cafeteria cooking oil, reduction in power usage by 17% over the past six years, and water usage by 19%, as well as its employee training and education, and ongoing joint clean-up activities together with the local community. The photographs at right show an employee vegetable garden set up on the TEH grounds and a tree planting event involving employees and their children.



Giving Christmas Presents to an Orphanage (Taiwan)

Tokyo Electron Taiwan Limited (TET) gave out Christmas presents to children living in a local orphanage. This event was planned by the TET Welfare Committee, and when a call was made for donations, employees responded by bringing in around 200 gifts. On the day of the event, the TET President and employees dressed in Santa Claus costumes and handed out presents to every child at the orphanage.

Comments from a Third-Party Expert

I have read Tokyo Electron's Environmental and Social Report 2011 and received an explanation of the Company's environmental and social activities from staff at TEL's Corporate Environment Promotion Department. Here I express my view on this report as a third-party expert. I would also like to note that I had an opportunity to visit the Company's Fuchu Technology Center as part of this review.

1. TEL's Corporate Philosophy and Support of the Earthquake Recovery Effort

First, I would like to comment on the Company's initiatives to support the recovery effort in the wake of the Great East Japan Earthquake as mentioned in the report's highlights section. Based on its business continuity plan (BCP), the TEL Group set up the Earthquake Emergency Response Headquarters immediately after the earthquake, then investigated and confirmed the extent of damage suffered by its four plants in the Tohoku region. This prompt and precise response enabled the Company to return each of its plants and offices back to normal operations at present. As part of its basic management philosophy, the TEL Group states that it will provide high value added technologies and services to its customers as a leading supplier, and under this basic philosophy, the Group dispatched a large number of engineers to the afflicted areas following the earthquake and was able to provide a speedy response to ensure that its customers were able to maintain their operations. During emergencies, leadership and its orders tend to fall into disarray, in many cases leading to difficulties and problems, but I believe the daily commitment of each and every employee to share and understand the Company's philosophy and code of conduct helped the TEL Group respond in an appropriate manner.

2. Overseas Expansion and Environmental Initiatives

The TEL Group's overseas sales now account for around 73% of its total sales (fiscal 2011). Of this, Asia, including South Korea and Taiwan, accounts for approximately three-fourths of the Group's overseas sales. Therefore, the Company's environmental initiatives are needed not only in Japan, but on a global scale. As such, the TEL Group has defined an environmental commitment in which it is aiming to develop products that will reduce its total environmental impact by half in 2015, compared to 2007 figures, including CO₂ emissions from new customer plants. This will naturally help protect the global environment. And, by sharing its environmental philosophy and targets with customers—thus generating more shared values—the TEL Group will be able to develop a positive relationship with customers and society. I believe this will have a positive effect on the Company's business performance over the long run. This commitment specifically promotes the development of products from the design stage that are more energy efficient and use lower amounts of regulated chemical substances, as well as spells out solutions to curbing environmental impacts, reducing steps and streamlining equipment for customers' semiconductor manufacturing processes. Going forward, I hope that the TEL Group will continue to fulfill its responsibilities to society as a leading supplier.

3. Environmental Initiatives in Plants and Offices

Today, companies are faced with added demands to curb the use of commercial electricity as a result of shortages in the wake of the Great East Japan Earthquake. The TEL Group has responded by installing photovoltaic power generation systems and graphically visualizing its electricity usage through power monitors at several of its plants and offices. As part of this third-party comment, I visited the Fuchu

Technology Center and got a first-hand look at the front lines of the Field Solutions business which engages in the maintenance, repair and modification of the Group's semiconductor production equipment already in use by customers. During my visit, TEL employees provided an explanation about the fact that many of the Company's older models are still being used because modifications have helped to extend their service life. I understood that this helps reduce the environmental impact as well as enables the customer to curb their use of natural resources and cut costs.



4. Health and Safety Initiatives

Employees are the most essential resource for enhancing the performance of a company. Therefore, it is important to build a work environment where all people involved in business activities can work safely and stay healthy. The key to bringing out the best in employees is good health. According to the Constitution of the World Health Organization, health is the state of complete physical, mental and social well-being, but also encompasses a wide range of other conditions. This report mentions that the number of workplace accidents involving injuries or fatalities in fiscal 2011 increased over the previous year. Although this is attributable to an increase in production due to a rapid launch into new markets, I would like to closely monitor the future results of the TEL Group's initiatives already underway to reduce the number of workplace accidents.

5. Future Issues

I was able to fully understand the TEL Group's passion and serious efforts toward the environment and society from this report. My recommendation would be to better reflect the needs of stakeholders in the content of this report by including greater commentary on eco-friendly products and solutions for customers, and explanations of semiconductors and production equipment for general consumers. In addition, greater explanation of the relationship between the Company's environmental as well as social activities and its business performance and future outlook would be helpful for investors and stockholders. I believe these additions would enable the report to win over an even larger audience of readers.

