
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **October 3, 2014**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **001-05560**

SKYWORKS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-2302115

(I.R.S. Employer Identification No.)

20 Sylvan Road, Woburn, Massachusetts

(Address of principal executive offices)

01801

(Zip Code)

Registrant's telephone number, including area code: **(781) 376-3000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.25 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant (based on the closing price of the registrant's common stock as reported on the NASDAQ Global Select Market on the last business day of the registrant's most recently completed second fiscal quarter (March 28, 2014) was approximately \$6,963,439,788. The number of outstanding shares of the registrant's common stock, par value \$0.25 per share, as of November 14, 2014 was 190,653,624.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Form 10-K	Documents from which portions are incorporated by reference
Part III	Portions of the Registrant's Proxy Statement relating to the Registrant's 2015 Annual Meeting of Stockholders (to be filed) are incorporated by reference into Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

SKYWORKS SOLUTIONS, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED OCTOBER 3, 2014

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CAUTIONARY STATEMENT

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, and is subject to the “safe harbor” created by those sections. Any statements that are not statements of historical fact should be considered to be forward-looking statements. Words such as “believes”, “expects”, “may”, “will”, “would”, “should”, “could”, “seek”, “intends”, “plans”, “projects”, “potential”, “continue”, “estimates”, “targets”, “anticipates”, “predicts” and similar expressions or variations or negatives of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Annual Report. Additionally, forward-looking statements include, but are not limited to:

- our plans to develop and market new products, enhancements or technologies and the timing of these development and marketing plans;
- our estimates regarding our capital requirements and our needs for additional financing;
- our estimates of our expenses, future revenues and profitability;
- our estimates of the size of the markets for our products and services;
- our expectations related to the rate and degree of market acceptance of our products; and
- our estimates of the success of other competing technologies that may become available.

Although forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements involve inherent risks and uncertainties and actual financial results and outcomes may differ materially and adversely from the results and outcomes discussed in or anticipated by the forward-looking statements. A number of important factors could cause actual financial results to differ materially and adversely from those in the forward-looking statements. We urge you to consider the risks and uncertainties discussed elsewhere in this report and in the other documents filed by us with the Securities and Exchange Commission (“SEC”) in evaluating our forward-looking statements. We have no plans, and undertake no obligation, to revise or update our forward-looking statements to reflect any event or circumstance that may arise after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

This Annual Report also contains estimates made by independent parties and by us relating to market size and growth and other industry data. These estimates involve a number of assumptions and limitations and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of important factors, including those described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. These and other factors could cause results to differ materially and adversely from those expressed in the estimates made by the independent parties and by us.

In this document, the words “we”, “our”, “ours”, “us”, and “the Company” refer only to Skyworks Solutions, Inc., and its consolidated subsidiaries and not any other person or entity. In addition, the following is a list of industry standards that may be referenced throughout the document:

- BiFET (Bipolar Field Effect Transistor): integrates indium gallium phosphide based heterojunction bipolar transistors with field effect transistors on the same gallium arsenide substrate
- CATV (Cable Television): a system of providing television to consumers via radio frequency signals transmitted to televisions through fixed optical fibers or coaxial cables as opposed to the over-the-air method used in traditional television broadcasting
- CDMA (Code Division Multiple Access): a method for transmitting multiple digital signals over the same carrier frequency
- Cloud (Cloud Computing): A model for delivering information technology services in which resources are retrieved from the internet through web-based tools and applications, rather than a direct connection to a server.
- CMOS (Complementary Metal Oxide Semiconductor): a technology of constructing integrated circuits
- EDGE (Enhanced Data Rates for GSM Evolution): an enhancement to the GSM and TDMA wireless communications systems that increases data throughput to 474Kbps

- GaAs (Gallium Arsenide): a compound of the elements gallium and arsenic that is used in the production of semiconductors
- GPRS (General Packet Radio Service): an enhancement to the GSM mobile communications system that supports transmission of data packets
- GSM (Global System for Mobile Communications): a digital cellular phone technology based on TDMA that is the predominant system in Europe, and is also used around the world
- HBT (Heterojunction Bipolar Transistor): a type of bipolar junction transistor which uses differing semiconductor materials for the emitter and base regions, creating a heterojunction
- Internet of Things (IoT): is the interconnection of uniquely identifiable embedded computing devices within the existing internet infrastructure
- LED (Light Emitting Diode): a two-lead semiconductor light source
- LTE (Long Term Evolution): 4th generation (“4G”) radio technologies designed to increase the capacity and speed of mobile telephone networks
- pHEMT (Pseudomorphic High Electron Mobility Transistor): a type of field effect transistor incorporating a junction between two materials with different band gaps
- RFID (Radio Frequency Identification): refers to the use of an electronic tag (typically referred to as an RFID tag) for the purpose of identification and tracking objects using radio waves
- Satcom (Satellite Communications): where a satellite stationed in space is used for the purpose of telecommunications
- SOI (Silicon On Insulator): technology refers to the use of layered silicon-insulator-silicon substrate in place of conventional silicon substrates in semiconductor manufacturing
- TDMA (Time Divisional Multiple Access): technology for delivering wireless digital service using time division multiplexing
- TD-SCDMA (Time Division Synchronous Code Division Multiple Access): a third generation wireless services (“3G”) mobile communications standard, being pursued in the People’s Republic of China
- WCDMA (Wideband CDMA): a 3G technology that increases data transmission rates
- WEDGE: an acronym for technologies that support both WCDMA and EDGE wireless communication systems
- WiMAX (Worldwide Interoperability for Microwave Access): a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL
- WLAN (Wireless Local Area Network): a type of local-area network that uses high-frequency radio waves rather than wires to communicate between nodes
- Yield: The number of working chips out of the total number of chips manufactured

Skyworks, Breakthrough Simplicity, the star design logo, Trans-Tech and SkyOne are trademarks or registered trademarks of Skyworks Solutions, Inc. or its subsidiaries in the United States and in other countries. All other brands and names listed are trademarks of their respective companies.

PART I

ITEM 1. BUSINESS.

Skyworks Solutions, Inc., together with its consolidated subsidiaries, (“Skyworks” or the “Company”) is an innovator of high performance analog and mixed signal semiconductors linking people, places and things across a rapidly expanding number of new and previously unimagined applications including automotive, broadband, wireless infrastructure, energy management, GPS, industrial, medical, military, networking, smartphones and tablets. Our portfolio consists of amplifiers, attenuators, battery chargers, circulators, DC/DC converters, demodulators, detectors, diodes, directional couplers, filters, front-end modules, hybrids, infrastructure radio frequency, or RF, subsystems, isolators, LED drivers, mixers, modulators, optocouplers, optoisolators, phase shifters, PLLs/synthesizers/VCOs, power dividers/combiners, power management devices, receivers, switches, technical ceramics and voltage regulators. Our key customers include Arris, Bose, Cisco, Dell, Ericsson, Foxconn, Fujitsu, General Electric, Google, Honeywell, HTC, Huawei, Landis & Gyr, Lenovo, LG Electronics, Microsoft, Nest, Netgear, Northrop Grumman, Rockwell Collins, Samsung, Sonos, and ZTE. Our competitors include Analog Devices, Avago Technologies, Linear Technology, Maxim Integrated Products, Murata Manufacturing, QUALCOMM, RF Micro Devices and Triquint Semiconductor.

In August 2014, we entered into a joint venture with Panasonic Corporation, through its Automotive & Industrial Systems Company (“Panasonic”) for the design, manufacture and sale of Panasonic’s surface acoustic wave (“SAW”) and temperature-compensated (“TC”) SAW filter products. We own a controlling 66% interest in the joint venture and have the option to acquire the remaining 34% within two years. With the overall demand for SAW and TC SAW filters increasing as the technology and product architectures become more complex and the number of required bands grows, this acquisition assists us in securing a firm supply of SAW and TC SAW filters, in addition to allowing us to integrate filters into the design and production of our own products.

In January 2012, we acquired Advanced Analogic Technologies Inc. (“AATI”) and accelerated our entry into vertical markets with highly complementary analog semiconductor product lines, including battery chargers, DC/DC converters, voltage regulators and LED drivers. Power management semiconductors represent a strategic growth market for us in applications like voltage regulation, energy efficiency and panel backlighting within the consumer electronics, computing and communications markets.

In June 2011, we acquired SiGe Semiconductor, Inc. (“SiGe”) and expanded our RF front-end solutions to facilitate wireless multimedia across a wide range of new applications. The acquisition of SiGe complemented our strong position in wide area front-end solutions by adding SiGe's innovative short range, silicon-based products. As a result, today we offer customers a comprehensive wireless networking portfolio, supporting all key operating frequencies with greater architectural flexibility to address a variety of high growth applications.

Headquartered in Woburn, Massachusetts, we are a Delaware corporation that was formed in 1962. We changed our corporate name from Alpha Industries, Inc. to Skyworks Solutions, Inc. on June 25, 2002, following a business combination. We operate worldwide with engineering, manufacturing, sales and service facilities throughout Asia, Europe and North America. Our Internet address is www.skyworksinc.com. We make available free of charge on our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 filings on Forms 3, 4 and 5, and amendments to those reports as soon as practicable after we electronically submit such material to the SEC. The information contained on our website is not incorporated by reference in this Annual Report. You may read and copy materials that we have filed with the SEC at the SEC public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public on the SEC's Internet address at www.sec.gov.

INDUSTRY BACKGROUND

Consumer demand for wireless ubiquity and the trend towards linking people, places and things in ways previously not imagined are driving connectivity across a growing number of markets and applications. This explosive demand for connectivity and consumers’ desire for anytime, anywhere access is helping fuel our growth and expand our served markets. In fact, a recent report by Morgan Stanley estimates that by 2020 the total number of connected devices could reach a staggering 75 billion. General Electric, for example, has announced that it will incorporate machine-to-machine communications across its entire industrial portfolio, including jet engines, locomotives, turbines and medical devices. This is just one example of how analog end markets are incorporating connectivity, in many cases for the first time.

In addition to the more traditional analog segments, we are embracing an entirely new generation of connected devices such as home automation systems, fitness gear and a variety of health and wellness products. While many of these products are still in the early stages of deployment, we have already captured strong positions in these new growth sectors.

The billions of connected devices that make up the Internet of Things will be enabled by a combination of sensors, microcontrollers and, most importantly for Skyworks, connectivity and power management solutions-dramatically expanding the markets we currently serve. At the same time, these connected devices are also incorporating more and more network standards.

In the connected home we have an exciting and diverse pipeline of opportunities including but not limited to gaming, entertainment, security and automation. In the broadest sense, we are seeing increased global demand for higher data rate services, like 802.11ac and LTE for mobile devices such as smartphones and tablets, which are enabling seamless connections, faster download speeds, improved signal range and longer battery life. Smartphone manufacturers and network operators are rapidly rolling out these technologies to provide users with the best possible experience.

Solving RF Challenges

This transition to ubiquitous connectivity, however, does not come without its challenges. RF solutions in ultra-thin, high performance consumer products must preserve battery life, increase data rates and solve signal interference problems while occupying minimal board space. Meeting these design challenges requires broad competencies including signal transmission and conditioning, the ability to ensure seamless hand-offs between multiple standards, power management, voltage regulation, battery charging, filtering and tuning, among others. This complexity plays directly to Skyworks' strengths. We have a strong heritage in analog systems design and have spent the last decade investing in key technologies and resources. We are at the forefront of advanced multi-chip module integration and offer unmatched technology breadth, providing deep expertise in CMOS, SOI, GaAs and filters and maintaining strategic partnerships with outside foundries.

SKYWORKS' STRATEGY

Skyworks' overall strategy is to enable all forms of connectivity through semiconductor innovation. Key elements in our strategy include:

Diversification

We are diversifying our business in three areas: our addressed markets, our customer base and our product offerings to enable stronger and more consistent financial returns. By leveraging core analog and mixed signal technologies, we are expanding our family of solutions to a set of increasingly diverse end markets and customers. We are steadily growing our business beyond just mobile devices (where we support all top-tier manufacturers, including the leading smartphone suppliers and key baseband vendors) into additional high-performance analog markets, including infrastructure, smart energy, wireless networking, automotive and medical. In these markets we leverage our scale, intellectual property and worldwide distribution network, which span over 2,000 customers and over 2,500 analog components.

Industry-Leading Technology

As the industry migrates to more complex LTE architectures across a multitude of wireless broadband applications, we are uniquely positioned to help mobile device manufacturers handle growing levels of system complexity in the transmit and receive chain. The trend towards increasing front-end and analog design challenges in smartphones and other mobile devices plays directly into Skyworks' core strengths and positions us to address these challenges. We believe that we offer the broadest portfolio of radio and analog solutions from the transceiver to the antenna as well as all required manufacturing process technologies. Our expertise includes BiFET, CMOS, HBT, pHEMT, SOI and silicon germanium processes. We also hold strong technology leadership positions in passive devices, as well as advanced integration including proprietary shielding and 3-D die stacking. Our product portfolio is reinforced by a library of over 1,800 worldwide patents and other intellectual property that we own and control. Together, our industry-leading technology enables us to deliver the highest levels of product performance and integration.

Customer Relationships

Given our scale and technology leadership, we are engaged with key original equipment manufacturers, smartphone providers and baseband reference design partners. Our customers value our supply chain strength, our innovative technology and our system engineering expertise resulting in deep customer loyalty. We partner with our customers to support their long-term product road maps and are valued as a system solutions provider rather than just a point product vendor.

Delivering Operational Excellence

We either vertically integrate our supply chain where we can create a competitive advantage, or enter into alliances and strategic relationships for leading-edge capabilities. This hybrid manufacturing approach allows us to better balance our manufacturing capacity with the demands of the marketplace. Internally, our capacity utilization remains high and we have therefore been able to maintain margins and achieve our desired return on invested capital on a broader range of revenue.

Additionally, we continue to strive to achieve the industry's shortest product design and manufacturing cycle times and highest yields. The combination of agile, flexible capacity and world-class module manufacturing and scale advantage allows us to achieve a low product cost structure while integrating multiple technologies into highly sophisticated multi-chip modules.

Maintaining a Performance Driven Culture

We consider our people and corporate culture to be a major competitive advantage and a key element of our overall strategy. We create key performance indicators that align employee performance with corporate strategy and link responsibilities with performance measurement. Accountability is paramount and we compensate our employees through a pay-for-performance methodology. We strive to be an employer-of-choice among peer companies and have created a work environment in which turnover is well below semiconductor industry averages.

Generating Superior Operating Results and Shareholder Returns

We seek to generate financial returns that are comparable to a highly diversified analog semiconductor company while delivering high growth rates representative of a mobile internet company. Given our product volume and overall utilization we strive to achieve a best-in-class return on investment and operating income to reward shareholders with increasing returns.

SKYWORKS' PRODUCT PORTFOLIO

Our product portfolio consists of:

- **Amplifiers:** the modules that strengthen the signal so that it has sufficient energy to reach a base station
- **Attenuators:** circuits that allow a known source of power to be reduced by a predetermined factor (usually expressed as decibels)
- **Battery Chargers:** device used to replenish the energy stored in a rechargeable battery by forcing an electric current through it
- **Circulators/Isolators:** ferrite-based components commonly found on the output of high-power amplifiers used to protect receivers in wireless transmission systems
- **DC/DC Converters:** an electronic circuit which converts a source of direct current from one voltage level to another
- **Demodulators:** a device or an RF block used in receivers to extract the information that has been modulated onto a carrier or from the carrier itself
- **Detectors:** devices used to measure and control RF power in wireless systems
- **Diodes:** semiconductor devices that pass current in one direction only
- **Directional Couplers:** transmission coupling devices for separately sampling the forward or backward wave in a transmission line
- **Filters:** devices for recovering and separating mixed and modulated data in RF stages
- **Front-End Modules:** power amplifiers that are integrated with switches, duplexers, filters and other components to create a single package front-end solution
- **Hybrid:** a type of directional coupler used in radio and telecommunications
- **Infrastructure RF Subsystems:** highly integrated transceivers and power amplifiers for wireless base station applications
- **LED Drivers:** devices which regulate the current through a light emitting diode or string of diodes for the purpose of creating light
- **MIS Silicon Chip Capacitors:** used in applications requiring DC blocking and RF bypassing, or as a fixed capacitance tuning element in filters, oscillators, and matching networks

- Mixers: devices that enable signals to be converted to a higher or lower frequency signal and thereby allowing the signals to be processed more effectively
- Modulators: devices that take a baseband input signal and output a radio frequency modulated signal
- Optocouplers/Optoisolators: semiconductor devices that allow signals to be transferred between circuits or systems while ensuring that the circuits or systems are electrically isolated from each other
- Phase Locked Loops: closed-loop feedback control system that maintains a generated signal in a fixed phase relationship to a reference signal
- Phase Shifters: designed for use in power amplifier distortion compensation circuits in base station applications
- Power Dividers/Combiners: utilized to equally split signals into in-phase signals as often found in balanced signal chains and local oscillator distribution networks
- Receivers: electronic devices that change a radio signal from a transmitter into useful information
- Switches: components that perform the change between the transmit and receive function, as well as the band function for cellular handsets
- Synthesizers: devices that provide ultra-fine frequency resolution, fast switching speed, and low phase-noise performance
- Technical Ceramics: polycrystalline oxide materials used for a wide variety of electrical, mechanical, thermal and magnetic applications
- Transceivers: devices that have both a transmitter and a receiver which are combined and share common circuitry or a single housing
- Voltage Regulators: generate a fixed level which ideally remains constant over varying input voltage or load conditions
- VCOs/Synthesizers: fully integrated, high performance signal source for high dynamic range transceivers

We believe we possess broad technology capabilities and one of the most complete wireless communications product portfolios in the industry.

MARKETING AND DISTRIBUTION

Our products are primarily sold through a direct global Skyworks sales force deployed across all of our major market regions. In some markets we supplement our direct sales effort with independent manufacturers' representatives and distribution partners, some of which are franchised globally with others focused in specific regional markets.

Our sales engagement begins at the earliest stages of the design of an existing or potential customer's product. We strive to provide close technical collaboration with our customers and reference design partners at the inception of new programs. These relationships allow our team to facilitate customer-driven solutions, which leverage the unique strength of our intellectual property and product portfolio while providing high value and greatly reducing time-to-market.

We believe the technical and complex nature of our products and markets demand an extraordinary commitment to maintain close ongoing relationships with our customers. As such, we strive to expand the scope of our customer relationship to include design, engineering, manufacturing, procurement, logistics and project management. We also employ a collaborative approach in developing these relationships by combining the support of our design teams, applications engineers, manufacturing personnel, sales and marketing staff and senior management. Lastly, we leverage our customer relationships with cross-selling opportunities across product lines in order to maximize revenue.

We believe that maintaining frequent and interactive contact with our customers is paramount to our continuous efforts to provide world-class sales and service support. By listening and responding to feedback, we are able to mobilize resources to raise our level of customer satisfaction, improve our ability to anticipate future product needs, and enhance our understanding of key market dynamics. We are confident that diligently following this path will position Skyworks to participate in numerous opportunities for growth in the future.

CUSTOMER CONCENTRATION

A small number of customers historically has accounted for a significant portion of our net revenue. In fiscal years ended October 3, 2014 ("fiscal 2014"), September 27, 2013 ("fiscal 2013"), and September 28, 2012 ("fiscal 2012"), two customers—Foxconn Technology Group (together with its affiliates and other suppliers to a large OEM for use in multiple applications including

smartphones, tablets, routers, desktop and notebook computers) and Samsung Electronics—each constituted more than ten percent of our net revenue. For further information regarding concentrations see [Note 16](#) to Item 8 of this Annual Report on Form 10-K.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

We own or have a license to use numerous United States and foreign patents and patent applications related to our products and our manufacturing operations and processes. In addition, we own a number of trademarks and service marks applicable to certain of our products and services. We believe that our intellectual property, including patents, patent applications, trade secrets and trademarks, is of material importance to our business. We rely on patent, copyright, trademark, trade secret and other intellectual property laws, as well as non-disclosure and confidentiality agreements and other methods, to protect our confidential and proprietary technologies, designs, devices, algorithms, processes and other intellectual property. Our efforts may not meaningfully protect our intellectual property, or others may independently develop substantially equivalent or superior proprietary technologies, designs, devices, algorithms, processes or other intellectual property. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and effective copyright, patent, trademark and trade secret protection may not be available in those jurisdictions. In addition to protecting our intellectual property, we strive to strengthen our intellectual property portfolio to enhance our ability to obtain cross-licenses of intellectual property from others, to obtain access to intellectual property we do not possess and to more favorably resolve potential intellectual property claims against us. Furthermore, we seek to generate high gross margin revenue through the sale and license of non-core intellectual property and occasionally we purchase intellectual property. Due to rapid technological changes in the industry, we believe establishing and maintaining a technological leadership position depends primarily on our ability to develop new innovative products through the technical competence of our engineering personnel.

COMPETITIVE CONDITIONS

The competitive environment in the semiconductor industry is in a constant state of flux, with new products continually emerging and existing products approaching technological obsolescence. We compete on the basis of time-to-market, new product innovation, quality, performance, price, compliance with industry standards, strategic relationships with customers and baseband vendors, personnel and protection of our intellectual property. We participate in highly competitive markets against numerous competitors that may be able to adapt more quickly than we can to new or emerging technologies and changes in customer requirements, or may be able to devote greater resources to the development, promotion and sale of their products than we can.

Erosion of average selling prices of established products is typical of the semiconductor industry. Consistent with trends in the industry, we anticipate that average selling prices for our established products will continue to decline at a normalized rate of five to ten percent per year. As part of our normal course of business, we mitigate the gross margin impact of declining average selling prices with efforts to increase unit volumes, reduce material costs and lower manufacturing costs of existing products and by introducing new and higher value-added products.

RESEARCH AND DEVELOPMENT

Our products and markets demand rapid technological advancements requiring a continuous effort to enhance existing products and develop new products and technologies. Accordingly, we maintain a high level of research and development activity. We invested \$252.2 million, \$226.3 million and \$212.5 million in research and development activities during fiscal 2014, fiscal 2013 and fiscal 2012, respectively. The increase in research and development expenses in fiscal 2014 and fiscal 2013 as compared to the prior fiscal year were the result of increases in our internal product designs and product development for our target markets in each of these fiscal years. Our research and development activities include new product development and innovations in integrated circuit design, investment in advanced semiconductor manufacturing processes, developing new packaging and test capabilities and researching next generation technologies and product opportunities. We maintain close collaborative relationships with many of our customers to help identify market demands and target our development efforts to meet those demands.

RAW MATERIALS

Raw materials for our products and manufacturing processes are generally available from several sources. It is our policy not to depend on a sole source of supply unless market or other conditions dictate otherwise. Consequently, there are limited situations where we procure certain components and services for our products from single or limited sources. We purchase materials and services primarily pursuant to individual purchase orders. However, we have entered into certain supply agreements for the purchase of raw materials or other manufacturing related services that specify minimum prices and purchase quantity based on our anticipated future requirements. Such amounts are reviewed and included in our contractual obligations and commitments as required. Certain of our suppliers consign raw materials to us at our manufacturing facilities which we take title to as needed in our manufacturing

process. We believe we have adequate sources for the supply of raw materials and components for our manufacturing needs with suppliers located around the world.