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

Yoshito Nakamura

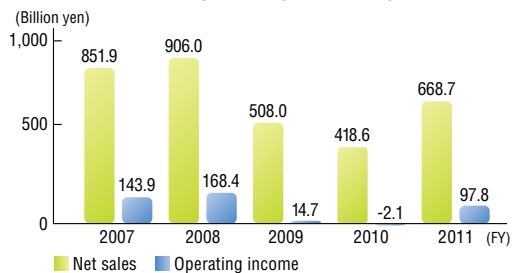
Professor, Faculty of Business Administration
Toyo University
Certified Public Accountant
Auditor of the Supporting Organization of JOCV
Auditor of the Kawasaki City Council of Social Welfare
Director of the Research Institute of Accounting for Construction Industry



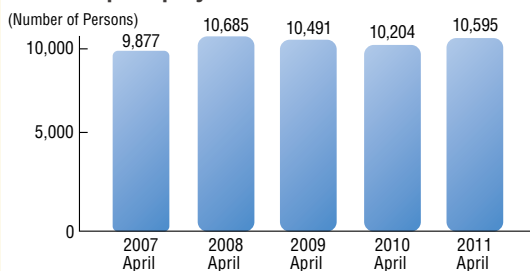
Corporate Profile

Company Name : Tokyo Electron Limited (TEL)
 Address : Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku
 Tokyo 107-6325, Japan
 Tel. : +81-3-5561-7000
 Established : November 11, 1963
 Capital : ¥54,961,190,000 (as of April 1, 2011)
 Main Products : Semiconductor production equipment, flat
 panel display (FPD) production equipment, and
 photovoltaic (PV) cell production equipment
 Employees : 1,212 (non-consolidated; as of April 1, 2011)
 10,595 (consolidated; as of April 1, 2011)

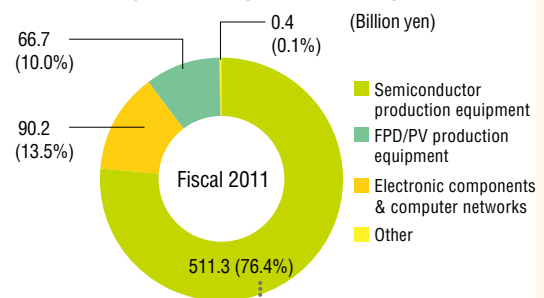
Net Sales and Operating Income (Consolidated)



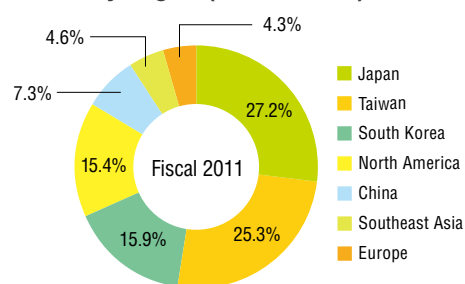
Group Employees



Net Sales by Division (Consolidated)



Net Sales by Region (Consolidated)



Response to the Third-Party Comment

I am deeply grateful for Professor Nakamura's efforts to understand the TEL Group's environmental and social activities and by taking the time from his busy schedule to visit our Fuchu Technology Center and see first-hand our initiatives in the used production equipment business. Professor Nakamura pointed out that the social responsibility of a company can be found in sharing and implementing its environmental philosophy and targets with customers and employees, as well as the importance of continuing this practice. This positive

insight is truly appreciated. Going forward, we will strive to improve our recognition of stakeholder needs and enhance our communication with customers, general consumers, shareholders and investors by providing more specific information on our environmental and social initiatives.

Toshiya Matsuda

Director
 Corporate Environment Promotion Department
 Tokyo Electron Limited

The TEL Group held the TEL Eco-Life Painting and Photo Contest from July to September 2011 as part of its activities to raise environmental awareness. We received a host of entries from overseas and Japan.



Sunlight is Life, Sunlight is Green,
Sunlight is Natural Energy (Europe)



Everyone's Earth (Japan)



Blowin' in the Wind (Japan)



Owl (United States)



Everyone Can Save Energy (Japan)



New Life (Japan)



Otter River in Spring (United States)



Flower after a Rain Shower (Japan)



Let's Conserve and Reuse Water (South Korea)



Conserving Electricity Even in Akihabara Electric Town (Japan)



Love of Nature (Europe)



Windmill (South Korea)



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 32) was printed on paper made from trees thinned from forests as part of forest invigoration efforts.



A-(2)-060002



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