BACKLOG AND INVENTORY

Our sales are made pursuant to standard purchase orders and/or specified customer contracts for delivery of products, with such purchase orders officially acknowledged by us according to our own terms and conditions. We also maintain Skyworks-owned finished goods inventory at certain customer “hub” locations. We do not recognize revenue until these customers consume the Skyworks-owned inventory from these hub locations. Due to industry practice, which allows customers to cancel orders with limited advance notice to us prior to shipment, and with little or no penalty, we believe that backlog as of any particular date may not be a reliable indicator of our future revenue levels. The cancellation or deferral of product orders, the return of previously sold products, or overproduction due to a change in anticipated order volume could result in a reduction in revenue and us holding excess or obsolete inventory, which could result in inventory write-downs and, in turn, could have a material adverse effect on our financial condition.

ENVIRONMENTAL REGULATIONS

Federal, state and local requirements relating to the discharge of substances into the environment, the disposal of hazardous wastes, and other activities affecting the environment have had, and will continue to have, an impact on our manufacturing operations. Most of our customers have mandated that our products comply with various local, regional and national “green” initiatives initiated by our customers or the locations in which they operate. We believe that our current expenditures for environmental capital investment and remediation necessary to comply with present regulations governing environmental protection, and other expenditures for the resolution of environmental claims, will not have a material adverse effect on our liquidity and capital resources, competitive position or financial condition. Environmental regulations are subject to change in the future, and accordingly we are unable to assess the possible effect of compliance with future requirements.

SEASONALITY

Sales of our products are subject to seasonal fluctuation and periods of increased demand in end-user consumer applications, such as smartphones and tablet computing devices. The highest demand for our products generally occurs in our first fiscal quarter ending in December and the lowest demand for our handset products generally occurs in our second fiscal quarter ending in March.

GEOGRAPHIC INFORMATION

For information regarding net revenue by geographic region for each of the last three fiscal years, see [Note 16](#) of Item 8 of this Annual Report on Form 10-K.

EMPLOYEES

As of October 3, 2014, we employed approximately 5,550 employees world-wide (as compared to 4,750 as of September 27, 2013). Approximately 700 of our employees in Mexico are covered by collective bargaining agreements.

ITEM 1A. RISK FACTORS.

You should carefully consider the risks described below in addition to the other information contained in this report before making an investment decision with respect to any of our securities. Our business, financial condition or results of operations could be materially impacted by any of these risks. The risks and uncertainties described below are not the only ones we face. Additional risks not currently known to us or other factors not perceived by us present significant risks to our business at this time and may impair our business operations, financial condition or results of operations.

We operate in the highly cyclical semiconductor industry, which is subject to significant downturns.

We operate in the semiconductor industry, which is cyclical and subject to rapid declines in demand for end-user products in both the consumer and enterprise markets. Uncertain worldwide economic conditions, together with other factors such as the volatility of the financial markets, continue to make it difficult for our customers and for us to accurately forecast and plan future business activities. Although we believe that the market for our semiconductor products has stabilized to some extent, continued uncertainty and economic weakness could result in a market contraction and, as a result, our business, financial condition and results of operations would likely be materially and adversely affected. Such periods of industry downturn are characterized by diminished product demand and revenue, manufacturing overcapacity, excess inventory levels, accelerated erosion of average selling prices, bad debt, inventory

and restructuring and/or asset impairment charges. Furthermore, downturns in the semiconductor industry may be prolonged, and any extended delay or failure of the market to recover from an economic downturn would materially and adversely affect our business, financial condition and results of operations beyond our current fiscal year.

Our operating results may be adversely affected by quarterly and annual fluctuations and market downturns.

Our revenues, earnings and other operating results may fluctuate significantly on a quarterly and annual basis. These fluctuations are typically the result of a number of factors, many of which are beyond our control.

These factors include, among others:

- changes in end-user demand for the products (principally smartphones) manufactured and sold by our customers,
- the effects of competitive pricing pressures, including decreases in average selling prices of our products,
- production capacity levels and fluctuations in manufacturing yields,
- availability and cost of materials and services from our suppliers,
- the gain or loss of significant customers,
- our ability to develop, introduce and market new products and technologies on a timely basis,
- new product and technology introductions by competitors,
- changes in the mix of products produced and sold,
- market acceptance of our products and our customers,
- our ability to continue to generate revenues by licensing and/or selling non-core intellectual property, and
- intellectual property disputes, including those concerning payments associated with the licensing and/or sale of intellectual property.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially and adversely affect our quarterly or annual operating results. If our operating results fail to meet the expectations of analysts or investors, it could materially and adversely affect the price of our common stock.

Our stock price has been volatile and may fluctuate in the future.

The trading price of our common stock has and may continue to fluctuate significantly. Such fluctuations may be influenced by many factors, including:

- the volatility of the financial markets,
- uncertainty regarding the prospects of the domestic and foreign economies,
- our performance and prospects,
- the performance and prospects of our major customers and competitors,
- our revenue concentrations with relatively few customers,
- the depth and liquidity of the market for our common stock,
- investor perception of us and the industry in which we operate,
- changes in earnings estimates, price targets or buy/sell recommendations by analysts,
- domestic and international political conditions,
- domestic and international tax and fiscal policy decisions, and
- the ability to successfully identify, acquire and integrate acquisition candidates.

Public stock markets have experienced price and trading volume volatility. This volatility has and continues to significantly and negatively affect the market prices of securities of many technology companies, particularly the market price of our common stock. Such volatility could materially and adversely affect the market price of our common stock in future periods.

In addition, fluctuations in our stock price, volume of shares traded, and changes in our trading multiples may make our stock

attractive to momentum, hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction. Our company has been, and in the future may be, the subject of commentary by financial news media. Such commentary may contribute to volatility in our stock price. If our operating results do not meet the expectations of securities analysts, the financial news media or investors, our stock price may decline, possibly substantially over a short period of time.

There can be no assurance that we will continue to declare cash dividends.

In March 2014, we announced the initiation of a quarterly cash dividend program. We intend to pay quarterly dividends subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders.

Future dividends may be affected by, among other factors:

- our views on potential future capital requirements, including those related to acquisitions as well as research and development;
- use of cash to consummate various acquisition transactions;
- capital requirements related to stock repurchase programs;
- changes in federal and state income tax laws or corporate laws; and
- changes to our business model.

Our dividend payments may change from time to time, and we cannot provide assurance that we will increase our dividend payment or declare dividends in any particular amounts or at all. A reduction in our dividend payments could have a negative effect on our stock price.

Disruptions in global credit and financial markets could materially and adversely affect our business and results of operations.

Current uncertainties regarding the stability of global credit and financial markets may lead consumers and businesses to postpone spending, which may cause our customers to cancel, decrease or delay their existing and future orders for our products and make it difficult for us to accurately forecast and plan our future business activities. Uncertainty regarding the future stability of the Euro Zone could cause the value of the Euro to deteriorate, thus reducing the purchasing power and demand from our European customers. In addition, financial difficulties experienced by our suppliers, customers or distributors could result in product delays and increased accounts receivable defaults. During the past few years, many governments adopted stimulus or spending programs designed to ease the economic impact of the crisis. Some of our businesses benefited from these stimulus programs and there can be no assurance that such programs will continue in the future. If economic conditions deteriorate, we may record additional charges relating to restructuring costs or the impairment of assets and our business and results of operations could be materially and adversely affected.

The wireless communications and analog semiconductor markets are characterized by significant competition which may cause pricing pressures, decreased gross margins and rapid loss of market share and may materially and adversely affect our business, financial condition and results of operations.

The wireless communications semiconductor industry in general and the other analog markets in which we compete in particular are very competitive. We compete with international and United States semiconductor manufacturers of all sizes in terms of resources and market share, including Analog Devices, Avago Technologies, Linear Technology, Maxim Integrated Products, Murata Manufacturing, QUALCOMM, RF Micro Devices and Triquint Semiconductor.

We currently face significant competition in our markets and expect that intense price and product competition will continue. This competition has resulted in, and is expected to continue to result in, declining average selling prices for our products and increased challenges in maintaining or increasing revenue, gross margin and market share. Furthermore, additional competitors may enter our markets as a result of growth opportunities in communications electronics, the trend toward global expansion by foreign and domestic competitors and technological and public policy changes. We believe that the principal competitive factors for semiconductor suppliers in our markets include, among others:

- rapid time-to-market and product ramp,
- timely new product innovation,
- product quality, reliability and performance,
- product cost and selling price,

- features available in products,
- alignment with customer performance specifications,
- compliance with industry standards,
- strategic relationships with customers,
- access to and protection of intellectual property,
- ability to partner with or participate in reference designs of baseband vendors, and
- maintaining access to manufacturing capacity, raw materials, supplies and services at a competitive cost.

We might not be able to successfully address these factors. Many of our competitors enjoy the benefit of:

- long presence in key markets,
- brand recognition,
- high levels of customer satisfaction,
- strong baseband partnership/participation in reference designs,
- a broad product portfolio allowing them to bundle product offerings,
- ownership or control of key technology or intellectual property, and
- strong financial, sales and marketing, manufacturing, distribution, technical or other resources.

As a result, certain competitors may be able to adapt more quickly than we can to new or emerging technologies and changes in customer requirements or may be able to devote greater resources to the development, promotion and sale of their products than we can.

Our baseband reference design partners may leverage their market position by integrating additional functionality into their product offerings that compete with our solutions. If such a product offering were competitive with our solution as to performance, price and quality, our business could be adversely impacted.

Current and potential competitors have established, or may in the future establish, financial or strategic relationships among themselves or with customers, resellers or other third parties. These relationships may affect customers' purchasing decisions. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share. We may not be able to compete successfully against current and potential competitors. Increased competition could result in pricing pressures, decreased gross margins and loss of revenue and market share and may materially and adversely affect our business, financial condition and results of operations.

Our success depends upon our ability to develop new products and reduce costs in a timely manner.

The semiconductor industry generally and, in particular, many of the markets into which we sell our products are highly cyclical and characterized by constant and rapid technological change, continuous product evolution, price erosion, evolving technical standards, short product life cycles, increasing demand for higher levels of integration, increased miniaturization, reduced power consumption and wide fluctuations in product supply and demand. Our operating results depend largely on our ability to continue to cost-effectively introduce new and enhanced products on a timely basis. The successful development and commercialization of semiconductor devices and modules is highly complex and depends on numerous factors, including the ability:

- to anticipate customer and market requirements and changes in technology and industry standards,
- to obtain sufficient manufacturing capacity to meet customer demand,
- to define new products that meet customer and market requirements,
- to complete development of new products and bring products to market on a timely basis,
- to differentiate our products from offerings of our competitors,
- to achieve overall market acceptance of our products,
- to lengthen the time that a particular product is in demand, and
- to obtain adequate intellectual property protection for our new products.

Our ability to manufacture current products, and to develop new products, depends on, among other factors, the viability and flexibility of our own internal information technology systems.

We continually evaluate expenditures for planned product development and to choose among alternatives based on our understanding of customer technical requirements, new industry standards and expectations of future market growth. We may not be able to develop and introduce new or enhanced wireless communications semiconductor products in a timely and cost-effective manner, and our products may not satisfy customer requirements or achieve market acceptance or we may not be able to anticipate new industry standards and technological changes. We also may not be able to respond successfully to new product announcements and introductions by competitors or to changes in the design or specifications of complementary products of third parties with which our products interface. If we fail to rapidly and cost-effectively introduce new and enhanced products in sufficient quantities that meet our customers' requirements, our business and results of operations would be materially and adversely harmed.

In addition, prices of many of our products decline, sometimes significantly, over time. Our products may become obsolete earlier than planned or may not have life cycles long enough to allow us to recoup the cost of our investment in designing such products. Accordingly, we believe that to remain competitive, we must continue to reduce the cost of producing and delivering existing products at the same time that we develop and introduce new or enhanced products. We may not be able to continue to reduce the cost of producing and delivering our products and thereby remain competitive.

If Original Equipment Manufacturers, or OEMs, and Original Design Manufacturers, or ODMs, of communications electronics products do not design our products into their equipment, we will have difficulty selling those products. Moreover, a “design win” from a customer does not guarantee future sales to that customer.

Our products are not sold directly to the end-user, but are components or subsystems of other products. As a result, we rely on OEMs and ODMs of wireless communications electronics products to select our products from among alternative offerings to be designed into their equipment. Without these “design wins,” we would have difficulty selling our products. If a manufacturer designs another supplier's product into one of its product platforms, it is more difficult for us to achieve future design wins with that platform because changing suppliers involves significant cost, time, effort and risk on the part of that manufacturer. Also, achieving a design win with a customer does not ensure that we will receive revenue from that customer. Even after a design win, the customer is not obligated to purchase our products and can choose at any time to reduce or cease use of our products, for example, if its own products are not commercially successful, or for any other reason. We may not continue to achieve design wins or to convert design wins into actual sales, and failure to do so could materially and adversely affect our operating results.

Our manufacturing processes are extremely complex and specialized and disruptions could have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing operations are complex and subject to disruption, including due to causes beyond our control. The fabrication of integrated circuits is an extremely complex and precise process consisting of hundreds of separate steps. It requires production in a highly controlled, clean environment. Minor impurities, contamination of the clean room environment in which our products are produced, errors in any step of the fabrication process, defects in the masks used to print circuits on a wafer, defects in equipment or materials, human error, or a number of other factors can cause a substantial percentage of our products to be rejected or to malfunction. Because our operating results are highly dependent upon our ability to produce integrated circuits at acceptable manufacturing yields, these factors could have a material and adverse effect on our business.

Additionally, our operations may be affected by lengthy or recurring disruptions of operations at any of our production facilities, as well as disruptions at facilities operated by our subcontractors and customers. These disruptions may result from electrical power outages, fire, earthquake, flooding, war, acts of terrorism, health advisories or risks, or other natural or manmade disasters, as well as equipment maintenance, repairs and/or upgrades. Disruptions of our manufacturing operations, or those of our subcontractors and customers, could cause significant delays in shipments until we are able to shift production of the impacted products from an affected facility or subcontractor to another facility or subcontractor, or until the affected customer resumes operations and accepts shipments from us. In the event of such delays, the required alternative capacity, particularly wafer production capacity, may not be available on a timely basis or at all. Even if alternative production capacity is available, we may not be able to obtain it on favorable terms, which could result in higher costs and/or a loss of customers and revenue.

Due to the highly specialized nature of the gallium arsenide integrated circuit manufacturing process, in the event of a disruption in production at our Newbury Park, California or Woburn, Massachusetts semiconductor wafer fabrication facilities as well as our assembly and test facility in Mexicali, Mexico for any reason, alternative gallium arsenide production capacity would not be immediately available from third-party sources. These disruptions could have a material adverse effect on our business, financial condition and results of operations.

Lengthy product development and sales cycles associated with many of our products may result in significant expenditures before generating any revenues related to those products.

After one of our products has been developed, tested and manufactured, our customers may need three to six months or longer to integrate, test and evaluate that product and an additional three to six months or more to begin volume production of equipment that incorporates the product. This lengthy cycle time increases the possibility that a customer may decide to cancel or change product plans, which could reduce or eliminate our sales to that customer. As a result of this lengthy sales cycle, we may incur significant research and development expenses, and selling, general and administrative expenses, before we generate the related revenue for these products. Furthermore, we may never generate the anticipated revenues from a product after incurring such expenses if our customer cancels or changes its product plans.

We may not be able to maintain and improve manufacturing yields that contribute positively to our gross margin and profitability.

Minor deviations or disturbances in the manufacturing process can cause substantial manufacturing yield loss, and in some cases, cause production to be suspended and impact our ability to meet customer demand on a timely basis. Manufacturing yields for new products initially tend to be lower as we complete product development and commence volume manufacturing, and typically increase as we bring the product to full production. Our forward product pricing includes this assumption of improving manufacturing yields and, as a result, material variances between projected and actual manufacturing yields will have a direct effect on our gross margin and profitability. The difficulty of accurately forecasting manufacturing yields and maintaining cost competitiveness through improving manufacturing yields will continue to be magnified by the increasing process complexity of manufacturing semiconductor products. Our manufacturing operations may also face pressures arising from the compression of product life cycles, which may require us to manufacture new products faster and for shorter periods while maintaining acceptable manufacturing yields and quality without, in many cases, reaching the longer-term, high-volume manufacturing conducive to higher manufacturing yields and declining costs.

Remaining competitive in the semiconductor industry requires transitioning to smaller geometry process technologies and achieving higher levels of design integration.

In order to remain competitive, we expect to continue to transition our products to increasingly smaller geometries. This transition requires us to modify the manufacturing processes for our products, design new products to more stringent standards, and to redesign some existing products. In the past, we have experienced some difficulties migrating to smaller geometry process technologies or new manufacturing processes, which resulted in sub-optimal manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes in the future. In some instances, we depend on our relationships with our third-party foundries to transition to smaller geometry processes successfully. Our foundries may not be able to effectively manage the transition or we may not be able to maintain our foundry relationships. If our foundries or we experience significant delays in this transition or fail to efficiently implement this transition, our business, financial condition and results of operations could be materially and adversely affected. As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, or at all.

We may be subject to warranty claims, product recalls and liability claims.

Although we invest significant resources in the testing of our products, we may discover from time to time defects in our products after they have been shipped, and we may be required to incur additional development and remediation costs, or cash payments to settle claims pursuant to warranty and indemnification provisions in our customer contracts and purchase orders. The potential liabilities associated with these, and similar, provisions in certain of our customer contracts are in some cases capped at significant amounts, and in other cases are uncapped. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or third parties, including liability for costs associated with product recalls, or other obligations under customer contracts. If any of our products contain defects, or have reliability, quality or compatibility problems, our reputation may be damaged and we could be subject to liability claims, which could make it more difficult for us to sell our products to existing and prospective customers and could adversely affect our operating results. Furthermore, such losses would not be covered under our existing corporate insurance programs.

We are dependent upon third parties for the manufacture, assembly and testing of our products.

We rely upon independent wafer fabrication facilities, called foundries, to provide silicon-based products and to supplement our

gallium arsenide wafer manufacturing capacity. There are significant risks associated with reliance on third-party foundries, including:

- the lack of wafer supply, potential wafer shortages and higher wafer prices,
- limited ability to respond to unanticipated changes in customer demand,
- limited control over delivery schedules, manufacturing yields, production costs and quality assurance, and
- the inaccessibility of, or delays in, obtaining access to, key process technologies.

Although we have long-term supply arrangements to obtain additional external manufacturing capacity, the third-party foundries we use for our standby manufacturing capacity may allocate their limited capacity to the production requirements of other customers and we have no contractual right to prevent them from making such allocations. If we choose to use a new foundry to replace either existing or backup capacity, it will typically take an extended period of time for us to complete our qualification process for that foundry which will result in a significant passage of time before we can begin shipping products from that new foundry.

Further, the third-party foundries may experience financial difficulties, be unable to deliver products to us in a timely manner or suffer damage or destruction to their facilities, particularly since some of them are located in areas prone to natural disasters. If any disruption of manufacturing capacity occurs, we may not have alternative manufacturing sources immediately available. We may therefore experience difficulties or delays in securing an adequate supply of our products, which could impair our ability to meet our customers' needs and have a material adverse effect on our operating results.

Although we own and operate an assembly and test facility, we still depend on subcontractors to package, assemble and test certain of our products at cost-competitive rates. We do not have long-term agreements with any of our assembly or test subcontractors and typically procure services from these suppliers on a per order basis. If any of these subcontractors experiences capacity constraints or financial difficulties, suffers any damage to its facilities, experiences power outages or any other disruption of assembly or testing capacity, we may not be able to obtain alternative assembly and testing services in a timely manner and/or at cost-competitive rates. Due to the amount of time that it usually takes us to qualify assemblers and testers, we could experience significant delays in product shipments if we are required to find alternative assemblers or testers for our components. Any problems that we may encounter with the delivery, quality or cost of our products could damage our customer relationships and materially and adversely affect our results of operations.

We are dependent upon third parties for the supply of raw materials and components.

Our manufacturing operations depend on obtaining adequate supplies of raw materials and components used in our manufacturing processes at a competitive cost. Although we maintain relationships with suppliers located around the world with the objective of ensuring that we have adequate sources for the supply of raw materials and components for our manufacturing needs, increases in demand from the semiconductor industry for such raw materials and components, as well as increased demand for commodities in general, can result in tighter supplies and higher costs. Our suppliers may not be able to meet our delivery schedules, we may lose a significant or sole supplier, a supplier may not be able to meet performance and quality specifications and we may not be able to purchase such supplies or material at a competitive cost. If a supplier were unable to meet our delivery schedules or if we lost a supplier or a supplier were unable to meet performance or quality specifications, our ability to satisfy customer obligations would be materially and adversely affected. In addition, we review our relationships with suppliers of raw materials and components for our manufacturing needs on an ongoing basis. In connection with our ongoing review, we may modify or terminate our relationship with one or more suppliers. We may also enter into sole supplier arrangements to meet certain of our raw material or component needs. While we do not typically rely on a single source of supply for our raw materials, we are currently dependent on a limited number of sole-source suppliers. If we were to lose these sole sources of supply, for any reason, a material adverse effect on our business could result until an alternate source is obtained. To the extent we enter into additional sole supplier arrangements for any of our raw materials or components, the risks associated with our supply arrangements would be exacerbated.

If we are unable to attract and retain qualified personnel to contribute to the design, development, manufacture and sale of our products, we may not be able to effectively operate our business.

As the source of our technological and product innovations, our key technical personnel represent a significant asset. Our success depends on our ability to continue to attract, retain and motivate qualified personnel, including executive officers and other key management and technical personnel. The competition for management and technical personnel is intense in the semiconductor industry, and therefore we may not be able to continue to attract and retain the qualified management and other personnel necessary for the design, development, manufacture and sale of our products. We may have particular difficulty attracting and retaining key personnel during periods of poor operating performance and/or declines in the price of our common stock, given among other things, the use of equity-based compensation by us and our competitors. Further, existing immigration laws make it more difficult for us to recruit and retain highly skilled foreign national graduates of universities in the United States, limiting the pool of available talent.

We continue to anticipate increases in human resource needs, particularly in engineering. The loss of the services of one or more of our key employees or our inability to attract, retain and motivate qualified personnel, could have a material adverse effect on our ability to operate our business.

Our business would be adversely affected by the departure of existing members of our senior management team or if our senior management team is unable to effectively implement our strategy.

Our success depends, in large part, on the continued contributions of our senior management team, none of whom is bound by a written employment contract to remain with us for a specified period. The loss of any of our senior management could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

Our reliance on a small number of customers for a large portion of our sales could have a material adverse effect on the results of our operations.

Significant portions of our sales are concentrated among a limited number of customers. If we lost one or more of these major customers, or if one or more major customers significantly decreased its orders for our products, our business could be materially and adversely affected. In fiscal 2014 and 2013, two customers each accounted for greater than ten percent of our net revenue. For further discussion see [Note 16](#) to Item 8 of this Annual Report on Form 10-K.

Uncertainties involving the ordering and shipment of, and payment for, our products could adversely affect our business.

Our sales are made pursuant to standard purchase orders and/or specified customer contracts for delivery of products and not under long-term supply arrangements with our customers. Our customers may cancel orders before shipment. Additionally, we sell a portion of our products through distributors, some of whom have rights to return unsold products if the product is defective. We may purchase and manufacture inventory based on estimates of customer demand for our products, which is difficult to predict. This difficulty may be compounded when we sell to OEMs indirectly through distributors or contract manufacturers, or both, as our forecasts of demand will then be based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products, or overproduction due to a change in anticipated order volumes could result in us holding excess or obsolete inventory, which could result in inventory write-downs and, in turn, could have a material adverse effect on our financial condition.

In addition, if a customer encounters financial difficulties of its own as a result of a change in demand or for any other reason, the customer's ability to make timely payments against our accounts receivables could be impaired.

We may be subject to claims of infringement of third-party intellectual property rights, or demands that we license third-party technology, which could result in significant expense and prevent us from using our technology.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business and have demanded and may in the future demand that we license their technology or refrain from using it.

Any litigation to determine the validity of claims that our products infringe or may infringe intellectual property rights of another, including claims arising from our contractual indemnification of our customers, regardless of their merit or resolution, could be costly and divert the efforts and attention of our management and technical personnel. Regardless of the merits of any specific claim, we may not prevail in litigation because of the complex technical issues and inherent uncertainties in intellectual property litigation. If litigation were to result in an adverse ruling, we could be required to:

- pay substantial damages,
- cease the manufacture, import, use, sale or offer for sale of infringing products or processes,
- discontinue the use of infringing technology,
- expend significant resources to develop non-infringing technology, and
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms.

Our operating results or financial condition may be materially adversely affected if we, or one of our customers, were required to take any one or more of the foregoing actions.

In addition, if another supplier to one of our customers, or a customer of ours itself, were found to be infringing upon the intellectual property rights of a third party, the supplier or customer could be ordered to cease the manufacture, import, use, sale or offer for sale of its infringing product(s) or process(es), either of which could result, indirectly, in a decrease in demand from our customers for our products. If such a decrease in demand for our products were to occur, it could have an adverse impact on our operating results.

Many of our products currently incorporate technology licensed or acquired from third parties and we expect our products in the future to also require technology from third parties. If the licenses to such technology that we currently hold become unavailable or the terms on which they are available become commercially unreasonable, or if we are unable to acquire or license necessary technology for our products in the future, our business could be adversely affected.

We sell products in markets that are characterized by rapid technological changes, evolving industry standards, frequent new product introductions, short product life cycles and increasing levels of integration. Our ability to keep pace with this market depends on our ability to obtain technology from third parties on commercially reasonable terms to allow our products to remain competitive. If licenses to such technology are not available on commercially reasonable terms and conditions or at all, and we cannot otherwise acquire or integrate such technology, our products or our customers' products could become unmarketable or obsolete, and we could lose market share. In such instances, we could also incur substantial unanticipated costs or scheduling delays to develop substitute technology to deliver competitive products.

If we are not successful in protecting our intellectual property rights, our ability to compete successfully may be materially and adversely affected.

We rely on patent, copyright, trademark, trade secret and other intellectual property laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our proprietary technologies, information, data, devices, algorithms, processes and other intellectual property. In addition, we often incorporate the intellectual property of our customers, suppliers or other third parties into our designs, and we have obligations with respect to the non-use and non-disclosure of such third-party intellectual property. In the future, it may be necessary to engage in litigation or like activities to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of proprietary rights of others, including our customers. This could require us to expend significant resources and to divert the efforts and attention of our management and technical personnel from our business operations. Regardless of our actions:

- the steps we take to prevent misappropriation, infringement, dilution or other violation of our intellectual property or the intellectual property of our customers, suppliers or other third parties may not be successful, and
- any of our existing or future patents, copyrights, trademarks, trade secrets or other intellectual property rights may be challenged, invalidated or circumvented.

Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, develop similar technology independently or design around our patents. If any of our intellectual property protection mechanisms fails to protect our technology, it would make it easier for our competitors to offer similar products, potentially resulting in loss of market share and price erosion. Even if we receive a patent, the patent claims may not be broad enough to adequately protect our technology. Furthermore, even if we receive patent protection in the United States, we may not seek, or may not be granted, patent protection in foreign countries. In addition, effective patent, copyright, trademark and trade secret protection may be unavailable or limited for certain technologies and in certain foreign countries.

We attempt to control access to and distribution of our proprietary information through operational, technological and legal safeguards. Despite our efforts, parties, including former or current employees, may attempt to copy, disclose or obtain access to our information without our authorization. Furthermore, attempts by computer hackers to gain unauthorized access to our systems or information could result in our proprietary information being compromised or in our operations being interrupted. While we attempt to prevent such unauthorized access we may be unable to anticipate the methods used, or be unable to prevent the release of our proprietary information.

We are subject to the risks of doing business internationally.

A substantial majority of our net revenue is derived from customers located outside the United States, primarily in countries located in the Asia-Pacific region and Europe. In addition, we have suppliers located outside the United States, and third-party packaging, assembly and test facilities and foundries located in the Asia-Pacific region. Finally, we maintain wafer fabrication facilities in Kadoma, Japan and Uozu, Japan, as well as packaging, assembly and test facilities in Mexicali, Mexico and in Singapore. Our international sales and operations are subject to a number of risks inherent in selling and operating abroad. These include, but are not limited to, risks regarding:

- currency exchange rate fluctuations, including increases or decreases in commodities prices related to such fluctuations,
- local economic and political conditions, including social, economic and political instability,
- labor market conditions and worker's rights,
- disruptions of capital and trading markets,
- inability to collect accounts receivable,
- restrictive governmental actions (such as restrictions on transfer of funds and trade protection measures, including export duties, quotas, customs duties, increased import or export controls and tariffs),
- changes in, or non-compliance with, legal or regulatory import/export requirements,
- natural disasters, acts of terrorism, widespread illness and war,
- difficulty in obtaining distribution and support,
- cultural differences in the conduct of business,
- direct or indirect government actions or policies aimed at supporting local industry,
- the laws and policies of the United States and other countries affecting trade, foreign investment and loans, and import or export licensing requirements,
- changes in current or future tax law or regulations or new interpretations thereof, by federal or state agencies or foreign governments could adversely affect our results of operations,
- changes in the effective tax rate as a result of our overall profitability and mix of earnings in countries with differing statutory tax rates,
- results of audits and examination of previously filed tax returns,
- the possibility of being exposed to legal proceedings in a foreign jurisdiction given the numerous, and sometimes conflicting, legal regimes on matters as diverse as anti-corruption, import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-competition, data privacy and protection, employment and labor relations,
- limitations on our ability under local laws to protect or enforce our intellectual property rights in a particular foreign jurisdiction, and
- restrictions on our ability to repatriate foreign earnings and / or funds and the unfavorable tax implications related to the same.

Additionally, we are subject to risks in certain global markets in which wireless operators provide subsidies on handset sales to their customers. Increases in cellular handset prices that negatively impact handset sales can result from changes in regulatory policies or other factors, which could impact the demand for our products. Limitations or changes in policy on phone subsidies in the United States, South Korea, Japan, China and other countries may have additional negative impacts on our revenues.

Some of the countries in which we operate and/or seek to expand are in emerging markets where legal systems may be less developed or familiar to us. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines or monetary damages, criminal sanctions against us or our officers, prohibitions on doing business, unfavorable publicity and other reputation damage, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations.

We are particularly exposed to risks of doing business in China. We expect to continue to expand our business and operations in China. Our success in the Chinese markets may be adversely affected by China's continuously evolving laws and regulations, including those relating to taxation, import and export tariffs, currency controls, anti-corruption, environmental regulations, indigenous innovation, and intellectual property rights and enforcement of those rights. Enforcement of existing laws or agreements may be inconsistent. In addition, changes in the political environment, governmental policies or United States-China relations could result in revisions to laws or regulations or their interpretation and enforcement, exposure of our proprietary intellectual property, increased taxation, restrictions on imports, import duties or currency revaluations, which could have an adverse effect on our business plans and operating results. Further, the evolving labor market and increasing labor unrest in China may have a negative impact on our customers which would result in a negative impact on our business and results of operations.

Changes in tax regulations and/or changes in the favorable tax status of our subsidiary in Singapore could have an adverse impact on our operating results.

We are subject to taxation in many different countries and localities worldwide. To the extent the tax laws and regulations in these various countries and localities could change, our tax liability in general could increase or our tax saving strategies could be threatened. For example, our subsidiary in Singapore receives a tax holiday that is expected to be effective through September 2020. Changes in the status of this tax holiday could have a negative effect on our net income in future years.

We face a risk that capital needed for our business will not be available when we need it.

To the extent that our existing cash and cash equivalents and cash generated from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. If unfavorable capital market conditions exist in the event we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms and on a timely basis (if at all). Failure to obtain capital when required by our business circumstances would have a material adverse effect on us.

In addition, any strategic investments and acquisitions that we may make to help us grow our business may require additional capital resources. The capital required to fund these investments and acquisitions may not be available in the future.

To be successful we may need to make certain investments and acquisitions, integrate companies we acquire, and/or enter into strategic alliances.

Although we have invested in the past, and intend to continue to invest, significant resources in internal research and development activities, the complexity and rapidity of technological changes and the significant expense of internal research and development make it impractical for us to pursue development of all technological solutions on our own. On an ongoing basis, we review investment, alliance and acquisition prospects that would complement our product offerings, augment our market coverage or enhance our technological capabilities. We may not be able to identify and consummate suitable investment, alliance or acquisition transactions in the future. Moreover, if such transactions are consummated, they could result in:

- issuances of equity securities dilutive to our stockholders,
- large, transactions, restructuring or other impairment write-offs,
- the incurrence of substantial debt and assumption of unknown liabilities,
- the potential loss of key employees from the acquired company,
- recognition of additional liabilities known or unknown at the time of acquisition,
- amortization expenses related to intangible assets, and
- the diversion of management's attention from other business concerns.

Moreover, integrating acquired organizations and their products and services may be difficult, expensive, time-consuming and a strain on our resources and our relationship with employees and customers and ultimately may not be successful. Additionally, in periods following an acquisition, we will be required to evaluate goodwill and acquisition-related intangible assets for impairment. If such assets are found to be impaired, they will be written down to estimated fair value, with a charge against earnings.

Increasingly stringent environmental laws, rules and regulations may require us to redesign our existing products and processes, and could adversely affect our ability to cost-effectively produce our products.

The semiconductor industry has been subject to increasing environmental regulations, particularly those environmental requirements that control and restrict the use, transportation, emission, discharge, storage and disposal of certain chemicals, elements and materials used or produced in the semiconductor manufacturing process. Heightened public focus on sustainability and environmental issues has also led to increased government regulation and caused certain of our customers to impose environmental standards on us as a part of doing business with them. We expect that the trend of increasing environmental awareness will continue for the foreseeable future which will result in higher costs of operations. In addition, our commitment to environmentally sustainable practices, while undertaken in a manner designed to be as efficient and cost effective as possible, may result increases in costs of operations for us relative to our competitors until technologies and methods are developed that will help reduce those costs or such practices become industry best practice.

A number of domestic and foreign jurisdictions seek to restrict the use of various substances, a number of which have been or are

currently used in our products or processes. For example, the European Union Restriction of Hazardous Substances in Electrical and Electronic Equipment (“RoHS”) Directive now requires that certain substances, which may be found in certain products we have manufactured in the past, be removed from all electronics components. Eliminating such substances from our manufacturing processes requires the expenditure of additional research and development funds to seek alternative substances for our products, as well as increased testing by third parties to ensure the quality of our products and compliance with the RoHS Directive. While we have implemented a compliance program to ensure our product offering meets these regulations, there may be instances where alternative substances will not be available or commercially feasible, or may only be available from a single source, or may be significantly more expensive than their restricted counterparts. Additionally, if we were found to be non-compliant with any such rule or regulation, we could be subject to fines, penalties and/or restrictions imposed by government agencies that could adversely affect our operating results.

Regulations in the United States require that we determine whether certain materials used in our products, referred to as conflict minerals, originated in the Democratic Republic of the Congo or adjoining countries, or were from recycled or scrap sources. The verification and reporting requirements, in addition to customer demands for conflict-free sourcing, impose additional costs on us and on our suppliers, and may limit the sources or increase the prices of materials used in our products. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers, which could place us at a competitive disadvantage, and our reputation may be harmed.

New climate change laws and regulations could require us to change our manufacturing processes or obtain substitute materials that may cost more or be less available for our manufacturing operations. In addition, new restrictions on emissions of carbon dioxide or other greenhouse gases could result in significant costs for us. The Commonwealth of Massachusetts has adopted greenhouse gas regulations, and the United States Congress may pass federal greenhouse gas legislation in the future. The United States Environmental Protection Agency (“EPA”) has issued greenhouse gas reporting regulations that may apply to certain of our operations. The EPA is developing other climate change-based regulations, as are certain states, that also may increase our expenses and adversely affect our operating results. We expect increased worldwide regulatory activity relating to climate change in the future. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, financial condition or competitive position.

We may be liable for penalties under environmental laws, rules and regulations, which could adversely impact our business.

We have used, and will continue to use, a variety of chemicals and compounds in manufacturing operations and have been and will continue to be subject to a wide range of environmental protection regulations in the United States and in foreign countries. Current or future regulation of the materials necessary for our products may have a material adverse effect on our business, financial condition and results of operations. Environmental regulations often require parties to fund remedial action for violations of such regulations regardless of fault. Consequently, it is often difficult to estimate the future impact of environmental matters, including potential liabilities. Furthermore, our customers increasingly require warranties or indemnity relating to compliance with environmental regulations. The amount of expense and capital expenditures that might be required to satisfy environmental liabilities, to complete remedial actions and to continue to comply with applicable environmental laws may have a material adverse effect on our business, financial condition and results of operations.

If wireless devices pose safety risks, we may be subject to new regulations, and demand for our solutions and those of our licensees and customers may decrease.

Concerns over the effects of radio frequency emissions, even if unfounded, may have the effect of discouraging the use of wireless devices, which may decrease demand for our solutions and those of our licensees and customers. In recent years, the Federal Communications Committee (“FCC”) and foreign regulatory agencies have updated the guidelines and methods they use for evaluating radio frequency emissions from radio equipment, including wireless phones and other wireless devices. In addition, interest groups have requested that the FCC investigate claims that wireless communications technologies pose health concerns and cause interference with airbags, hearing aids and medical devices. Concerns have also been expressed over the possibility of safety risks due to a lack of attention associated with the use of wireless devices while driving. Any legislation that may be adopted in response to these expressions of concern could reduce demand for wireless communications devices that contain our products.

Our gallium arsenide semiconductors may cease to be competitive with silicon alternatives.

Among our product portfolio, we manufacture and sell gallium arsenide semiconductor devices and components, principally power amplifiers and switches. The production of gallium arsenide integrated circuits is often more costly than the production of silicon circuits. The cost differential is due to higher costs of raw materials for gallium arsenide and higher unit costs associated with smaller sized wafers and lower production volumes. Further, silicon based designs offer alternatives within the system architecture which

are unavailable for gallium arsenide based designs. Therefore, to remain competitive, we must offer gallium arsenide products that provide superior performance over silicon-based alternatives. Although we manufacture and sell silicon-based power amplifiers, if we do not continue to offer gallium arsenide products that provide sufficiently superior performance to justify the cost differential, our factories could become underutilized adversely affecting our operating results. As a result of underutilization, we could expect the costs of producing gallium arsenide devices will continue to exceed the costs of producing their silicon counterparts. Silicon semiconductor technologies are widely used process technologies for certain integrated circuits and these technologies continue to improve in performance. We may not continue to identify products and markets that require performance attributes of gallium arsenide products.

Certain provisions in our organizational documents and Delaware law may make it difficult for someone to acquire control of us.

We have certain anti-takeover measures that may affect our common stock. Our certificate of incorporation, our by-laws and the Delaware General Corporation Law contain several provisions that would make more difficult an acquisition of control of us in a transaction not approved by our Board of Directors. Our certificate of incorporation and by-laws include provisions such as:

- the ability of our Board of Directors to issue shares of preferred stock in one or more series without further authorization of stockholders,
- a prohibition on stockholder action by written consent,
- no stockholder right to call a special meeting of stockholders,
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders,
- a requirement that the affirmative vote of at least 66 2/3% of our shares be obtained to amend or repeal any provision of our by-laws or the provision of our certificate of incorporation relating to amendments to our by-laws,
- a requirement that the affirmative vote of at least 80% of our shares be obtained to amend or repeal the provisions of our certificate of incorporation relating to the election and removal of directors or the right to act by written consent,
- a requirement that the affirmative vote of at least 80% of our shares be obtained for business combinations unless approved by a majority of the members of the Board of Directors and, in the event that the other party to the business combination is the beneficial owner of 5% or more of our shares, a majority of the members of Board of Directors in office prior to the time such other party became the beneficial owner of 5% or more of our shares,
- a fair price provision, and
- a requirement that the affirmative vote of at least 90% of our shares be obtained to amend or repeal the fair price provision.

In addition to the provisions in our certificate of incorporation and by-laws, Section 203 of the Delaware General Corporation Law generally provides that a corporation may not engage in any business combination with any interested stockholder during the three-year period following the time that such stockholder becomes an interested stockholder, unless a majority of the directors then in office approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder or specified stockholder approval requirements are met.

Our business and operations could suffer in the event of security breaches.

Attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated and are sometimes successful. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of our customers' or licensees' confidential information, we may incur liability as a result. In addition, we expect to devote additional resources to the security of our information technology systems.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We are headquartered in Woburn, Massachusetts and have executive offices in Irvine, California. For information regarding property, plant and equipment by geographic region for each of the last two fiscal years, see [Note 16](#) of Item 8 of this Annual Report on Form 10-K. The following table sets forth our principal facilities:

Location	Owned/Leased	Square Footage	Primary Function
Woburn, Massachusetts	Owned	158,000	Corporate headquarters and manufacturing
Adamstown, Maryland	Owned	121,200	Manufacturing and office space
Newbury Park, California	Owned	111,600	Manufacturing and office space
Newbury Park, California	Leased	108,400	Design center
Irvine, California	Leased	63,400	Design center
Cedar Rapids, Iowa	Leased	42,900	Design center
Santa Clara, California	Leased	42,200	Design center
Mexicali, Mexico	Owned	380,000	Manufacturing and office space
Singapore	Leased	134,000	Filter manufacturing
Kadoma, Japan	Leased	103,000	Filter manufacturing and office space
Seoul, Korea	Leased	22,900	Design center
Ottawa, Ontario	Leased	30,900	Design center

ITEM 3. LEGAL PROCEEDINGS.

The information set forth under [Note 12](#) of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**MARKET INFORMATION**

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SWKS". The following table sets forth the range of high and low closing prices for our common stock for the periods indicated, as reported by the NASDAQ Global Select Market. The number of stockholders of record of Skyworks' common stock as of November 14, 2014 was 23,496.

	Fiscal Years Ended			
	October 3, 2014		September 27, 2013	
	High	Low	High	Low
First quarter	\$ 28.43	\$ 23.71	\$ 24.08	\$ 19.80
Second quarter	39.27	27.40	24.97	20.30
Third quarter	48.34	34.90	23.95	20.15
Fourth quarter	58.84	46.34	26.33	20.99

DIVIDENDS

The Company paid a total of \$41.4 million in dividends during fiscal 2014. On November 6, 2014, the board of directors declared a cash dividend of \$0.13 per share of common stock, an increase over the dividend from the prior quarter, payable on December 11, 2014 to stockholders of record as of November 18, 2014. We intend to continue to pay quarterly dividends subject to capital availability and our view that cash dividends are in the best interests of our stockholders. Future dividends may be affected by, among other items, our views on potential future capital requirements, including those relating to research and development, creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs, debt issuance, changes in federal and state income tax law and changes to our business model.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information regarding repurchases of common stock made during the fiscal quarter ended October 3, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximately Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
6/28/14-7/25/14	5,249	\$49.82	—	\$109.7 million
7/26/14-8/29/14	877,666(2)	\$52.60	875,000	\$63.9 million
8/30/14-10/3/14	35,777	\$56.50	—	\$63.9 million

(1) The share repurchase program approved by the Board of Directors on July 16, 2013, authorizes the repurchase of up to \$250.0 million of our common stock from time to time on the open market or in privately negotiated transactions as permitted by securities laws and other legal requirements. The share repurchase program is scheduled to expire on July 16, 2015.

(2) We repurchased 875,000 shares of common stock at an average price of \$52.60 from July 26, 2014 to August 29, 2014 as part of our share repurchase program and 2,666 shares were withheld for tax obligations under restricted stock agreements with an average price of \$53.99.

On November 11, 2014, the Board of Directors approved a new share repurchase program, pursuant to which we are authorized to repurchase up to \$300.0 million of our common stock from time to time on the open market or in privately negotiated transactions as permitted by securities laws and other legal requirements. The repurchase program is set to expire on November 11, 2016; however, it may be suspended, discontinued or extended by the Board of Directors at any time prior to its expiration on November 11, 2016. This authorized stock repurchase program replaced in its entirety the July 16, 2013 stock repurchase program. These repurchase programs have been and will be funded with our working capital.

ITEM 6. SELECTED FINANCIAL DATA.

You should read the data set forth below in conjunction with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. Our fiscal year ends on the Friday closest to September 30. Fiscal 2014 consisted of 53 weeks and ended on October 3, 2014. The previous four fiscal years each consisted of 52 weeks and ended on September 27, 2013, September 28, 2012, September 30, 2011 and October 1, 2010.

The following table represents the selected financial data (in millions, except per share data):

Statement of Operations Data:	Fiscal Years Ended				
	October 3, 2014	September 27, 2013	September 28, 2012	September 30, 2011	October 1, 2010
Net revenue	\$ 2,291.5	\$ 1,792.0	\$ 1,568.6	\$ 1,418.9	\$ 1,071.8
Operating income	\$ 565.2	\$ 345.1	\$ 255.6	\$ 295.3	\$ 199.7
Operating margin	24.7%	19.3%	16.3%	20.8%	18.6%
Net income	\$ 457.7	\$ 278.1	\$ 202.0	\$ 226.6	\$ 137.3
Earnings per share:					
Basic	\$ 2.44	\$ 1.48	\$ 1.09	\$ 1.24	\$ 0.78
Diluted	\$ 2.38	\$ 1.45	\$ 1.05	\$ 1.19	\$ 0.75
Balance Sheet Data:	As of				
	October 3, 2014	September 27, 2013	September 28, 2012	September 30, 2011	October 1, 2010
Working capital	\$ 1,131.6	\$ 893.6	\$ 700.6	\$ 569.2	\$ 585.5
Property, plant and equipment, net	\$ 555.9	\$ 328.6	\$ 279.4	\$ 251.4	\$ 204.4
Total assets	\$ 2,973.8	\$ 2,333.1	\$ 2,136.6	\$ 1,890.4	\$ 1,564.1
Stockholders' equity	\$ 2,532.4	\$ 2,101.1	\$ 1,905.5	\$ 1,609.1	\$ 1,316.6

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially and adversely from those referred to herein due to a number of factors, including but not limited to those described below and in Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

OVERVIEW

We, together with our consolidated subsidiaries, are an innovator of high performance analog and mixed signal semiconductors linking people, places and things across a rapidly expanding number of new and previously unimagined applications including automotive, broadband, wireless infrastructure, energy management, GPS, industrial, medical, military, networking, smartphones and tablets. Our portfolio consists of amplifiers, attenuators, battery chargers, circulators, DC/DC converters, demodulators, detectors, diodes, directional couplers, filters, front-end modules, hybrids, infrastructure radio frequency, or RF, subsystems, isolators, LED drivers, mixers, modulators, optocouplers, optoisolators, phase shifters, PLLs/synthesizers/VCOs, power dividers/combiners, power management devices, receivers, switches, technical ceramics and voltage regulators. Our key customers include Arris, Bose, Cisco, Dell, Ericsson, Foxconn, Fujitsu, General Electric, Google, Honeywell, HTC, Huawei, Landis & Gyr, Lenovo, LG Electronics, Microsoft, Nest, Netgear, Northrop Grumman, Rockwell Collins, Samsung, Sonos, and ZTE. Our competitors include Analog Devices, Avago Technologies, Linear Technology, Maxim Integrated Products, Murata Manufacturing, QUALCOMM, RF Micro Devices and Triquint Semiconductor.

RESULTS OF OPERATIONS**FISCAL YEARS ENDED OCTOBER 3, 2014, SEPTEMBER 27, 2013, AND SEPTEMBER 28, 2012.**

The following table sets forth the results of our operations expressed as a percentage of net revenue:

	October 3, 2014	September 27, 2013	September 28, 2012
Net revenue	100.0%	100.0 %	100.0 %
Cost of goods sold	55.4	57.2	57.5
Gross profit	44.6	42.8	42.5
Operating expenses:			
Research and development	11.0	12.6	13.5
Selling, general and administrative	7.8	8.9	10.1
Amortization of intangibles	1.1	1.6	2.1
Restructuring and other charges	—	0.4	0.5
Total operating expenses	19.9	23.5	26.2
Operating income	24.7	19.3	16.3
Other expense, net	—	—	—
Income before income taxes	24.7	19.3	16.3
Provision for income taxes	4.7	3.7	3.4
Net income	20.0%	15.6 %	12.9 %

GENERAL

During the fiscal year ended October 3, 2014, the following key factors contributed to our overall results of operations, financial position and cash flows:

- Net revenue increased to approximately \$2.3 billion, an increase of 28% as compared to the prior fiscal year. This increase in revenue was primarily related to our continued growth as smartphones displace traditional cellular phones, increased strength in emerging markets due to the adoption of 3G and 4G technologies, increases in tablet computing and the expansion of our analog product portfolio to address additional content within the handset and tablet markets as well as new vertical markets including medical automotive, military and industrial.
- Operating margin increased by approximately 540 basis points to 24.7% for fiscal 2014 up from 19.3% in fiscal 2013. The increase in operating margin was primarily related to higher revenue and the leveraging impact on our gross margin and operating expenses partially offset by higher employee compensation expenses.
- As a result of the aforementioned factors, overall profitability increased significantly from fiscal 2013 with both net income and diluted earnings per share increasing 64% year over year.
- Our ending cash and cash equivalents balance increased 58% to \$806 million in fiscal 2014 from \$511 million in fiscal 2013. This was the result of a 54% increase in cash from operations to \$772 million in fiscal 2014 from \$500 million in fiscal 2013 due to higher net income and improvements in working capital. In addition, we invested \$209 million on capital expenditures, \$166 million to repurchase over 4.5 million shares of our common stock, \$149 million for a 66% controlling interest in a joint venture and \$41 million in cash dividend payments.
- We created a joint venture with Panasonic Corporation with respect to the design, manufacture and sale of Panasonic's surface acoustic wave ("SAW") and temperature-compensated ("TC") SAW filter products. Panasonic contributed certain assets, properties, employees and rights related to its filter business, for which we acquired a 66% controlling interest. Overall demand for SAW and TC SAW filters is increasing as technology enhancements and product architectures become more complex to support the overall evolution of wireless technology and the increasing number of frequency bands that are utilized in end consumer products. The acquisition assists us in securing a dedicated supply of SAW and TC SAW filters in addition to allowing for integrating filters into the design and production of our products.

NET REVENUE

	Fiscal Years Ended				
	October 3, 2014	Change	September 27, 2013	Change	September 28, 2012
(dollars in millions)					
Net revenue	\$ 2,291.5	27.9%	\$ 1,792.0	14.2%	\$ 1,568.6

We market and sell our products directly to original equipment manufacturers of communications and electronics products, third-party original design manufacturers and contract manufacturers, and indirectly through electronic components distributors. We generally experience seasonal peaks during the second half of the calendar year primarily as a result of increased worldwide production of consumer electronics in anticipation of increased holiday sales. In addition, we periodically enter into revenue generating arrangements that leverage our broad intellectual property portfolio by licensing or selling our non-core patents or other intellectual property, and we anticipate continuing this intellectual property strategy in future periods.

The \$499.5 million increase in revenue in fiscal 2014 as compared to fiscal 2013 was primarily driven by our ability to capture a higher share of the increasing RF and analog content per device due to more complex smartphones continuing to displace traditional cellular phones, increased strength in emerging markets due to the adoption of 3G and 4G technologies, the increasing popularity of tablet computing, and our expanding analog product portfolio supporting new vertical markets including medical, automotive, military and industrial.

The \$223.4 million increase in revenue in fiscal 2013 as compared to fiscal 2012 was primarily due to the increasing demand for our 3G, Switching, Wireless LAN and GPS solutions. This increase was partially offset by lower GSM/GPRS product revenue as a result of the contracting 2G market.

For information regarding net revenue by geographic region and customer concentration, see [Note 16](#) of Item 8 of this Annual Report on Form 10-K.

GROSS PROFIT

	Fiscal Years Ended				
	October 3, 2014	Change	September 27, 2013	Change	September 28, 2012
(dollars in millions)					
Gross profit	\$ 1,022.7	33.4%	\$ 766.6	14.9%	\$ 667.1
% of net revenue	44.6%		42.8%		42.5%

Gross profit represents net revenue less cost of goods sold. Our cost of goods sold consists primarily of purchased materials, labor and overhead (including depreciation and share-based compensation expense) associated with product manufacturing. Erosion of average selling prices of established products is typical of the semiconductor industry. Consistent with trends in the industry, we anticipate that average selling prices for our established products will continue to decline at a normalized rate of five to ten percent per year. As part of our normal course of business, we mitigate the gross margin impact of declining average selling prices with efforts to increase unit volumes, reduce material costs, improve manufacturing efficiencies, lower manufacturing costs of existing products and by introducing new and higher value-added products.

Gross profit was \$256.1 million greater for the fiscal year ended October 3, 2014 than gross profit for the prior fiscal year. The increase in gross profit was primarily the result of higher unit volumes, lower overall per unit material and manufacturing costs with an aggregate gross profit benefit of \$273.5 million. These benefits were partially offset by the erosion of average selling price, unfavorable changes in product mix and other costs which combined to negatively impact gross profit by \$17.4 million. As a result of these impacts, gross profit margin increased to 44.6% of net revenue for the fiscal year ended October 3, 2014.

Gross profit was \$99.5 million greater for the fiscal year ended September 27, 2013 than gross profit for the prior fiscal year. The increase in gross profit was primarily the result of higher unit volumes and lower overall per unit material and manufacturing costs with an aggregate gross profit benefit of \$152.1 million. These benefits were partially offset by the erosion of average selling price and unfavorable changes in product mix which combined to negatively impact gross profit by \$52.6 million. As a result of these impacts, gross profit margin increased to 42.8% of net revenue for the fiscal year ended September 27, 2013.

During fiscal 2014 and 2013 we continued to benefit from higher contribution margins associated with the licensing and/or sale of intellectual property although revenue associated with the licensing and/or sale of intellectual property was immaterial to the consolidated results of operations for the periods presented.

RESEARCH AND DEVELOPMENT

	Fiscal Years Ended				
	October 3, 2014	Change	September 27, 2013	Change	September 28, 2012
(dollars in millions)					
Research and development	\$ 252.2	11.4%	\$ 226.3	6.5%	\$ 212.5
% of net revenue	11.0%		12.6%		13.5%

Research and development expenses consist primarily of direct personnel costs including share-based compensation expense, costs for pre-production evaluation and testing of new devices, masks, engineering prototypes and design tool costs.

The increase in research and development expense in fiscal 2014 as compared to fiscal 2013 is primarily related to increased compensation expense, including share-based compensation of \$19.1 million, enhanced development activity, related services and other costs of \$6.8 million. Research and development expense decreased as a percentage of net revenue due to the aforementioned increase in net revenue.

The increase in research and development expense in fiscal 2013 as compared to fiscal 2012 is primarily attributable to a net increase of \$8.3 million related to product design and development activity including the full year impact of AATI activities as well as a net increase of \$6.7 million in compensation expense. These increases were partially offset by reductions related to the organizational restructuring initiated during the fiscal year. Research and development expense decreased as a percentage of net revenue due to the aforementioned increase in net revenue.

SELLING, GENERAL AND ADMINISTRATIVE

	Fiscal Years Ended				
	October 3, 2014	Change	September 27, 2013	Change	September 28, 2012
(dollars in millions)					
Selling, general and administrative	\$ 179.1	12.1%	\$ 159.7	0.8%	\$ 158.4
% of net revenue	7.8%		8.9%		10.1%

Selling, general and administrative expenses include legal and related costs, accounting, treasury, human resources, information systems, customer service, bad debt expense, sales commissions, share-based compensation expense, advertising, marketing, costs associated with business combinations completed or contemplated during the period and other costs.

The increase in fiscal 2014 as compared to fiscal 2013 was primarily related to increased compensation expense including share-based compensation of \$8.1 million, legal expense related to ongoing litigation of \$3.9 million and acquisition related expenses of \$3.4 million. Selling, general and administrative expenses decreased as a percentage of net revenue due to the decrease in the aforementioned expenses as well as the increase in net revenue.

The increase in fiscal 2013 as compared to fiscal 2012 was primarily related to increased compensation expense offset by the decrease in aggregated acquisition-related and legal expenses incurred in the prior fiscal year. Selling, general and administrative expenses decreased as a percentage of net revenue due to the decrease in the aforementioned expenses as well as the increase in net revenue.

AMORTIZATION OF INTANGIBLES

	Fiscal Years Ended				
	October 3, 2014	Change	September 27, 2013	Change	September 28, 2012
(dollars in millions)					
Amortization of intangibles	\$ 25.9	(11.0)%	\$ 29.1	(11.3)%	\$ 32.8
% of net revenue	1.1%		1.6%		2.1%

Amortization expense decreased in fiscal 2014 when compared to the prior fiscal year due to the end of the estimated useful lives of certain fully amortized intangible assets acquired in prior fiscal years. This decrease was partially offset by the amortization of intangibles acquired in the Panasonic transaction.

Amortization expense decreased for the fiscal year ended September 27, 2013 when compared to the prior fiscal year due to the end of the estimated useful lives of certain fully amortized intangible assets acquired in prior fiscal years.

PROVISION FOR INCOME TAXES

	Fiscal Years Ended				
	October 3, 2014	Change	September 27, 2013	Change	September 28, 2012
(dollars in millions)					
Provision for income taxes	\$ 107.5	61.9%	\$ 66.4	25.5%	\$ 52.9
% of net revenue	4.7%		3.7%		3.4%

The annual effective tax rate for fiscal 2014 of 19.0% was less than the United States federal statutory rate of 35% primarily due to benefits of 13.7% related to foreign earnings taxed at a rate less than the United States federal rate, benefits of 1.9% related to a domestic production activities deduction, and benefits of 3.5% from the settlement of the IRS audit of our fiscal 2011 income tax return, partially offset by income tax rate expense impact of 2.0% related to a change in our tax reserves.

We operate under a tax holiday in Singapore, which is effective through September 30, 2020. This tax holiday is conditional upon our compliance in meeting certain employment and investment thresholds in Singapore. The impact of the tax holiday decreased Singapore's taxes by \$12.6 million and \$10.0 million for the fiscal years ended October 3, 2014 and September 27, 2013, respectively. This resulted in tax benefits of \$0.07 and \$0.05 of diluted earnings per share for the fiscal years ended October 3, 2014 and September 27, 2013, respectively.

The annual effective tax rate for fiscal 2013 of 19.3% was less than the United States federal statutory rate of 35% primarily due to benefits of 14.7% related to foreign earnings taxed at a rate less than the United States federal rate, benefits of 4.7% related to research and development tax credits, and benefits of 1.5% related to a domestic production activities deduction partially offset by income tax rate expense impact of 3.4% related to a change in our tax reserves.

As a result of the enactment of the Taxpayer Relief Act of 2012, which retroactively reinstated and extended the research and development tax credit, \$7.0 million of federal research and development tax credits which were earned in fiscal 2012 reduced our tax rate during fiscal 2013.

LIQUIDITY AND CAPITAL RESOURCES

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
(dollars in millions)			
Cash and cash equivalents at beginning of period	\$ 511.1	\$ 307.1	\$ 410.8
Net cash provided by operating activities	772.4	499.7	285.2
Net cash used in investing activities	(357.1)	(123.0)	(302.8)
Net cash used in financing activities	(120.6)	(172.7)	(86.1)
Cash and cash equivalents at end of period	\$ 805.8	\$ 511.1	\$ 307.1

Cash Flow from Operating Activities:

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain operating assets and liabilities. For fiscal 2014, we generated \$772.4 million in cash flow from operations, an increase of \$272.7 million when compared to \$499.7 million generated in fiscal 2013. The increase in cash flow from operating activities during the fiscal year ended October 3, 2014 was related to higher net income combined with a net cash inflow from changes in operating assets and liabilities and the effects of non-cash depreciation and share-based compensation. Specifically, the changes in operating assets and liabilities that were sources of cash were: \$74.2 million in accounts payable related to the timing of vendor payments, \$63.4 million related to tax liabilities, payroll related accruals and other accrued expenses which include accrued expenses related to ongoing operations of an acquired interest in a joint venture and \$7.3 million related to other current and long-term assets. These sources of cash were offset

by uses of cash of \$12.4 million in accounts receivable due to the timing of customer collections and \$6.1 million related to an increase in inventory.

Cash Flow from Investing Activities:

Cash flow from investing activities consists of capital expenditures, the sale and maturity of investments and acquisitions, net of cash acquired. Cash flow used in investing activities was \$357.1 million during fiscal 2014, compared to \$123.0 million during fiscal 2013. This increase was related to capital expenditures of \$208.6 million related to the purchase of manufacturing equipment to support increased production in anticipation of accelerating demand from key customers at our wafer fabrication facilities located in the United States and our assembly and test facility in Mexicali, Mexico and the acquisition of a 66% interest in a joint venture with Panasonic Corporation for \$148.5 million in cash during fiscal 2014.

Cash Flow from Financing Activities:

Cash flows from financing activities consist primarily of cash transactions related to debt and equity. During fiscal 2014, we had net cash outflows of \$120.6 million, compared to \$172.7 million in fiscal 2013. The decrease in cash used in financing activities was primarily related to the increase in stock option proceeds and the excess tax benefit reclassification from operating activities during fiscal 2014. During fiscal 2014 we had the following significant uses of cash:

- \$165.7 million related to our repurchase of approximately 4.5 million shares of our common stock pursuant to the share repurchase program approved by our Board of Directors on July 16, 2013;
- \$41.4 million in cash dividend payments related to our \$0.11 per share dividends declared on our common stock outstanding during the fiscal year; and
- \$22.1 million related to the minimum statutory payroll tax withholdings upon vesting of employee performance and restricted stock awards.

These uses of cash were partially offset by the net proceeds from employee stock option exercises of \$67.8 million and the tax benefit from stock option exercises of \$40.8 million during fiscal 2014.

Liquidity:

Cash and cash equivalent balances were \$805.8 million at October 3, 2014, representing an increase of \$294.7 million from September 27, 2013. The increase resulted from \$772.4 million in cash generated from operations which is partially offset by \$208.6 million in capital expenditures for increased production capacity, \$165.7 million used to repurchase 4.5 million shares of stock, \$148.5 million in cash to acquire a 66% interest in a joint venture with Panasonic Corporation and \$41.4 million in cash dividend payments during fiscal 2014. Based on our historical results of operations, we expect that our cash and cash equivalents on hand and the cash we expect to generate from operations will be sufficient to fund our research and development, capital expenditures, acquisitions, working capital, quarterly cash dividend payments (if such dividends are declared by the Board of Directors) and other cash requirements for at least the next 12 months. However, we cannot be certain that our cash on hand and cash generated from operations will be available in the future to fund all of our capital and operating requirements. In addition, any future strategic investments and acquisitions may require additional cash and capital resources. If we are unable to obtain sufficient cash or capital to meet our needs on a timely basis and on favorable terms, our business and operations could be materially and adversely affected.

Our invested cash balances primarily consist of highly liquid term deposits with original maturities of 90 days or less and money market funds where the underlying securities primarily consist of United States treasury obligations, United States agency obligations and repurchase agreements collateralized by United States government and agency obligations.

Our cash and cash equivalent balance of \$805.8 million at October 3, 2014 consisted of \$608.4 million held domestically and \$197.4 million held by foreign subsidiaries. Of the cash and cash equivalents held by our foreign subsidiaries at October 3, 2014, \$141.9 million is considered by us to be indefinitely reinvested and would be subject to material tax effects if repatriated. The remaining \$55.5 million of foreign cash and cash equivalents can be repatriated without any tax consequences.

OFF-BALANCE SHEET ARRANGEMENTS

All significant contractual obligations are recorded on our consolidated balance sheet or fully disclosed in the notes to our consolidated financial statements. We have no material off-balance sheet arrangements as defined in SEC Regulation S-K- 303(a)(4)(ii).

CONTRACTUAL CASH FLOWS

Set forth below is a summary of our contractual payment obligations related to our operating leases, other commitments and long-term liabilities at October 3, 2014 (in millions):

Obligation	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	Thereafter
Other long-term liabilities (1)	\$ 46.5	\$ 4.7	\$ —	\$ —	\$ 41.8
Operating lease obligations	44.3	13.1	17.5	8.9	4.8
Other commitments (2)	92.7	14.2	78.5	—	—
Total	<u>\$ 183.5</u>	<u>\$ 32.0</u>	<u>\$ 96.0</u>	<u>\$ 8.9</u>	<u>\$ 46.6</u>

- (1) Other long-term liabilities include our gross unrecognized tax benefits, as well as executive deferred compensation, which are both classified as beyond five years due to the uncertain nature of the liabilities.
- (2) Other commitments consist of liabilities related to business combinations, contractual license and royalty payments, and other purchase obligations. See [Note 11](#) of Item 8 of this Annual Report on Form 10-K

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Securities and Exchange Commission has defined critical accounting policies as those that are both most important to the portrayal of our financial condition and results and which require our most difficult, complex or subjective judgments or estimates. Based on this definition, we believe our critical accounting policies include revenue recognition, inventory valuation, impairment of long-lived assets, goodwill and intangibles, business combinations, share-based compensation, loss contingencies and income taxes. [Note 2](#) of Item 8 on this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

On an ongoing basis, we evaluate the judgments and estimates underlying all of our accounting policies. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures, and reported amounts of revenues and expenses. These estimates and assumptions are based on our best judgments using historical experience and other factors, including the current economic environment, which we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, factors may arise over time that lead us to change our methods, estimates and judgments that could materially and adversely affect our results of operations.

Revenue Recognition. We recognize revenue in accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 605 *Revenue Recognition* net of estimated reserves. Our revenue reserves contain uncertainties because they require management to make assumptions and to apply judgment to estimate the value of future credits to customers for price protection and product returns (stock rotation) for products sold to certain electronic component distributors. Our estimates of the amount and timing of the reserves is based primarily on historical experience and specific contractual arrangements. Historically, we have not experienced material differences between our estimated sales reserves and actual results.

Inventory Valuation. We value our inventory at the lower of cost or fair market value. Reserves for excess and obsolete inventory are established on a quarterly basis and are based on a detailed analysis of forecasted demand in relation to on-hand inventory, saleability of our inventory, general market conditions, and product life cycles. Once reserves are established, write-downs of inventory are considered permanent adjustments to the cost basis of inventory. Our reserves contain uncertainties because the calculation requires management to make assumptions and to apply judgment regarding historical experience, forecasted demand and technological obsolescence. Changes in actual demand or market conditions could adversely impact our reserve calculations. Historically, we have not experienced material differences between our estimated inventory reserves and actual results.

Goodwill and Purchased Intangible Assets. We evaluate goodwill and other purchased intangible assets for impairment annually on the first day of the fourth fiscal quarter and whenever events or circumstances arise that may indicate that the carrying value of the goodwill or other intangibles may not be recoverable.

The impairment evaluation of goodwill involves comparing the fair value to the carrying value of the reporting unit. We use the market price of the Company's stock adjusted for a market premium to calculate the fair value of the reporting unit. If the fair value exceeds the carrying value, then it is concluded that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure the possible goodwill impairment loss.

In the second step, if required, we would use a discounted cash flow methodology to determine the implied fair value of our goodwill. The implied fair value of the reporting unit's goodwill would then be compared to the carrying value of the goodwill. If the carrying value of the goodwill exceeds the implied fair value of the goodwill, we would recognize a loss equal to the excess.

Our impairment analyses contain uncertainties because it requires management to make assumptions and to apply judgment to items such as: estimated control premiums, discount rate, future cash flows, the profitability of future business strategies and useful lives. Historically, we have not experienced material differences between our impairment calculations and actual results.

Business Combinations. We apply significant estimates and judgments in order to determine the fair value of the identified tangible and intangible assets acquired, liabilities assumed and goodwill recognized in business combinations. The value of all assets and liabilities are recognized at fair value as of the acquisition date using a market participant approach.

In measuring the fair value, we utilize a number of valuation techniques consistent with the market approach, income approach and/ or cost approach. The valuation of the identifiable assets and liabilities includes assumptions such as projected revenue, royalty rates, weighted average cost of capital, discount rates and estimated useful lives. These assessments can be significantly affected by our judgments. Historically, we have not experienced material differences in our assigned values and actual results.

Share-Based Compensation. We have a share-based compensation plan which includes non-qualified stock options, restricted and performance share awards and units, employee stock purchase plan and other special share-based awards. [Note 9](#) of Item 8 of this Annual Report on Form 10-K details our current share-based compensation programs.

We determine the fair value of our non-qualified stock options at the date of grant using the Black-Scholes options-pricing model. For restricted and performance based awards and units, we determine the fair value based on the grant date fair value of the Company's stock based on the most probable outcome of the underlying performance metric, as applicable. For more complex performance awards with market-based conditions we employ a Monte Carlo simulation and determine the fair value based on the most probable outcome of the performance metric. Our determination of fair value of share-based items on the date of grant contains assumptions regarding a number of highly complex and subjective variables including, but not limited to: our expected stock price volatility over the term of the award, correlation coefficients, risk-free rate, the expected life of the award, forfeiture rates, and a dividend yield with compensation expense recognized over the requisite service period of the underlying award. Management periodically evaluates these assumptions and updates share-based compensation expense accordingly. Historically, we have not experienced material differences in our estimates and actual results.

Loss Contingencies. We record an estimate for loss contingencies such as a legal proceeding or claims if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We disclose material loss contingencies if there is at least a reasonable possibility that a loss has been incurred.

Our loss contingency analysis contains uncertainties because it requires management to assess the degree of probability of an unfavorable outcome and to make a reasonable estimate of the amount of potential loss. Historically, we have not experienced material differences between our estimates and actual results.

Income Taxes. We account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between tax and financial reporting. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that might be required against the deferred tax assets. ASC 740 *Income Taxes* ("ASC 740") clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with GAAP. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in the interim periods and disclosure.

The application of tax laws and regulations to calculate our tax liabilities is subject to legal and factual interpretation, judgment, and uncertainty in a multitude of jurisdictions. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations, and court rulings. We recognize potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and interest will be due. We record an amount as an estimate of probable additional income tax liability at the largest amount that we feel is more likely than not, based upon the technical merits of the position, to be sustained upon audit by the relevant tax authority. We record a valuation allowance against deferred tax assets that we feel are more likely than not to not be realized. Historically, we have not experienced material differences between our estimates and actual results.

OTHER MATTERS

Inflation did not have a material impact on our results of operations during the three-year period ended October 3, 2014.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are subject to overall financial market risks, such as changes in market liquidity, credit quality investment risk, interest rate risk and exchange rate risk as described below.

Investment and Interest Rate Risk

Our exposure to interest rate and general market risks related principally to our investment portfolio and consisting of the following (in millions):

	October 3, 2014
Cash and cash equivalents (time deposits, certificate of deposits and money market funds)	\$ 805.8
Available for sale securities (auction rate securities) at carrying value	2.3
Total	\$ 808.1

The main objectives of our investment activities are the liquidity and preservation of capital. Our cash equivalent investments have short-term maturity periods which dampen the impact of market or interest rate risk. Credit risk associated with our investments is not material as our money market and deposits are diversified across several financial institutions with high credit ratings which reduces the amount of credit exposure to any one counter party.

Based on our results of operations for the fiscal year ended October 3, 2014, a hypothetical reduction in the interest rates on our cash and cash equivalents to zero would result in an immaterial reduction of interest income with a de minimis impact to income before taxes.

We own \$3.2 million of par value auction rate securities which are currently valued at \$2.3 million as of October 3, 2014. In the event that the market conditions change in the future and our auction rate security becomes fully and permanently impaired, the impact to income before income taxes would be the par value of the auction rate security of approximately \$3.2 million as of October 3, 2014.

Given the low interest rate environment, the objectives of our investment activities, and the relatively low interest income generated from our cash and cash equivalents and other investments, we do not believe that market, investment or interest rate risks pose material exposures to our current business or results of operations.

Exchange Rate Risk

Substantially all sales to customers and arrangements with third-party manufacturers provide for pricing and payment in United States dollars, thereby reducing the impact of foreign exchange rate fluctuations on our results. A small percentage of our international operational expenses are denominated in foreign currencies. Exchange rate volatility could negatively or positively impact those operating costs. For the fiscal years ended October 3, 2014, September 27, 2013 and September 28, 2012, the Company had foreign exchange gains/(losses) of \$0.1 million, \$(1.1) million and \$(0.4) million, respectively. Increases in the value of the United States dollar relative to other currencies could make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States dollar relative to other currencies could result in our suppliers raising their prices to continue doing business with us. Fluctuations in currency exchange rates could have a greater effect on our business in the future to the extent our expenses increasingly become denominated in foreign currencies.

The Company may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows and net investments in foreign subsidiaries. The Company's practice is to hedge a portion of its material foreign exchange exposures. However, the Company may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to accounting considerations and the prohibitive economic cost of hedging particular exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following consolidated financial statements of the Company are included herewith:

(1)	Report of Independent Registered Public Accounting Firm	Page 35
(2)	Consolidated Statements of Operations for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 36
(3)	Consolidated Statements of Comprehensive Income for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 37
(4)	Consolidated Balance Sheets at October 3, 2014 and September 27, 2013	Page 38
(5)	Consolidated Statements of Cash Flows for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 39
(6)	Consolidated Statements of Stockholders' Equity for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 40
(7)	Notes to Consolidated Financial Statements	Page 41 through 62

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Skyworks Solutions, Inc.:

We have audited the accompanying consolidated balance sheets of Skyworks Solutions, Inc. and subsidiaries as of October 3, 2014 and September 27, 2013, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended October 3, 2014. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 15 of the 2014 Form 10-K. We also have audited Skyworks Solutions, Inc.'s internal control over financial reporting as of October 3, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Skyworks Solutions, Inc.'s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Skyworks Solutions, Inc. and subsidiaries as of October 3, 2014 and September 27, 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended October 3, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Skyworks Solutions, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 3, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Skyworks Solutions, Inc. acquired the Panasonic SAW and TC SAW filter business (FilterCo) during 2014, and management excluded from its assessment of the effectiveness of Skyworks Solutions, Inc. and subsidiaries' internal control over financial reporting as of October 3, 2014, FilterCo's internal control over financial reporting associated with 9.0% of total consolidated assets (of which 2.9% represents goodwill and intangible assets included within the scope of the assessment) included in the consolidated financial statements of Skyworks Solutions, Inc. and subsidiaries as of and for the year ended October 3, 2014. Our audit of internal control over financial reporting of Skyworks Solutions, Inc. and subsidiaries also excluded an evaluation of the internal control over financial reporting of FilterCo.

/s/ KPMG LLP

Boston, Massachusetts
November 25, 2014

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Net revenue	\$ 2,291.5	\$ 1,792.0	\$ 1,568.6
Cost of goods sold	1,268.8	1,025.4	901.5
Gross profit	1,022.7	766.6	667.1
Operating expenses:			
Research and development	252.2	226.3	212.5
Selling, general and administrative	179.1	159.7	158.4
Amortization of intangibles	25.9	29.1	32.8
Restructuring and other charges	0.3	6.4	7.8
Total operating expenses	457.5	421.5	411.5
Operating income	565.2	345.1	255.6
Other expense, net	—	(0.6)	(0.7)
Income before income taxes	565.2	344.5	254.9
Provision for income taxes	107.5	66.4	52.9
Net income	\$ 457.7	\$ 278.1	\$ 202.0
Earnings per share:			
Basic	\$ 2.44	\$ 1.48	\$ 1.09
Diluted	\$ 2.38	\$ 1.45	\$ 1.05
Weighted average shares:			
Basic	187.2	187.5	185.8
Diluted	192.6	192.2	191.8
Cash dividends declared and paid per share	\$ 0.22	\$ —	\$ —

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Net income	\$ 457.7	\$ 278.1	\$ 202.0
Other comprehensive income, net of tax			
Pension adjustments	—	0.7	(0.3)
Foreign currency translation adjustment	(4.0)	—	—
Comprehensive income	<u>\$ 453.7</u>	<u>\$ 278.8</u>	<u>\$ 201.7</u>

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	As of	
	October 3, 2014	September 27, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 805.8	\$ 511.1
Receivables, net of allowance for doubtful accounts of \$0.8 and \$0.5, respectively	317.6	292.7
Inventory	270.8	229.5
Other current assets	35.0	40.0
Total current assets	1,429.2	1,073.3
Property, plant and equipment, net	555.9	328.6
Goodwill	851.0	800.5
Intangible assets, net	75.0	64.8
Deferred tax assets, net	50.8	54.1
Other assets	11.9	11.8
Total assets	\$ 2,973.8	\$ 2,333.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 200.6	\$ 126.5
Accrued compensation and benefits	70.7	41.2
Other current liabilities	26.3	12.0
Total current liabilities	297.6	179.7
Long-term tax liabilities	41.6	45.9
Other long-term liabilities	102.2	6.4
Total liabilities	441.4	232.0
Commitments and contingencies (Note 11 and Note 12)		
Stockholders' equity:		
Preferred stock, no par value: 25.0 shares authorized, no shares issued	—	—
Common stock, \$0.25 par value: 525.0 shares authorized; 214.2 shares issued and 189.2 shares outstanding at October 3, 2014, and 207.5 shares issued and 187.9 shares outstanding at September 27, 2013	47.3	47.0
Additional paid-in capital	2,248.2	2,041.4
Treasury stock, at cost	(553.1)	(365.3)
Retained earnings	794.9	378.9
Accumulated other comprehensive loss	(4.9)	(0.9)
Total stockholders' equity	2,532.4	2,101.1
Total liabilities and stockholders' equity	\$ 2,973.8	\$ 2,333.1

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Cash flows from operating activities:			
Net income	\$ 457.7	\$ 278.1	\$ 202.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	86.0	71.7	72.2
Depreciation	96.8	74.3	69.5
Amortization of intangible assets	25.9	29.1	33.2
Contribution of common shares to savings and retirement plans	17.1	17.1	16.1
Deferred income taxes	3.3	13.7	12.9
Excess tax benefit from share-based compensation	(40.8)	(10.8)	(6.8)
Change in fair value of contingent consideration	—	—	(5.4)
Other	1.0	0.3	0.5
Changes in assets and liabilities net of acquired balances:			
Receivables, net	(12.4)	4.9	(109.2)
Inventory	(6.1)	3.4	(19.3)
Other current and long-term assets	7.3	(0.2)	(9.5)
Accounts payable	74.2	(14.1)	15.2
Other current and long-term liabilities	62.4	32.2	13.8
Net cash provided by operating activities	772.4	499.7	285.2
Cash flows from investing activities:			
Capital expenditures	(208.6)	(123.8)	(94.1)
Payments for acquisitions, net of cash acquired	(148.5)	—	(229.6)
Sales and maturities of short term investments	—	0.8	20.9
Net cash used in investing activities	(357.1)	(123.0)	(302.8)
Cash flows from financing activities:			
Retirement of debt and line of credit	—	—	(48.1)
Payment of contingent consideration	—	(1.1)	(52.9)
Excess tax benefit from share-based compensation	40.8	10.8	6.8
Repurchase of common stock - payroll tax withholdings on equity awards	(22.1)	(18.6)	(18.6)
Repurchase of common stock - share repurchase program	(165.7)	(184.9)	(12.4)
Dividends paid	(41.4)	—	—
Net proceeds from exercise of stock options	67.8	21.1	39.1
Net cash used in financing activities	(120.6)	(172.7)	(86.1)
Net increase (decrease) in cash and cash equivalents	294.7	204.0	(103.7)
Cash and cash equivalents at beginning of period	511.1	307.1	410.8
Cash and cash equivalents at end of period	\$ 805.8	\$ 511.1	\$ 307.1
Supplemental cash flow disclosures:			
Income taxes paid	\$ 63.2	\$ 26.2	\$ 19.8
Interest paid	\$ —	\$ —	\$ 0.2

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Shares of common stock	Par value of common stock	Shares of treasury stock	Value of treasury stock	Additional paid- in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Total stockholders' equity
Balance at September 30, 2011	186.4	\$ 46.6	9.0	\$ (130.8)	\$ 1,796.0	\$ (101.2)	\$ (1.3)	\$ 1,609.3
Net income	—	—	—	—	—	202.0	—	202.0
Exercise and settlement of share based awards and related tax benefit, net of shares withheld for taxes	6.7	1.7	0.8	(18.6)	73.4	—	—	56.5
Share-based compensation expense	—	—	—	—	71.9	—	—	71.9
Reacquisition of equity components of convertible notes	—	—	—	—	(21.5)	—	—	(21.5)
Share repurchase program	(0.8)	(0.2)	0.8	(12.4)	0.2	—	—	(12.4)
Other comprehensive loss	—	—	—	—	—	—	(0.3)	(0.3)
Balance at September 28, 2012	192.3	\$ 48.1	10.6	\$ (161.8)	\$ 1,920.0	\$ 100.8	\$ (1.6)	\$ 1,905.5
Net income	—	—	—	—	—	278.1	—	278.1
Exercise and settlement of share based awards and related tax benefit, net of shares withheld for taxes	3.7	0.9	0.9	(18.6)	48.8	—	—	31.1
Share-based compensation expense	—	—	—	—	70.6	—	—	70.6
Share repurchase program	(8.1)	(2.0)	8.1	(184.9)	2.0	—	—	(184.9)
Other comprehensive loss	—	—	—	—	—	—	0.7	0.7
Balance at September 27, 2013	187.9	\$ 47.0	19.6	\$ (365.3)	\$ 2,041.4	\$ 378.9	\$ (0.9)	\$ 2,101.1
Net income	—	—	—	—	—	457.7	—	457.7
Exercise and settlement of share based awards and related tax benefit, net of shares withheld for taxes	5.8	1.4	0.9	(22.1)	129.9	—	—	109.2
Share-based compensation expense	—	—	—	—	75.8	—	—	75.8
Share repurchase program	(4.5)	(1.1)	4.5	(165.7)	1.1	—	—	(165.7)
Dividends declared	—	—	—	—	—	(41.7)	—	(41.7)
Other comprehensive income	—	—	—	—	—	—	(4.0)	(4.0)
Balance at October 3, 2014	189.2	\$ 47.3	25.0	\$ (553.1)	\$ 2,248.2	\$ 794.9	\$ (4.9)	\$ 2,532.4

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Skyworks Solutions, Inc., together with its consolidated subsidiaries, (“Skyworks” or the “Company”) is an innovator of high performance analog and mixed signal semiconductors linking people, places and things across a rapidly expanding number of new and previously unimagined applications including automotive, broadband, wireless infrastructure, energy management, GPS, industrial, medical, military, networking, smartphones and tablets. Our portfolio consists of amplifiers, attenuators, battery chargers, circulators, DC/DC converters, demodulators, detectors, diodes, directional couplers, filters, front-end modules, hybrids, infrastructure radio frequency, or RF, subsystems, isolators, LED drivers, mixers, modulators, optocouplers, optoisolators, phase shifters, PLLs/synthesizers/VCOs, power dividers/combiners, power management devices, receivers, switches, technical ceramics and voltage regulators.

The Company has evaluated subsequent events through the date of issuance of the audited consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

All Skyworks subsidiaries are included in the Company’s consolidated financial statements and all intercompany balances are eliminated in consolidation.

FISCAL YEAR

The Company’s fiscal year ends on the Friday closest to September 30. Fiscal year 2014 consisted of 53 weeks and ended on October 3, 2014. Fiscal years 2013 and 2012 each consisted of 52 weeks and ended on September 27, 2013 and September 28, 2012, respectively.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, expenses, comprehensive income and accumulated other comprehensive loss during the reporting period. The Company evaluates its estimates on an ongoing basis using historical experience and other factors, including the current economic environment. Significant judgment is required in determining the reserves for and fair value of items such as inventory, income taxes, share-based compensation, loss contingencies, bad debt allowance, intangible assets associated with business combinations and overall fair value assessments of assets and liabilities particularly those classified as Level 2 or Level 3 in the fair value hierarchy. In addition, significant judgment is required in determining whether a potential indicator of impairment of long-lived assets exists and in estimating future cash flows for any necessary impairment testing. Actual results could differ significantly from these estimates.

REVENUE RECOGNITION

Revenue from product sales is recognized when there is persuasive evidence of an arrangement, the price to the buyer is fixed and determinable, delivery and transfer of title have occurred in accordance with the shipping terms specified in the arrangement with the customer and collectability is reasonable assured. Revenue from license fees and intellectual property is recognized when due and payable, and all other criteria of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 605 *Revenue Recognition*, have been met. The Company ships product on consignment to certain customers and only recognizes revenue when the customer notifies the Company that the inventory has been consumed. Revenue recognition is deferred in all instances where the earnings process is incomplete. Certain product sales are made to electronic component distributors under agreements allowing for price protection and/or a right of return (stock rotation) on unsold products. Reserves for sales returns and allowances are recorded based on historical experience or pursuant to contractual arrangements necessitating revenue reserves.

CASH AND CASH EQUIVALENTS

The Company invests excess cash in time deposits, certificate of deposits and money market funds which primarily consist of United States treasury obligations, United States agency obligations, and repurchase agreements collateralized by United States government and agency obligations. The Company considers highly liquid investments with original maturities of 90 days or less when purchased as cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company maintains general allowances for doubtful accounts related to potential losses that could arise due to customers' inability to make required payments. These reserves require management to apply judgment in deriving these estimates. In addition, the Company performs ongoing credit evaluations of its customers' financial condition and if it becomes aware of any specific receivables which may be uncollectable, they perform additional analysis including, but not limited to factors such as a customer's credit worthiness, intent and ability to pay, overall financial position and reserves are recorded if deemed necessary. If the data the Company uses to calculate the allowance for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and results of operations could be materially affected.

INVESTMENTS

The Company accounts for its investment in marketable securities in accordance with ASC 320-*Investments-Debt and Equity Securities*, and classifies them as "available for sale". Available for sale securities are carried at fair value with unrealized holding gains or losses recorded in other comprehensive income. Gains or losses are included in earnings in the period in which they are realized.

DERIVATIVES

The Company utilizes derivative financial instruments to manage market risks associated with fluctuations in foreign currency exchange rates on specific transactions that occur in the normal course of business. The criteria the Company uses for designating an instrument as a hedge is the instrument's effectiveness in risk reduction. To receive hedge accounting treatment, hedges must be highly effective at offsetting the impact of the hedge transaction. All derivatives, whether designated as hedging relationships or not, are recorded at fair value and are included as either an asset or liability on the balance sheet.

The Company uses a combination of option contracts to offset the foreign currency impact of certain transactions. The terms of these derivatives typically match the timing of the underlying transaction with the initial fair value, if any, and subsequent gains or losses on the change in fair value being reported in earnings within the same income statement line as the impact of the foreign currency transaction due to changes in the currency value.

FAIR VALUE

ASC 820 *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principle or most advantageous market in an orderly transaction between market participants at the measurement date. Applicable accounting guidance provides a hierarchy for inputs used in measuring fair value that prioritize the use of observable inputs over the use of unobservable inputs, when such observable inputs are available. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-driven valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data.
- Level 3 - Fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including assumptions and judgments made by the Company.

It's the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. When available, the Company uses quoted market prices to measure fair value. If market prices are not available, the Company is required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

The Company measures certain assets and liabilities at fair value on a recurring basis and recognizes transfers within the fair value hierarchy at the end of the fiscal quarter in which the change in circumstances that caused the transfer occurred.

The carrying value of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued liabilities approximates fair value due to short-term maturities of these assets and liabilities.

INVENTORY

Inventory is stated at the lower of cost or market on a first-in, first-out basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation with significant renewals and betterments being capitalized and retired equipment written off in the respective periods. Maintenance and repairs are expensed as incurred.

Depreciation is calculated using the straight-line method. Estimated useful lives used for depreciation purposes range from five to thirty years for buildings and improvements and three to ten years for machinery and equipment. Leasehold improvements are depreciated over the lesser of the economic life or the life of the associated lease.

VALUATION OF LONG-LIVED ASSETS

Definite lived intangible assets are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. Carrying values for long-lived assets and definite lived intangible assets, which exclude goodwill, are reviewed for possible impairment as circumstances warrant. Factors considered important that could result in an impairment review include significant underperformance relative to expected, historical or projected future operating results, significant changes in the manner of use of assets or the Company's business strategy, or significant negative industry or economic trends. In addition, impairment reviews are conducted at the judgment of management whenever asset/asset group values are deemed to be unrecoverable relative to future undiscounted cash flows expected to be generated by that particular asset/asset group. The determination of recoverability is based on an estimate of undiscounted cash flows expected to result from the use of an asset/asset group and its eventual disposition. Such estimates require management to exercise judgment and make assumptions regarding factors such as future revenue streams, operating expenditures, cost allocation and asset utilization levels, all of which collectively impact future operating performance. The Company's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to its business model or changes in its operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value of an asset/asset group, the Company would recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset or asset group.

GOODWILL AND INDEFINITE INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives are not amortized but are tested at least annually for impairment in accordance with the provisions of ASC 350 *Intangibles-Goodwill and Other* ("ASC 350") or more frequently if indicators of impairment exist. Intangible assets with indefinite useful lives comprise an insignificant portion of the total book value of the Company's intangible assets. The Company assesses its conclusion regarding reporting units in conjunction with the annual goodwill impairment test, and has determined that it has one reporting unit for the purposes of allocating and testing goodwill under ASC 350.

The goodwill impairment test is a two-step process. The first step of the Company's impairment analysis compares its fair value to its net book value to determine if there is an indicator of impairment. To determine fair value, ASC 350 allows for the use of several valuation methodologies, although it states that quoted market prices are the best evidence of fair value and shall be used as the basis for measuring fair value where available. In the Company's calculation of fair value, it considers the closing price of its common stock on the selected testing date, the number of shares of its common stock outstanding and other marketplace activity such as a related control premium. If the calculated fair value is determined to be less than the book value of the Company, then the Company performs step two of the impairment analysis. Step two of the analysis compares the implied fair value of the Company's goodwill to its book value. If the book value of the Company's goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. In step two of the Company's annual impairment analysis, if such a step is required, the Company primarily uses the income approach methodology of valuation, which includes the discounted cash flow method as well as other generally accepted valuation methodologies, to determine the implied fair value of the Company's goodwill. Significant management judgment is required in preparing the forecasts of future operating results that are used in the discounted cash flow method of valuation. Should step two of the impairment test be required, the estimates management would use would be consistent with the plans and estimates that the Company uses to manage its business. In addition to testing goodwill for impairment on an annual basis, factors such as unexpected adverse business conditions, deterioration of the economic climate, unanticipated technological changes, adverse changes in the competitive environment, loss of key personnel and acts by governments and courts, are considered by management and may signal that the Company's intangible assets including goodwill have possibly become impaired and result in additional interim impairment testing.

In fiscal 2014, the Company performed an impairment test of its goodwill as of the first day of the fourth fiscal quarter in accordance with the Company's regularly scheduled annual testing. The results of this test indicated that the Company's goodwill was not impaired based on step one of the test; accordingly step two of the test was not performed.

BUSINESS COMBINATIONS

The Company uses the acquisition method of accounting for business combinations in accordance with ASC 805 *Business Combinations*, and recognizes assets acquired and liabilities assumed at their fair values on the date acquired. Goodwill represents the excess of the purchase price over the fair value of the net assets. The fair values of the assets and liabilities acquired are determined based upon the Company's valuation using a combination of market, income or cost approaches. The valuation involves making significant estimates and assumptions which are based on detailed financial models including the projection of future cash flows, the weighted average cost of capital and any cost savings that are expected to be derived in the future.

SHARE-BASED COMPENSATION

The Company applies ASC 718 *Compensation-Stock Compensation* ("ASC 718") which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including non-qualified employee stock options, share awards and units, employee stock purchase plan and other special share-based awards based on estimated fair values.

The fair value of share-based payment awards is amortized over the requisite service period, which is defined as the period during which an employee is required to provide service in exchange for an award. The Company uses a straight-line attribution method for all grants that include only a service condition. Awards with both performance and service conditions are expensed over the service period for each separately vesting tranche.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Share-based compensation expense recognized in the Consolidated Statement of Operations for the fiscal year ended October 3, 2014 includes actual expense on vested awards and expense associated with unvested awards, and has been reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company reviews actual forfeitures at least annually.

The Company determines the fair value of share-based option awards based on the Company's closing stock price on the date of grant using a Black-Scholes options pricing model. Under the Black-Scholes model, a number of highly complex and subjective variables are used including, but not limited to: the expected stock price volatility over the term of the award, the risk-free rate, the expected life of the award and dividend yield. The determination of fair value of restricted and certain performance share awards and units is based on the value of the Company's stock on the date of grant with performance awards and units adjusted for the actual outcome of the underlying performance condition.

For more complex performance awards and units with market-based performance conditions we employ a Monte Carlo simulation valuation method to calculate the fair value of the awards based on the most likely outcome. Under the Monte Carlo simulation, a number of highly complex and subjective variables are used including, but not limited to: the expected stock price volatility over the term of the award, a correlation coefficient, the risk-free rate, the expected life of the award, and dividend yield.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

LOSS CONTINGENCIES

The Company records its best estimates of a loss contingency when it is considered probable and the amount can be reasonably estimated. When a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability related to the claim. As additional information becomes available, the Company assesses the potential liability related to the Company's pending loss contingency and revises its estimates. The Company discloses contingencies if there is at least a reasonable possibility that a loss or an additional loss may have been incurred. The Company's legal costs are expensed as incurred.

FOREIGN CURRENCIES

The Company's primary functional currency is the United States dollar. Gains and losses related to foreign currency transactions, conversion of foreign denominated cash balances and translation of foreign currency financial statements are included in current results. For certain foreign entities that utilize local currencies as their functional currency, the resulting unrealized translation gains and losses are reported as cumulative translation adjustment through other comprehensive income (loss) for each period.

INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. This method also requires the recognition of future tax benefits such as net operating loss carry forwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The carrying value of the Company's net deferred tax assets assumes the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and related assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets resulting in additional income tax expense in its consolidated statement of operations. Management evaluates the realizability of the deferred tax assets and assesses the adequacy of the valuation allowance quarterly. Likewise, in the event the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, an adjustment to the deferred tax assets would increase income or decrease the carrying value of goodwill in the period such determination was made.

The determination of recording or releasing tax valuation allowances is made, in part, pursuant to an assessment performed by management regarding the likelihood that the Company will generate future taxable income against which benefits of its deferred tax assets may or may not be realized. This assessment requires management to exercise significant judgment and make estimates with respect to its ability to generate revenues, gross profits, operating income and taxable income in future periods. Amongst other factors, management must make assumptions regarding overall business and semiconductor industry conditions, operating efficiencies, the Company's ability to develop products to its customers' specifications, technological change, the competitive environment and changes in regulatory requirements which may impact its ability to generate taxable income and, in turn, realize the value of its deferred tax assets.

The calculation of the Company's tax liabilities includes addressing uncertainties in the application of complex tax regulations and is based on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company recognizes liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its recognition threshold and measurement attribute of whether it is more likely than not that the positions the Company has taken in tax filings will be sustained upon tax audit, and the extent to which, additional taxes would be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period in which it is determined the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result. The Company recognizes any interest or penalties, if incurred, on any unrecognized tax benefits as a component of income tax expense.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. This guidance is effective for the Company in the first quarter of fiscal year 2018 and early application is not permitted. Entities must adopt the new guidance using one of two retrospective application methods. The Company is currently evaluating the standard but does not expect it to have a material impact on our financial position, results of operations or cash flows.

3. BUSINESS COMBINATIONS

On July 7, 2014, the Company entered into a stock purchase agreement (the "Agreement") with Panasonic Corporation, through its Automotive & Industrial Systems Company ("Panasonic"), Skyworks Panasonic Filter Solutions Japan Co., Ltd. ("FilterCo"), Skyworks Panasonic Filter Solutions Singapore Pte. Ltd., a wholly owned subsidiary of FilterCo ("FilterSub"), Skyworks Luxembourg S.a.r.l., and Panasonic Asia Pacific Pte. Ltd. providing for the formation of a joint venture with respect to the design, manufacture and sale of Panasonic's surface acoustic wave ("SAW") and temperature-compensated ("TC") SAW filter products. On August 1, 2014, pursuant to the terms contemplated by the Agreement, Panasonic completed its contribution to FilterCo and its wholly owned subsidiary, FilterSub, certain assets, properties, employees and rights related to its SAW and TC SAW filter business. Also on August 1, 2014 the Company completed its acquisition of a 66% controlling interest in FilterCo for \$148.5 million in cash,

subject to certain working capital adjustments. The working capital adjustment has been estimated and is included in the purchase price and recorded in other current liabilities on the balance sheet. Following the two-year anniversary of the closing of this acquisition, the Company will have the right to acquire from Panasonic, and Panasonic will have the right to sell to the Company, the remaining 34% interest in FilterCo for \$76.5 million, subject to certain potential foreign exchange fluctuation adjustments as described in the Agreement (collectively the “purchase options”).

Overall demand for SAW and TC SAW filters is increasing as technology enhancements and product architectures become more complex to support the overall evolution of wireless technology and the increasing number of frequency bands that are utilized in end consumer products. The acquisition assists the Company in securing a dedicated supply of SAW and TC SAW filters in addition to allowing for integrating filters into the design and production of the Company's products.

The purchase options allow the Company to acquire the remaining 34% interest in FilterCo from Panasonic for a fixed price of \$76.5 million on or after the second anniversary of the acquisition and permit Panasonic to sell its remaining 34% interest to the Company under the same terms. These options are non-transferable and terminate if the Company exercises its option to purchase, or Panasonic exercises its option to sell, the non-controlling interest. Accordingly, the Company concluded that the purchase options are embedded in the non-controlling interest because they are not legally detachable from the non-controlling interest nor are they separately exercisable because the non-controlling interest terminates upon exercising of the options.

In accordance with ASC 480 *Distinguishing Liabilities from Equity*, the Company will account for the purchase option and non-controlling interest on a combined basis because it reflects the economic substance of the transaction and the Company retains the risks and rewards of owning FilterCo over the option period. Accordingly, the purchase option is considered to be seller financing of the remaining 34% of FilterCo and as a result, will be recorded as a liability for the future purchase of the remaining interest. The Company will not recognize a non-controlling interest in the consolidated financial statements. The \$76.5 million settlement amount of this liability was measured at its present value in the determination of purchase price for this acquisition. The difference between the present value and settlement amount will be accreted to earnings ratably over the option period. As of October 3, 2014, the present value of this liability was \$74.0 million and included in other long-term liabilities on the balance sheet.

Although the settlement amount of the purchase option is fixed, it contains a foreign exchange adjustment (“foreign exchange collar”). In the event the exchange rate between the United States dollar and the Japanese yen fluctuates outside of a predetermined range as defined in the Agreement upon exercising of the options the total amount the Company owes to Panasonic can change. This feature was intended for the parties to share in foreign exchange exposure outside of this range and does not impact the fair value of the remaining interest in FilterCo. As of the date of the acquisition the fair value of the foreign exchange collar was immaterial and was excluded from the determination of purchase price and accounted for separately from the acquisition (see [Note 4](#) Fair Value in these Notes to the Consolidated Financial Statements for further information). As of October 3, 2014, the exchange rate between the United States dollar and Japanese yen was within the foreign exchange collar.

The Company reviewed ASC 810 *Consolidations*, and concluded that FilterCo does not meet the definition of a variable interest entity. The Company controls FilterCo through its voting rights and absorbs all of FilterCo's expected losses or residual returns. Panasonic does not share in the risks and rewards of FilterCo. Accordingly, the Company consolidated 100% of FilterCo's activity and eliminated all intercompany transactions and will not recognize a non-controlling interest.

The allocation of the purchase price to the assets and liabilities recognized in the Company's acquisition of FilterCo was not finalized at the time of filing this annual report on Form 10-K. The preliminary allocation of the purchase price reflected in the accompanying financial statements is based upon estimates and assumptions which are subject to change within the measurement period (up to one year from the acquisition date as prescribed in the ASC 805 *Business Combinations*). The preliminary allocation of the purchase price is based on the estimated fair values of the assets acquired and liabilities assumed by major class related to the FilterCo acquisition and are reflected, as of the acquisition date, in the accompanying financial statements as follows (in millions):

	As of
	August 1, 2014
Estimated fair value of assets acquired	
Accounts receivable	\$ 12.2
Inventory	35.5
Property, plant and equipment	121.2
Developed technology	36.2
Goodwill	50.5
Liabilities assumed	(22.4)
Estimated fair value of net assets acquired	<u>\$ 233.2</u>

The preliminary amount of the FilterCo purchase price allocated to goodwill of \$50.5 million represents the expected synergies from cost reductions and manufacturing efficiencies. The Company expects that substantially all of the goodwill recognized in this transaction will not be deductible for tax purposes.

The Company considers FilterCo's patented and unpatented technologies, manufacturing know-how and trade secrets to be closely related and as a result have combined these into one identifiable intangible asset as of the acquisition date. The fair value of the developed technology asset was preliminarily valued at \$36.2 million and will be amortized on a straight-line basis over its estimated useful life of three years as of August 1, 2014. The estimated fair value of the intangible asset acquired was primarily determined using a relief from royalty method based on significant inputs that were not observed. The Company considers the fair value of each of the acquired intangible assets to be Level 3 assets due to the significant estimates and assumptions used by management in establishing the estimated fair values. See [Note 4](#), Fair Value, in these Notes to the Consolidated Financial Statements for the definition of Level 3 assets.

The assumed liabilities of FilterCo include an estimate for a net pension obligation that had not yet transferred to the Company as of October 3, 2014. FilterCo employees located in Japan were covered under a pension plan provided by Panasonic. In the Company's second quarter of fiscal 2015, these employees will cease their employment with Panasonic and will become FilterCo employees. Employee benefits offered under the Panasonic pension will not change and as a result, the employee transfer will include a pro-rata share of pension assets and obligations that are entitled to all transferred employees. The Company preliminarily estimates this obligation of \$6.4 million as of October 3, 2014 and upon the completion of the employee and pension related assets and obligation transfer, the Company will compute its fair value assessment of the pension assets and obligations in accordance with ASC 715 *Compensation - Retirement Benefits*. Any adjustment related to this fair value calculation to benefits that existed as of the acquisition date will be treated as a measurement period adjustment.

Net revenue and net income for FilterCo have been included in the Consolidated Statements of Operations from the acquisition date through the end of the fiscal year on October 3, 2014 and the impact of FilterCo's ongoing operations on the Company's net revenue and net income were immaterial. The Company recognized transaction related costs associated with this acquisition of approximately \$3.4 million during the fiscal year ended October 3, 2014 which were included within the sales, administrative and general expense line item on the statement of operations.

The unaudited pro forma financial results for the fiscal years ended October 3, 2014 and September 27, 2013 combine the unaudited historical results of Skyworks with the unaudited historical results of FilterCo for the fiscal years ended October 3, 2014 and September 27, 2013, respectively. The results include the effects of unaudited pro forma adjustments as if FilterCo was acquired at the beginning of the prior fiscal year, September 29, 2012. The unaudited pro forma results presented include amortization charges for acquired intangible assets, adjustments for increases in the fair value of acquired inventory, other charges and related tax effects. The pro forma financial results presented below do not include any anticipated synergies or other expected benefits of the acquisition. These unaudited results are presented for informational purposes only and are not necessarily indicative of future operations (in millions, except per share amounts):

	Fiscal Years-Ended	
	October 3, 2014	September 27, 2013
Revenue	\$ 2,324.9	\$ 1,819.6
Net income	\$ 451.7	\$ 256.4
Diluted earnings per common share	\$ 2.35	\$ 1.33

4. FAIR VALUE

The Company groups its financial assets and liabilities measured at fair value on a recurring basis in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-driven valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data.
- Level 3 - Fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including assumptions and judgments made by the Company.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The Company measures certain assets and liabilities at fair value on a recurring basis such as our financial instruments and derivatives. There have been no transfers between Level 1, 2 or 3 assets or liabilities during the fiscal year ended October 3, 2014.

As of October 3, 2014, the Company's Level 3 assets included an auction rate security which is classified as available for sale and recorded in other long-term assets and is scheduled to mature in 2017. Due to the illiquid market for this security the Company has classified the carrying value as a Level 3 asset with the difference between the par and carrying value being categorized as a temporary loss and recorded in accumulated other comprehensive loss. There were no changes to the value of the auction rate security categorized as a Level 3 asset during the fiscal year ended October 3, 2014.

As of October 3, 2014, the Company purchased a currency call option and sold a currency put option to primarily match the underlying strike prices and timing of the foreign exchange collar detailed in [Note 3](#), Business Combinations, in these Notes to the Consolidated Financial Statements. These net currency options are intended to hedge the potential cash exposure related to fluctuations in the exchange rate between the United States dollar and Japanese yen. The Company nets the fair value of the foreign currency option with the fair value of the foreign exchange collar and records the change in earnings each period. The Company measures the fair value of these derivatives using prices and assumptions such as yield curves and option volatilities. As of October 3, 2014, these derivatives have been classified as Level 3 assets and the net change in fair value had a de minimis impact to the consolidated results.

The Company classified its future purchase obligation related to the remainder of the outstanding interest in FilterCo from Panasonic as a Level 3 liability. The Company calculated the present value of this obligation in its determination of goodwill using unobservable inputs and management judgment. The difference between the calculated present value and the fixed settlement amount is being accreted to earnings ratable over the remaining purchase option period. See [Note 3](#), Business Combinations in these Notes to the Consolidated Financial Statements for further detail.

As of October 3, 2014, assets and liabilities recorded at fair value on a recurring basis consisted of the following (in millions):

	Fair Value Measurements			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Money market funds	\$ 444.5	\$ 444.5	\$ —	\$ —
Auction rate security	2.3	—	—	2.3
Foreign currency derivative assets	0.7	—	—	0.7
Total	\$ 447.5	\$ 444.5	\$ —	\$ 3.0
Liabilities				
Purchase obligation recorded for business combinations	\$ 74.0	\$ —	\$ —	\$ 74.0
Foreign currency derivative liabilities	0.7	—	—	0.7
Total	\$ 74.7	\$ —	\$ —	\$ 74.7

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis

The Company's non-financial assets and liabilities, such as goodwill, intangible assets, and other long-lived assets resulting from business combinations are measured at fair value using valuation methodologies at the date of acquisition and subsequently re-

measured if there are indicators of impairment. There were no indicators of impairment identified during the fiscal year ended October 3, 2014.

5. INVENTORY

Inventory consists of the following (in millions):

	As of	
	October 3, 2014	September 27, 2013
Raw materials	\$ 45.4	\$ 25.2
Work-in-process	145.9	128.3
Finished goods	71.3	65.0
Finished goods held on consignment by customers	8.2	11.0
Total inventories	\$ 270.8	\$ 229.5

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following (in millions):

	As of	
	October 3, 2014	September 27, 2013
Land and improvements	\$ 11.6	\$ 12.2
Buildings and improvements	90.7	60.3
Furniture and fixtures	26.9	23.4
Machinery and equipment	952.9	668.1
Construction in progress	95.0	95.3
Total property, plant and equipment, gross	1,177.1	859.3
Accumulated depreciation and amortization	(621.2)	(530.7)
Total property, plant and equipment, net	\$ 555.9	\$ 328.6

7. GOODWILL AND INTANGIBLE ASSETS

The Company's goodwill balance increased as of October 3, 2014 due to the acquisition of FilterCo, as discussed in [Note 3](#), Business Combinations, in these Notes to the Consolidated Financial Statements. The Company tests its goodwill and non-amortizing trademarks for impairment annually as of the first day of its fourth fiscal quarter and in interim periods if certain events occur indicating the carrying value of goodwill or non-amortizing trademarks may be impaired. There were no indicators of impairment noted during the fiscal year ended October 3, 2014.

Intangible assets consist of the following (in millions):

	Weighted average amortization period remaining (years)	As of			As of		
		October 3, 2014			September 27, 2013		
		Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	2.0	\$ 57.2	\$ (39.4)	\$ 17.8	\$ 78.7	\$ (49.3)	\$ 29.4
Developed technology and other	2.5	96.2	(40.6)	55.6	88.9	(55.3)	33.6
IPR&D	0	6.1	(6.1)	—	6.1	(5.9)	0.2
Trademarks	Indefinite	1.6	—	1.6	1.6	—	1.6
Total intangible assets		\$ 161.1	\$ (86.1)	\$ 75.0	\$ 175.3	\$ (110.5)	\$ 64.8

The net carrying amount of intangible assets increased for the fiscal year ended October 3, 2014 due to the identifiable intangible assets from the acquisition of FilterCo as discussed in [Note 3](#), Business Combinations, in these Notes to the Consolidated Financial Statements. The increase in intangible assets was offset by the write-down of the gross carrying amount and associated accumulated amortization of fully amortized intangible assets that no longer provide a specific benefit to the Company. This write-down of gross intangible assets did not impact the net carrying amount of intangible assets as of October 3, 2014.

Annual amortization expense for the next five years related to intangible assets is expected to be as follows (in millions):

	2015	2016	2017	2018	2019	Thereafter
Amortization expense	\$ 33.1	\$ 28.3	\$ 12.0	\$ —	\$ —	\$ —

8. INCOME TAXES

Income before income taxes consists of the following components (in millions):

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
United States	\$ 346.8	\$ 164.8	\$ 113.1
Foreign	218.4	179.7	141.8
Income before income taxes	<u>\$ 565.2</u>	<u>\$ 344.5</u>	<u>\$ 254.9</u>

The provision for income taxes consists of the following (in millions):

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Current tax expense (benefit):			
Federal	\$ 88.2	\$ 38.0	\$ 32.4
State	(0.5)	0.1	(1.7)
Foreign	13.5	14.8	8.6
	<u>101.2</u>	<u>52.9</u>	<u>39.3</u>
Deferred tax expense (benefit):			
Federal	12.3	14.4	13.0
State	(4.6)	(4.9)	(3.7)
Foreign	(11.2)	(0.1)	0.4
	<u>(3.5)</u>	<u>9.4</u>	<u>9.7</u>
Change in valuation allowance	9.8	4.1	3.9
Provision for income taxes	<u>\$ 107.5</u>	<u>\$ 66.4</u>	<u>\$ 52.9</u>

The actual income tax expense is different than that which would have been computed by applying the federal statutory tax rate to income before income taxes. A reconciliation of income tax expense as computed at the United States Federal statutory income tax rate to the provision for income tax expense follows (in millions):

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Tax expense at United States statutory rate	\$ 197.8	\$ 120.6	\$ 89.2
Foreign tax rate difference	(77.3)	(49.8)	(44.7)
Deemed dividend from foreign subsidiary	—	—	2.4
Research and development credits	(2.8)	(16.3)	(1.7)
Change in tax reserve	11.0	11.7	10.4
Change in valuation allowance	9.8	4.1	3.9
Domestic production activities deduction	(10.9)	(5.0)	(3.9)
Audit settlements and adjustments	(19.7)	1.9	—
Other, net	(0.4)	(0.8)	(2.7)
Provision for income taxes	<u>\$ 107.5</u>	<u>\$ 66.4</u>	<u>\$ 52.9</u>

The Company operates in foreign jurisdictions with income tax rates lower than the United States tax rate of 35%. The Company's tax benefits related to foreign earnings taxed at a rate less than the United States federal rate were \$77.3 million and \$49.8 million for the fiscal years ended October 3, 2014 and September 27, 2013, respectively.

During the fourth quarter of fiscal 2014, the Company concluded an Internal Revenue Service ("IRS") examination of its federal income tax return for fiscal year 2011. As a result of the conclusion of the IRS examination, the Company agreed to various adjustments to its fiscal 2011 tax return which resulted in the recognition of additional tax expense of \$0.7 million and \$1.9 million for fiscal years 2014 and 2013, respectively. In addition, the conclusion of the IRS examination also resulted in a decrease in our uncertain tax positions of \$20.9 million in fiscal 2014, of which \$20.4 million was recognized as a benefit to tax expense.

The federal tax credit available under the Internal Revenue Code for research and development expenses expired on December 31, 2013. As of October 3, 2014, the United States Congress had not taken action to extend the Research and Experimentation Tax Credit. Accordingly, the income tax provision for the year ended October 3, 2014, does not reflect the impact of any research and development tax credits that would have been earned after December 31, 2013, had the federal tax credit not expired.

In December 2013, Mexico enacted a comprehensive tax reform package, which became effective on January 1, 2014. As a result of this change, the Company adjusted its deferred taxes in that jurisdiction, resulting in the recognition of a tax benefit that reduced the Company's foreign income tax expense by \$4.6 million for year ended October 3, 2014.

On October 2, 2010, the Company expanded its presence in Asia by launching operations in Singapore. The Company operates under a tax holiday in Singapore, which is effective through September 30, 2020. The tax holiday is conditional upon the Company's compliance with certain employment and investment thresholds in Singapore. The impact of the tax holiday decreased Singapore's taxes by \$12.6 million and \$10.0 million for the fiscal years ended October 3, 2014 and September 27, 2013, respectively. This resulted in tax benefits of \$0.07 and \$0.05 of diluted earnings per share for the fiscal years ended October 3, 2014 and September 27, 2013, respectively.

As a result of the enactment of the Tax Relief Act of 2012, which retroactively reinstated and extended the research and development tax credit, \$7.0 million of federal research and development tax credits which were earned in fiscal 2012 reduced our tax rate during the fiscal year ended September 27, 2013.

Deferred income tax assets and liabilities consist of the tax effects of temporary differences related to the following (in millions):

	Fiscal Years Ended	
	October 3, 2014	September 27, 2013
Deferred Tax Assets:		
Current:		
Inventory	\$ 5.3	\$ 3.7
Bad debts	0.2	0.2
Accrued compensation and benefits	5.0	4.0
Product returns, allowances and warranty	4.9	1.6
Restructuring	0.2	0.3
Other, net	0.3	0.5
Current deferred tax assets	15.9	10.3
Less valuation allowance	(6.4)	(3.2)
Net current deferred tax assets	9.5	7.1
Long-term:		
Intangible assets	4.7	5.5
Share-based and other deferred compensation	39.4	37.0
Net operating loss carry forwards	12.7	20.3
Federal tax credits	13.0	16.0
State tax credits	43.1	38.5
Other, net	2.7	2.0
Long-term deferred tax assets	115.6	119.3
Less valuation allowance	(54.4)	(47.8)
Net long-term deferred tax assets	61.2	71.5
Deferred tax assets	131.5	129.6
Less valuation allowance	(60.8)	(51.0)
Net deferred tax assets	70.7	78.6
Deferred Tax Liabilities:		
Current:		
Prepaid insurance	(0.8)	(0.8)
Current deferred tax liabilities	(0.8)	(0.8)
Long-term:		
Property, plant and equipment	(11.6)	(14.3)
Intangible assets	(1.2)	(3.1)
Long-term deferred tax liabilities	(12.8)	(17.4)
Net deferred tax liabilities	(13.6)	(18.2)
Total deferred tax assets	\$ 57.1	\$ 60.4

In accordance with GAAP, management has determined that it is more likely than not that a portion of its historic and current year income tax benefits will not be realized. As of October 3, 2014, the Company has maintained a valuation allowance of \$60.8 million. This valuation allowance is comprised of \$43.1 million related to domestic state tax credits, and \$17.7 million related to foreign deferred tax assets. If these benefits are recognized in a future period the valuation allowance on deferred tax assets will be reversed and up to a \$60.4 million income tax benefit, and up to a \$0.4 million reduction to goodwill, may be recognized. The Company will need to generate \$144.7 million of future United States federal taxable income to utilize our United States deferred tax assets as of October 3, 2014.

Deferred tax assets are recognized for foreign operations when management believes it is more likely than not that the deferred tax assets will be recovered during the carry forward period. The Company will continue to assess its valuation allowance in future periods.

As of October 3, 2014, the Company has United States federal net operating loss carry forwards of approximately \$21.5 million. The utilization of these net operating losses is subject to certain annual limitations as required under Internal Revenue Code section 382 and similar state income tax provisions. The United States federal net operating loss carry forwards expire at various dates through 2031. The Company also has United States federal income tax credit carry forwards of \$7.0 million, of which \$6.9 million of federal income tax credit carry forwards have not been recorded as a deferred tax asset. The Company also has state income tax credit carry forwards of \$43.1 million, net of federal benefits, for which the Company has provided a valuation allowance. The United States federal tax credits expire at various dates through 2030. The state tax credits relate primarily to California research tax credits which can be carried forward indefinitely.

The Company has continued to expand its operations and increase its investments in numerous international jurisdictions. These activities will increase the Company's earnings attributable to foreign jurisdictions. As of October 3, 2014, no provision has been made for United States federal, state, or additional foreign income taxes related to approximately \$739.6 million of undistributed earnings of foreign subsidiaries which have been or are intended to be permanently reinvested. It is not practicable to determine the United States federal income tax liability, if any, which would be payable if such earnings were not permanently reinvested.

The Company's gross unrecognized tax benefits totaled \$51.8 million and \$63.2 million as of October 3, 2014 and September 27, 2013, respectively. Of the total unrecognized tax benefits at October 3, 2014, \$41.8 million would impact the effective tax rate, if recognized. The remaining unrecognized tax benefits would not impact the effective tax rate, if recognized, due to the Company's valuation allowance and certain positions which were required to be capitalized. There are no positions which the Company anticipates could change within the next twelve months.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in millions):

	Unrecognized tax benefits
Balance at September 27, 2013	\$ 63.2
Decreases based on positions related to prior years	(1.2)
Increases based on positions related to current year	11.0
Decreases relating to settlements with taxing authorities	(20.9)
Decreases relating to lapses of applicable statutes of limitations	(0.3)
Balance at October 3, 2014	<u>\$ 51.8</u>

During the year ended October 3, 2014, the Company recognized \$0.3 million of previously unrecognized tax benefits related to the expiration of the statute of limitations. The Company recognized \$0.5 million of accrued interest or penalties related to unrecognized tax benefits during fiscal 2014. The decrease in unrecognized tax benefits of \$20.9 million was related to the settlement of the Company's IRS audit of fiscal year 2011.

The Company's major tax jurisdictions as of October 3, 2014 are the United States, California, Iowa, Singapore, Mexico and Canada. For the United States, the Company has open tax years dating back to fiscal 1999 due to the carry forward of tax attributes. For California, the Company has open tax years dating back to fiscal 1999 due to the carry forward of tax attributes. For Iowa, the Company has open tax years dating back to fiscal 2003 due to the carry forward of tax attributes. For Canada, the Company has open tax years dating back to fiscal 2007. For Mexico, the Company has open tax years back to fiscal 2008. For Singapore, the Company has open tax years dating back to fiscal 2011. The Company is subject to audit examinations by the respective taxing authorities on a periodic basis, of which the results could impact our financial position, results of operations or cash flows.

9. STOCKHOLDERS' EQUITY

COMMON STOCK

At October 3, 2014, the Company is authorized to issue 525.0 million shares of common stock, par value \$0.25 per share, of which 214.2 million shares are issued and 189.2 million shares outstanding.

Holders of the Company's common stock are entitled to dividends in the event declared by the Company's Board of Directors out of funds legally available for such purpose. Dividends may not be paid on common stock unless all accrued dividends on preferred stock, if any, have been paid or declared and set aside. In the event of the Company's liquidation, dissolution or winding up, the holders of common stock will be entitled to share pro rata in the assets remaining after payment to creditors and after payment of the liquidation preference plus any unpaid dividends to holders of any outstanding preferred stock.

Each holder of the Company's common stock is entitled to one vote for each such share outstanding in the holder's name. No holder of common stock is entitled to cumulate votes in voting for directors. The Company's restated certificate of incorporation as amended to date, ("the Certificate of Incorporation") provides that, unless otherwise determined by the Company's Board of Directors, no holder of stock has any preemptive right to purchase or subscribe for any stock of any class which the Company may issue or sell.

PREFERRED STOCK

The Company's Certificate of Incorporation has authorized and permits the Company to issue up to 25.0 million shares of preferred stock without par value in one or more series and with rights and preferences that may be fixed or designated by the Company's Board of Directors without any further action by the Company's stockholders. The designation, powers, preferences, rights and qualifications, limitations and restrictions of the preferred stock of each series will be fixed by the certificate of designation relating to such series, which will specify the terms of the preferred stock. At October 3, 2014, the Company had no shares of preferred stock issued or outstanding.

SHARE REPURCHASE

During the fiscal year ended October 3, 2014, the Company paid approximately \$165.7 million (including commissions) in connection with the repurchase of 4.5 million shares of its common stock (paying an average price of \$36.46 per share) under the July 16, 2013 \$250.0 million share repurchase plan. This plan was initially valid through July 16, 2015 and allowed for the repurchase of the Company's common stock on the open market or in privately negotiated transactions, in compliance with applicable securities laws and other legal requirements. As of October 3, 2014, \$63.9 million remained available under the share repurchase plan.

On November 11, 2014, the Board of Directors approved a new share repurchase program, pursuant to which the Company is authorized to repurchase up to \$300.0 million of its common stock from time to time on the open market or in privately negotiated transactions as permitted by securities laws and other legal requirements. The repurchase program is set to expire on November 11, 2016; however, it may be suspended, discontinued or extended by the Board of Directors at any time prior to its expiration on November 11, 2016. This authorized stock repurchase program replaced in its entirety the July 16, 2013 stock repurchase program. These repurchases have been and will be funded with the Company's working capital.

During the fiscal year ended September 27, 2013, the Company paid approximately \$184.9 million (including commissions) in connection with the repurchase of 8.1 million shares of its common stock (paying an average price of \$22.75 per share).

DIVIDENDS

The Company announced the initiation of a quarterly cash dividend program on March 3, 2014. On November 6, 2014, the Company announced that the Board of Directors declared a cash dividend on the Company's common stock of \$0.13 per share, an increase compared to the dividend from the prior quarter. These dividends are payable on December 11, 2014 to the Company's stockholders of record as of the close of business on November 18, 2014. Future dividends are subject to declaration by the Board of Directors. During the fiscal year ended October 3, 2014, the Company declared cash dividends per common share during the period presented as follows (in millions except per share amounts):

	Per Share	Total
First quarter	\$ —	\$ —
Second quarter	—	—
Third quarter	0.11	20.8
Fourth quarter	0.11	20.9
	<u>\$ 0.22</u>	<u>\$ 41.7</u>

EMPLOYEE STOCK BENEFIT PLANS

As of October 3, 2014, the Company has the following equity compensation plans under which its equity securities were authorized for issuance to its employees and/or directors:

- the Directors' 2001 Stock Option Plan
- the Non-Qualified Employee Stock Purchase Plan
- the 2002 Employee Stock Purchase Plan
- the 2005 Long-Term Incentive Plan
- the 2008 Director Long-Term Incentive Plan
- AATI 1998 Amended Stock Plan
- AATI 2005 Equity Incentive Plan

Except for the Non-Qualified Employee Stock Purchase Plan, each of the foregoing equity compensation plans was approved by the Company's stockholders.

As of October 3, 2014, a total of 90.9 million shares are authorized for grant under the Company's share-based compensation plans, with 7.5 million options outstanding. The number of common shares reserved for future awards to employees and directors under these plans was 14.8 million at October 3, 2014. The Company grants equity awards under the 2005 Long-Term Incentive Plan to employees and the 2008 Director Long-Term Incentive Plan for non-employee directors.

2005 Long-Term Incentive Plan. Under this plan, officers, employees, non-employee directors and certain consultants may be granted stock options, restricted stock awards and units, performance stock awards and units and other share-based awards. The plan has been approved by the stockholders. Under the plan, up to 55.9 million shares have been authorized for grant. A total of 14.0 million shares are available for new grants as of October 3, 2014. The maximum contractual term of the awards is seven years from the date of grant. Options granted under the plan are exercisable at the determination of the compensation committee and generally vest ratably over four years. Restricted stock awards and units granted under the plan at the determination of the compensation committee generally vest over four or more years. With respect to restricted stock awards, dividends are accumulated and paid when the underlying shares vest. If the underlying shares are forfeited for any reason, the rights to the dividends with respect to such shares are also forfeited. No dividends or dividend equivalents are paid or accrued with respect to restricted stock unit awards or other awards until the shares underlying such awards become vested and are issued to the award holder. Performance stock awards and units are contingently granted depending on the achievement of certain predetermined performance goals and generally vest over three or more years.

2008 Director Long-Term Incentive Plan. Under this plan, non-employee directors may be granted stock options, restricted stock awards and other share-based awards. The plan has been approved by the stockholders. Under the plan a total of 1.5 million shares have been authorized for option grants. A total of 0.7 million shares are available for new grants as of October 3, 2014. The maximum contractual term of the director awards is ten years from the date of grant. Options granted under the plan are generally exercisable over four years. Restricted stock awards granted under the plan are exercisable at the determination of the compensation committee and generally vest over three or more years. With respect to restricted stock awards, dividends are accumulated and paid when the underlying shares vest. If the underlying shares are forfeited for any reason, the rights to the dividends with respect to such shares are also forfeited.

Employee Stock Purchase Plans. The Company maintains a domestic and an international employee stock purchase plan. Under these plans, eligible employees may purchase common stock through payroll deductions of up to 10% of their compensation. The price per share is the lower of 85% of the fair market value of the common stock at the beginning or end of each offering period (generally six months). The plans provide for purchases by employees of up to an aggregate of 9.7 million shares. Shares of common stock purchased under these plans in fiscal years ended October 3, 2014, September 27, 2013, and September 28, 2012 were 0.5 million, 0.5 million, and 0.5 million, respectively. At October 3, 2014, there are 1.5 million shares available for purchase. The Company recognized compensation expense of \$4.1 million, \$3.9 million and \$3.5 million for the fiscal years ended October 3, 2014, September 27, 2013, and September 28, 2012, respectively related to the employee stock purchase plan. The unrecognized compensation expense on the employee stock purchase plan at October 3, 2014 was \$1.3 million. The weighted average period over which the cost is expected to be recognized is approximately four months.

Stock Options

The following table represents a summary of the Company's stock options:

	Shares (in millions)	Weighted average exercise price	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Balance outstanding at September 27, 2013	10.7	\$ 16.76		
Granted	1.8	\$ 29.56		
Exercised	(4.8)	\$ 14.20		
Canceled/forfeited	(0.2)	\$ 21.39		
Balance outstanding at October 3, 2014	7.5	\$ 21.26	4.3	\$ 254.2
Exercisable at October 3, 2014	3.0	\$ 16.46	3.1	\$ 117.1

The weighted-average grant date fair value per share of employee stock options granted during the fiscal years ended October 3, 2014, September 27, 2013 and September 28, 2012 was \$11.91, \$9.31, and \$8.91, respectively. The total grant date fair value of the options vested during the fiscal years ending October 3, 2014, September 27, 2013 and September 28, 2012 was \$21.8 million, \$33.5 million and \$25.4 million, respectively.

Restricted and Performance Awards and Units

The following table represents a summary of the Company's restricted and performance transactions:

	Shares (In millions)	Weighted average grant date fair value
Non-vested awards outstanding at September 27, 2013	5.7	\$ 20.31
Granted (1)	2.6	\$ 26.69
Vested	(2.3)	\$ 21.11
Canceled/forfeited	(0.3)	\$ 19.95
Non-vested awards outstanding at October 3, 2014	5.7	\$ 21.48

(1) includes performance shares granted and earned based on maximum performance under the underlying performance metrics

The weighted average grant date fair value per share for awards granted during the fiscal years ended October 3, 2014, September 27, 2013 and September 28, 2012 was \$26.69, \$20.19, and \$19.31, respectively. The total grant date fair value of the awards vested during the fiscal years ending October 3, 2014, September 27, 2013 and September 28, 2012 was \$63.1 million, \$53.5 million and \$53.8 million, respectively.

The following table summarizes the total intrinsic value for stock options exercised and awards vested (in millions):

	Fiscal Years Ended		
	October 3 2014	September 27 2013	September 28 2012
Options	\$ 101.3	\$ 26.2	\$ 54.5
Awards	\$ 63.1	\$ 53.5	\$ 53.8

Valuation and Expense Information under ASC 718

The following table summarizes pre-tax share-based compensation expense by financial statement line and related tax benefit (in millions):

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Cost of goods sold	\$ 11.3	\$ 10.2	\$ 9.4
Research and development	36.2	28.2	28.0
Selling, general and administrative	38.5	33.3	34.8
Total share-based compensation expense	<u>\$ 86.0</u>	<u>\$ 71.7</u>	<u>\$ 72.2</u>
Share-based compensation tax benefit	\$ 25.6	\$ 21.4	\$ 22.2

The Company capitalized share-based compensation expense of \$1.7 million, \$2.1 million and \$2.0 million in inventory at October 3, 2014, September 27, 2013 and September 28, 2012, respectively.

The following table summarizes total compensation costs related to unvested share based awards not yet recognized and the weighted average period over which it is expected to be recognized at October 3, 2014:

	Unrecognized compensation cost for unvested awards (in millions)	Weighted average remaining recognition period (in years)
Options	\$ 28.1	2.1
Awards	\$ 56.8	1.5

The fair value of the restricted awards and units are equal to the closing market price of the Company's common stock on the date of grant. The fair value of the performance awards and units are equal to the closing market price of the Company's common stock on the date of grant and the expense is updated for the achievement of the underlying performance metrics.

The Company issued performance share units during fiscal 2014 that contained a market-based condition. The fair value of these performance share units were estimated on the date of the grant using a Monte Carlo simulation with the following weighted average assumptions:

	Fiscal Year Ended October 3, 2014
Volatility of common stock	36.96%
Average volatility of peer companies	29.59%
Average correlation coefficient of peer companies	0.47
Risk-free interest rate	0.11%

The fair value of each stock option is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Expected volatility	47.40%	57.71%	59.21%
Risk-free interest rate	1.83%	1.29%	0.52%
Dividend yield	0.83	0.00	0.00
Expected option life (in years)	4.6	4.2	4.1

The Company used a historical volatility calculated by the mean reversion of the weekly-adjusted closing stock price over the expected life of the options. The risk-free interest rate assumption is based upon observed treasury bill interest rates appropriate for the expected

life of the Company's employee stock options. The Company began paying dividends in the third fiscal quarter of 2014 and due to the date of the Company's broad-based grant in November 2013, a dividend yield was not included in the Black-Scholes option pricing model. The dividend yield was included in the Black-Scholes option pricing model for options granted after the Company declared its first dividend. Due to the number of options issued after the dividend was announced, there was an immaterial impact to the option valuation and share-based compensation for the fiscal year ended October 3, 2014.

The expected life of employee stock options represents a calculation based upon the historical exercise, cancellation and forfeiture experience for the Company across its demographic population. The Company believes that this historical data is the best estimate of the expected life of a new option and that generally all groups of the Company's employees exhibit similar behavior.

10. EMPLOYEE BENEFIT PLAN, PENSIONS AND OTHER RETIREE BENEFITS

The Company maintains a 401(k) plan covering substantially all of its employees based in the United States under which all employees at least twenty-one years old are eligible to receive discretionary Company contributions. Discretionary Company contributions are determined by the Board of Directors and may be in the form of cash or the Company's stock. The Company has generally contributed a match of up to 4% of an employee's contributed annual eligible compensation. For the fiscal years ended October 3, 2014, September 27, 2013, and September 28, 2012, the Company contributed shares of 0.2 million, 0.3 million, and 0.3 million, respectively, and recognized expense of \$6.2 million, \$6.2 million, and \$6.0 million, respectively.

Pre-Merger Defined Benefit Pension:

The Company terminated the pre-merger pension benefit plan that was inherited as part of the 2002 merger that created Skyworks covering certain former employees during the fiscal year ended October 3, 2014. The Company transferred the future obligations due under the plan to an independent third party and recognized an immaterial loss during the fiscal year ended October 3, 2014.

11. COMMITMENTS

The Company has various operating leases primarily for buildings, computers and equipment. Rent expense amounted to \$11.1 million, \$10.8 million, and \$10.5 million in fiscal years ended October 3, 2014, September 27, 2013, and September 28, 2012, respectively. Future minimum payments under these non-cancelable leases are as follows (in millions):

	2015	2016	2017	2018	2019	Thereafter	Total
Future minimum payments	\$ 13.1	10.0	7.5	6.6	2.3	4.9	\$ 44.4

In addition, the Company has entered into licensing agreements for intellectual property rights and maintenance and support services. Pursuant to the terms of these agreements, the Company is committed to making aggregate payments of \$3.3 million and \$1.9 million in fiscal years 2015 and 2016, respectively.

12. CONTINGENCIES

Legal Matters

From time to time, various lawsuits, claims and proceedings have been, and may in the future be, instituted or asserted against the Company, including those pertaining to patent infringement, intellectual property, environmental hazards, product liability and warranty, safety and health, employment and contractual matters.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights to technologies that are important to the Company's business and have demanded and may in the future demand that the Company license their technology. The outcome of any such litigation cannot be predicted with certainty and some such lawsuits, claims or proceedings may be disposed of unfavorably to the Company. Generally speaking, intellectual property disputes often have a risk of injunctive relief, which, if imposed against the Company, could materially and adversely affect the Company's financial condition, or results of operations. From time to time the Company may also be involved in legal proceedings in the ordinary course of business. Legal costs are expensed as incurred.

The Company monitors the status of legal proceedings and other contingencies on an ongoing basis to ensure amounts are recognized and/or disclosed in our financial statements and footnotes as required by Accounting Standards Codification 450, *Loss Contingencies*. At the time of this filing, the Company had not recorded any accrual for loss contingencies associated with its legal proceedings as losses resulting from such matters were determined not to be probable. The Company does not believe there

are any pending legal proceedings that are reasonably possible to result in a material loss. We are engaged in various legal actions in the normal course of business and, while there can be no assurances, the Company believes the outcome of all pending litigation involving the Company will not have, individually or in the aggregate, a material adverse effect on its business.

13. GUARANTEES AND INDEMNITIES

The Company has made no contractual guarantees for the benefit of third parties. However, the Company generally indemnifies its customers from third-party intellectual property infringement litigation claims related to its products, and, on occasion, also provides other indemnities related to product sales. In connection with certain facility leases, the Company has indemnified its lessors for certain claims arising from the facility or the lease.

The Company indemnifies its directors and officers to the maximum extent permitted under the laws of the state of Delaware. The duration of the indemnities varies, and in many cases is indefinite. The indemnities to customers in connection with product sales generally are subject to limits based upon the amount of the related product sales and in many cases are subject to geographic and other restrictions. In certain instances, the Company's indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities in the accompanying consolidated balance sheets and does not expect that such obligations will have a material adverse impact on its financial condition or results of operations.

14. RESTRUCTURING AND OTHER CHARGES

As of October 3, 2014, the Company recorded restructuring and other charges of approximately \$0.3 million related to costs associated with organizational restructuring plans initiated in the prior fiscal year. The Company does not anticipate any material charges in future periods related to these plans.

The Company recorded restructuring and other charges of approximately \$6.4 million related to severance costs associated with separate organizational restructuring plans undertaken to reduce headcount during the fiscal year ended September 27, 2013. These restructuring plans are largely complete and have been aggregated into the "FY13 Restructuring Programs" line item in the summary table below.

During the fiscal year ended September 28, 2012, the Company recorded approximately \$5.8 million related to employee severance and \$0.6 million related to lease termination costs associated with the Advanced Analogic Technologies Inc. ("AATI") restructuring during the fiscal year. The Company began formulating the restructuring plans prior to the acquisition of AATI and none of these costs were included in the purchase accounting for AATI. As of October 3, 2014, these restructuring activities and cash payments are complete and the Company does not anticipate any further charges. Charges and payments related to these restructuring plans are summarized under "Other Restructuring" in the table below.

Activity and liability balances related to the Company's restructuring actions are as follows (in millions):

	Balance at September 30, 2011	Current Charges	Cash Payments	Balance at September 28, 2012
Other Restructuring				
Employee Severance costs	\$ 0.5	\$ 7.2	\$ (6.8)	\$ 0.9
Lease and other contractual obligations	1.5	0.6	(1.3)	0.8
Total	\$ 2.0	\$ 7.8	\$ (8.1)	\$ 1.7
<hr/>				
	Balance at September 28, 2012	Current Charges	Cash Payments	Balance at September 27, 2013
FY13 Restructuring Programs				
Employee Severance costs	\$ —	\$ 6.4	\$ (5.8)	\$ 0.6
Other Restructuring				
Employee Severance costs	0.9	—	(0.9)	—
Lease and other contractual obligations	0.8	—	(0.4)	0.4
Total	\$ 1.7	\$ 6.4	\$ (7.1)	\$ 1.0
<hr/>				
	Balance at September 27, 2013	Current Charges	Cash Payments	Balance at October 3, 2014
FY13 Restructuring Programs				
Employee Severance costs	\$ 0.6	\$ 0.3	\$ (0.6)	\$ 0.3
Other Restructuring				
Lease and other contractual obligations	0.4	—	(0.2)	0.2
Total	\$ 1.0	\$ 0.3	\$ (0.8)	\$ 0.5

15. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share amounts):

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Net income	\$ 457.7	\$ 278.1	\$ 202.0
Weighted average shares outstanding – basic	187.2	187.5	185.8
Effect of dilutive equity based awards	5.4	4.7	5.7
Dilutive effect of convertible debt	—	—	0.3
Weighted average shares outstanding – diluted	192.6	192.2	191.8
Net income per share – basic	\$ 2.44	\$ 1.48	\$ 1.09
Net income per share - diluted	\$ 2.38	\$ 1.45	\$ 1.05
Anti-dilutive common stock equivalents	0.9	5.4	4.0

Basic earnings per share are calculated by dividing net income by the weighted average number of shares of the Company's common stock outstanding. The calculation of diluted earnings per share includes the dilutive effect of equity based awards which were outstanding during the fiscal years ending October 3, 2014, September 27, 2013 and September 28, 2012, as well as convertible debt which was outstanding during fiscal 2012, using the treasury stock method. Certain of the Company's outstanding stock options, noted in the table above, were excluded because they were anti-dilutive, but could become dilutive in the future.

16. SEGMENT INFORMATION AND CONCENTRATIONS

In accordance with ASC 280-*Segment Reporting*, the Company considers itself to be a single reportable operating segment which designs, develops, manufactures and markets similar proprietary semiconductor products, including intellectual property. In reaching this conclusion, management considers the definition of the chief operating decision maker (“CODM”), how the business is defined by the CODM, the nature of the information provided to the CODM and how that information is used to make operating decisions, allocate resources and assess performance. The Company’s CODM is the chairman and chief executive officer. The results of operations provided to and analyzed by the CODM are at the consolidated level and accordingly, key resource decisions and assessment of performance is performed at the consolidated level. The Company assesses its determination of operating segments at least annually.

GEOGRAPHIC INFORMATION

Net revenue by geographic area presented based upon the country of destination and are as follows (in millions):

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
United States	\$ 47.5	\$ 67.3	\$ 70.3
Other Americas	25.5	10.2	18.4
Total Americas	73.0	77.5	88.7
China	1,574.4	979.3	820.1
Taiwan	322.2	387.5	311.7
South Korea	107.4	102.9	103.2
Other Asia-Pacific	166.9	202.0	207.4
Total Asia-Pacific	2,170.9	1,671.7	1,442.4
Europe, Middle East and Africa	47.6	42.8	37.5
	<u>\$ 2,291.5</u>	<u>\$ 1,792.0</u>	<u>\$ 1,568.6</u>

The Company’s revenues by geography do not necessarily correlate to end market demand by region. For example, if the Company sells a product to a distributor in Taiwan, the sale is reflected within the Taiwan line item above; however, that distributor, in turn, may sell the product to an end customer in a different geography. The Company’s revenue to external customers is generated principally from the sale of semiconductor products that facilitate various wireless communication applications. Accordingly, the Company considers its product offerings to be similar in nature and therefore not segregated for reporting purposes.

Net property, plant and equipment balances, based on the physical locations within the indicated geographic areas are as follows (in millions):

	As of	
	October 3, 2014	September 27, 2013
Mexico	\$ 290.1	\$ 176.9
United States	138.7	140.2
Singapore	60.8	—
Japan	58.8	—
Rest of world	7.5	11.5
	<u>\$ 555.9</u>	<u>\$ 328.6</u>

CONCENTRATIONS

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of trade accounts receivable. Trade accounts receivables are primarily derived from sales to manufacturers of communications and consumer products

and electronic component distributors. Ongoing credit evaluations of customers' financial condition are performed and collateral, such as letters of credit and bank guarantees, are required whenever deemed necessary.

In fiscal 2014, 2013 and 2012, two customers—Foxconn Technology Group (together with its affiliates and other suppliers to a large OEM for use in multiple applications including smartphones, tablets, routers, desktop and notebook computers), and Samsung Electronics—each constituted more than ten percent of our net revenue.

The Company's greater than ten percent customers comprised the following percentages of net revenue:

	Fiscal Years Ended		
	October 3, 2014	September 27, 2013	September 28, 2012
Company A	34%	36%	29%
Company B	10%	15%	17%

At October 3, 2014, the Company's three largest accounts receivable balances comprised 58% of aggregate gross accounts receivable. This concentration was 51% and 60% at September 27, 2013 and September 28, 2012, respectively.

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the quarterly and annual results (in millions, except per share data):

	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal year
Fiscal 2014					
Net revenue	\$ 505.2	\$ 481.0	\$ 587.0	\$ 718.2	\$ 2,291.5
Gross profit	222.0	212.4	264.2	324.0	1,022.7
Net income	94.5	76.9	111.4	174.9	457.7
Per share data (1)					
Net income, basic	\$ 0.51	\$ 0.41	\$ 0.59	\$ 0.93	\$ 2.44
Net income, diluted	\$ 0.49	\$ 0.40	\$ 0.58	\$ 0.90	\$ 2.38
Fiscal 2013					
Net revenue	\$ 453.7	\$ 425.2	\$ 436.1	\$ 477.0	\$ 1,792.0
Gross profit	192.6	176.7	188.2	209.1	766.6
Net income	66.5	61.7	65.7	84.2	278.1
Per share data (1)					
Net income, basic	\$ 0.35	\$ 0.33	\$ 0.35	\$ 0.45	\$ 1.48
Net income, diluted	\$ 0.34	\$ 0.32	\$ 0.34	\$ 0.44	\$ 1.45

(1) Earnings per share calculations for each of the quarters are based on the weighted average number of shares outstanding and included common stock equivalents in each period. Therefore, the sums of the quarters do not necessarily equal the full year earnings per share.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of October 3, 2014. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that

information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on management's evaluation of our disclosure controls and procedures as of October 3, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal controls over financial reporting.

There are no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the period covered by this report that have materially affected or are reasonable likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded the internal controls over financial reporting for the acquisition during the period of FilterCo which was acquired on August 1, 2014. FilterCo's financial statements constitute approximately 9.0% of the Company's total consolidated assets (of which 2.9% represents goodwill and intangible assets included within the scope of the assessment) as of October 3, 2014.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of October 3, 2014. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 Internal Control-Integrated Framework.

Based on their assessment, management concluded that, as of October 3, 2014, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting as stated within their report which appears herein.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information under the captions “Directors and Executive Officers”, “Corporate Governance—Committees of the Board of Directors” and “Other Matters—Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement for the 2015 Annual Meeting of Stockholders is incorporated herein by reference.

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We make available our code of business conduct and ethics free of charge through our website, which is located at www.skyworksinc.com. We intend to disclose any amendments to, or waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the SEC and the NASDAQ Global Select Market by posting any such amendment or waivers on our website and disclosing any such waivers in a Form 8-K filed with the SEC.

ITEM 11. EXECUTIVE COMPENSATION.

The information to be included under the caption “Information about Executive and Director Compensation” in our definitive proxy statement for the 2015 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information to be included under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our definitive proxy statement for the 2015 Annual Meeting of Stockholders is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information to be included under the captions “Certain Relationships and Related Transactions” and “Corporate Governance—Director Independence” in our definitive proxy statement for the 2015 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information to be included under the caption “Ratification of Independent Registered Public Accounting Firm—Audit Fees” in our definitive proxy statement for the 2015 Annual Meeting of Stockholders is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following are filed as part of this Annual Report on Form 10-K:

1. Index to Financial Statements	Page number in this report
Report of Independent Registered Public Accounting Firm	Page 35
Consolidated Statements of Operations for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 36
Consolidated Statements of Comprehensive Income for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 38
Consolidated Balance Sheets at October 3, 2014 and September 27, 2013	Page 38
Consolidated Statements of Cash Flows for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 39
Consolidated Statements of Stockholders' Equity for the Years Ended October 3, 2014, September 27, 2013 and September 28, 2012	Page 40
Notes to Consolidated Financial Statements	Pages 41 through 62
2. The schedule listed below is filed as part of this Annual Report on Form 10-K:	Page number in this report
Schedule II-Valuation and Qualifying Accounts	Page 68
All other required schedule information is included in the Notes to Consolidated Financial Statements or is omitted because it is either not required or not applicable.	
3. The Exhibits listed in the Exhibit Index immediately preceding the Exhibits are filed as a part of this Annual Report on Form 10-K.	

(b) Exhibits

The exhibits required by Item 601 of Regulation S-K are filed herewith and incorporated by reference herein. The response to this portion of Item 15 is submitted under Item 15 (a) (3).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 25, 2014

SKYWORKS SOLUTIONS, INC.

Registrant

By: /s/ David J. Aldrich

David J. Aldrich

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on November 25, 2014.

Signature and Title

/s/ David J. Aldrich

David J. Aldrich
Chairman and Chief Executive Officer
(principal executive officer)

/s/ Donald W. Palette

Donald W. Palette
Executive Vice President and Chief Financial Officer
(principal accounting and financial officer)

Signature and Title

/s/ Kevin L. Beebe

Kevin L. Beebe
Director

/s/Timothy R. Furey

Timothy R. Furey
Director

/s/ Balakrishnan S. Iyer

Balakrishnan S. Iyer
Director

/s/ Christine King

Christine King
Director

/s/ David P. McGlade

David P. McGlade
Director

/s/ David J. McLachlan

David J. McLachlan
Director

/s/ Robert A. Schriesheim

Robert A. Schriesheim
Director

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(In millions)

Description	Beginning Balance	Charged to Cost and Expenses	Deductions	Misc. (1)	Ending Balance
Year Ended September 28, 2012					
Allowance for doubtful accounts	\$ 0.8	\$ 0.3	\$ (0.5)	\$ —	\$ 0.5
Reserve for sales returns	\$ 3.3	\$ 8.5	\$ (6.1)	\$ 0.7	\$ 6.4
Allowance for excess and obsolete inventories	\$ 11.5	\$ 6.6	\$ (7.6)	\$ 7.8	\$ 18.3
Year Ended September 27, 2013					
Allowance for doubtful accounts	\$ 0.5	\$ 0.2	\$ (0.2)	\$ —	\$ 0.5
Reserve for sales returns	\$ 6.4	\$ 3.1	\$ (4.8)	\$ —	\$ 4.7
Allowance for excess and obsolete inventories	\$ 18.3	\$ 12.6	\$ (16.4)	\$ —	\$ 14.5
Year Ended October 3, 2014					
Allowance for doubtful accounts	\$ 0.5	\$ 0.2	\$ 0.1	\$ —	\$ 0.8
Reserve for sales returns	\$ 4.7	\$ 12.7	\$ (3.3)	\$ —	\$ 14.1
Allowance for excess and obsolete inventories	\$ 14.5	\$ 24.6	\$ (17.2)	\$ —	\$ 21.9

(1) Includes acquired balances

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
2.1	Agreement and Plan of Merger dated as of May 17, 2011 by and among the Company, Silver Bullet Acquisition Corp, SiGe Semiconductor, Inc. and Shareholder Representative Services LLC, solely in its capacity as the representative and agent of the Company Stockholders	10-Q/A	001-05560	10.E	11/17/2011	
2.2	Agreement and Plan of Merger dated as of May 26, 2011, by and among the Company, PowerCo Acquisition Corp. and Advanced Analogic Technologies Incorporated	8-K	001-05560	2.2	12/5/2011	
2.3	Amendment No. 1 dated as of November 30, 2011, to Agreement and Plan of Merger, dated as of May 26, 2011, by and among the Company, PowerCo Acquisition Corp. and Advanced Analogic Technologies Incorporated	8-K	001-05560	2.1	12/5/2011	
2.4	Memorandum of Understanding dated as of April 28, 2014, by and between the Company and Panasonic Corporation, acting through Automotive & Industrial Systems Company	10-Q	001-05560	10.1	7/30/2014	
2.5	Stock Purchase Agreement dated as of July 2, 2014, by and among the Company, Skyworks Luxembourg S.A.R.L., Panasonic Corporation, acting through Automotive & Industrial Systems Company, Panasonic Asia Pacific Pte., Ltd., Skyworks Panasonic Filter Solutions Japan Co., Ltd. and Skyworks Panasonic Filter Solutions Singapore Pte. Ltd.					X
3.1	Restated Certificate of Incorporation, As Amended	10-Q	001-05560	3.A	8/9/2011	
3.2	Second Amended and Restated By-laws, As Amended	10-Q	001-05560	3.1	5/2/2014	
4.1	Specimen Certificate of Common Stock	S-3	333-92394	4	7/15/2002	
10.1*	Alpha Industries, Inc. Long-Term Compensation Plan dated September 24, 1990; amended March 28, 1991; and as further amended October 27, 1994	10-K	001-05560	10.B	12/14/2005	
10.2*	Alpha Industries Executive Compensation Plan dated January 1, 1995, and Trust for the Alpha Industries Executive Compensation Plan dated January 3, 1995	10-K	001-05560	10.D	12/14/2005	
10.3*	Skyworks Solutions, Inc. 1999 Employee Long-Term Incentive Plan	10-K	001-05560	10.L	12/23/2002	
10.4*	Skyworks Solutions, Inc. Directors' 2001 Stock Option Plan	8-K	001-05560	10.2	5/4/2005	
10.5*	Form of Notice of Stock Option Grant under the Company's Directors' 2001 Stock Option Plan	8-K	001-05560	10.3	5/4/2005	
10.6*	Skyworks Solutions, Inc. 2002 Employee Stock Purchase Plan	10-Q	001-05560	10.D	1/31/2013	
10.7*	Skyworks Solutions, Inc. Non-Qualified Employee Stock Purchase Plan	10-Q	001-05560	10.E	1/31/2013	
10.8*	Skyworks Solutions, Inc. Amended and Restated 2005 Long-Term Incentive Plan	8-K	001-05560	10.1	5/13/2013	
10.9*	Form of Nonstatutory Stock Option Agreement under the Company's 2005 Long-Term Incentive Plan	10-Q	001-05560	10.B	1/31/2013	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
10.10*	Form of Performance Share Agreement under the Company's 2005 Long-Term Incentive Plan	10-Q	001-05560	10.C	1/31/2013	
10.11*	Form of Restricted Stock Unit Agreement under the Company's 2005 Long-Term Incentive Plan	8-K	001-05560	10.1	5/9/2014	
10.12*	Skyworks Solutions, Inc. Amended and Restated 2008 Director Long-Term Incentive Plan, as Amended	10-Q	001-05560	10.1	5/2/2014	
10.13*	Form of Restricted Stock Agreement under the Company's 2008 Director Long-Term Incentive Plan	10-Q	001-05560	10.NN	5/7/2008	
10.14*	Form of Nonstatutory Stock Option Agreement under the Company's 2008 Director Long-Term Incentive Plan	10-Q	001-05560	10.OO	5/7/2008	
10.15*	Advanced Analogic Technologies Incorporated 1998 Amended Stock Plan	10-K	001-05560	10.CC	11/21/2012	
10.16*	Advanced Analogic Technologies Incorporated 2005 Equity Incentive Plan	10-K	001-05560	10.DD	11/21/2012	
10.17*	Fiscal 2014 Executive Incentive Plan	10-Q	001-05560	10.A	1/29/2014	
10.18*	Skyworks Solutions, Inc. Cash Compensation Plan for Directors	10-Q	001-05560	10.1	7/30/2014	
10.19*	Amended and Restated Change of Control / Severance Agreement, dated January 22, 2008, between the Company and David Aldrich	10-Q	001-05560	10.W	5/7/2008	
10.20*	Amendment dated November 23, 2010 to Amended and Restated Change of Control / Severance Agreement, dated January 22, 2008, between the Company and David Aldrich	10-Q	001-05560	10.KK	2/8/2011	
10.21*	Change of Control / Severance Agreement, dated January 22, 2008, between the Company and Liam Griffin	10-Q	001-05560	10.X	5/7/2008	
10.22*	Change of Control / Severance Agreement, dated January 22, 2008, between the Company and Mark Tremallo	10-Q	001-05560	10.DD	5/7/2008	
10.23*	Change of Control / Severance Agreement, dated January 22, 2008, between the Company and Donald Palette	10-Q	001-05560	10.II	5/7/2008	
10.24*	Change of Control / Severance Agreement, dated January 22, 2008, between the Company and Bruce Freyman	10-Q	001-05560	10.KK	5/7/2008	
21	Subsidiaries of the Company					X
23.1	Consent of KPMG LLP					X
31.1	Certification of the Company's Chief Executive Officer pursuant to Securities and Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer pursuant to Securities and Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Indicates a management contract or compensatory plan or arrangement.

STOCK PURCHASE AGREEMENT
BY AND AMONG
SKYWORKS SOLUTIONS, INC.,
SKYWORKS LUXEMBOURG S.A.R.L.,
PANASONIC CORPORATION, AUTOMOTIVE & INDUSTRIAL SYSTEMS COMPANY,
PANASONIC ASIA PACIFIC PTE., LTD.,
SKYWORKS PANASONIC FILTER SOLUTIONS JAPAN CO., LTD.
AND
SKYWORKS PANASONIC FILTER SOLUTIONS SINGAPORE PTE. LTD.

July 2, 2014

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EXHIBITS

- Exhibit A Kaisha Bunkatsu Documents
- Exhibit B Singapore Business Transfer Agreement
- Exhibit C JV Agreement
- Exhibit D License Agreement
- Exhibit E Material Terms of Transition Services Agreement
- Exhibit F Real Property Lease Agreements
- Exhibit G Option Agreement
- Exhibit H Secondment Agreements
- Exhibit I [*Reserved*]
- Exhibit J FilterCo and FilterSub Articles of Incorporation

SCHEDULES

- Schedule 1.1(A) Transferred Assets, Assumed Contracts, Excluded Assets, Assumed Liabilities, and Excluded Liabilities
- Schedule 1.1(B) Key Employees
- Schedule 1.1(C) Knowledge of the Seller
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- Schedule 1.1(E) Transferred Employees
- Schedule 2.6(b) Balance Sheet Net Assets Calculation
- Schedule 6.13 Certain Employee Matters
- Schedule 6.19 Supply Contracts; Customer Support; Business Process; Equipment
- Schedule 7.1(b) Required Approvals
- Schedule 7.1(c) Required Third-Party Consents

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of the 2nd day of July, 2014, by and among Skyworks Solutions, Inc., a Delaware corporation (the “Buyer Parent”), Skyworks Luxembourg S.a.r.l., a corporation organized under the laws of Luxembourg and an indirect wholly owned subsidiary of the Buyer Parent (the “Buyer”), Panasonic Corporation, a company incorporated under the laws of Japan, through its Automotive & Industrial Systems Company (the “Seller”), Panasonic Asia Pacific Pte., Ltd., a company incorporated under the laws of Singapore and a wholly owned subsidiary of Seller (“PIDSG”), Skyworks Panasonic Filter Solutions Japan Co., Ltd., a *kaishiki kaisha* incorporated under the laws of Japan and a wholly owned subsidiary of the Seller (“FilterCo”), and Skyworks Panasonic Filter Solutions Singapore Pte. Ltd., a company incorporated under the laws of the Republic of Singapore and a wholly owned subsidiary of FilterCo (“FilterSub”).

RECITALS

A. The Buyer Parent and the Seller are parties to that certain Memorandum of Understanding, dated April 28, 2014 (the “MOU”), setting forth (i) their intent to form a joint venture to combine the Seller’s leading-edge filter technology with the Buyer Parent’s innovative front-end solutions and strong customer relationships and (ii) certain terms and conditions with respect to the Transactions (as defined below).

B. The Seller is the legal and beneficial owner of the Stock (as defined below), which represents 100% of the issued, outstanding and paid-up share capital of FilterCo.

C. On the terms and subject to the conditions contained herein, the Seller desires to sell and the Buyer desires to purchase all of the Seller’s right, title and interest in and to 265,452 shares of the Stock, representing 66% of the outstanding Stock of FilterCo (the “Purchased Stock”) and the Seller desires to grant to the Buyer an option to purchase, and the Buyer desires to grant to the Seller an option to sell, the Seller’s right, title and interest in and to 136,748 shares of the Stock, representing the remaining 34% of the outstanding Stock of FilterCo.

D. Prior to the sale of the Purchased Stock, the Seller and FilterCo will enter into and consummate the transactions contemplated by the *kaisha bunkatsu* documents substantially in the form attached hereto as Exhibit A (the “Kaisha Bunkatsu Documents”), and PIDSG and FilterSub (each as defined below) will enter into and consummate the transactions contemplated by the business transfer agreement in substantially the form attached hereto as Exhibit B (the “Singapore Business Transfer Agreement”).

E. In connection with the sale of the Purchased Stock pursuant to this Agreement, the parties hereto (each a “Party” and collectively the “Parties”) and/or certain of their respective wholly owned subsidiaries have agreed to enter into a joint venture agreement in substantially the form attached hereto as Exhibit C (the “JV Agreement”), a license agreement in substantially the form attached hereto as Exhibit D (the “License Agreement”), the Transition Services Agreement (as defined below) the major terms of which are attached hereto as Exhibit E, certain real property leases for the Leased Real Properties (as defined below) in substantially the forms, and/or major terms of which are, attached hereto as Exhibit F (collectively, the “Real Property Lease Agreements”), the put and call option agreement in substantially the form attached hereto as Exhibit G (the “Option Agreement”), secondment agreements (for the Seconded Employees

and the Current Seconded Employees) in substantially the forms, and/or major terms of which are, attached hereto as Exhibit H (the “Secondment Agreements”), the Uozu Lease (as defined below) and a service agreement which provides terms and conditions for a certain service to be provided by the Seller to FilterCo at the Uozu Factory (together with the Uozu Lease, the “Uozu Facility Lease and Service Agreements”), and certain other Transaction Documents (as defined below).

NOW THEREFORE, in consideration of the premises and of the mutual representations, warranties and covenants that are to be made and performed by the Parties, it is agreed as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.1 Definitions. The following terms when used in this Agreement have the meanings set forth below:

“Accounting Arbitrator” has the meaning set forth in Section 2.6(g).

“Acquisition Proposal” has the meaning set forth in Section 6.8(a).

“Action” means any action, suit, proceeding, hearing, Order, charge, complaint or arbitration at Law or in equity, or before any Governmental Entity.

“Affiliate” means, with respect to a Party, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” means the ownership of a majority of the voting securities of the applicable Person, and the terms “controlled” and “controlling” have correlative meanings.

“Affiliate Contracts” has the meaning set forth in Section 3.7.

“Agreement” has the meaning set forth in the Preamble.

“Agreement Date” means the date hereof.

“Antitrust Laws” has the meaning set forth in Section 6.7(a).

“Applicable Anti-Corruption Laws” has the meaning set forth in Section 4.23(a).

“Applicable Law” means, with respect to any Person, any Law existing as of the Agreement Date or as of the Closing applicable to such Person or any of its respective properties, assets or Representatives.

“Arbitration Notice” has the meaning set forth in Section 12.9(b).

“Assumed Contracts” has the meaning set forth in Schedule 1.1(A) hereto.

“Assumed Liabilities” has the meaning set forth in Schedule 1.1(A) hereto.

“Balance Sheet Current Assets” means (without duplication) (i) trade accounts receivable (net of allowance for bad debts and excluding any receivables older than 90 days), plus (ii) inventories (including materials, work in process, finished goods and supplies, but excluding end-of-life, scrap, excess and obsolete inventory), each as determined in a manner consistent with the preparation of the Financial Statements under JGAAP or SGAAP, as applicable.

“Balance Sheet Liabilities” means (without duplication) (i) trade accounts payable, plus (ii) accrued expenses, plus (iii) facilities-related debt (including equipment notes payables, other accounts payables and lease obligations), plus (iv) provision, if any, for ordinary course bonuses payable to the Transferred Employees, each as determined in a manner consistent with the preparation of the Financial Statements under JGAAP or SGAAP, as applicable.

“Balance Sheet Non-Current Assets” means (without duplication) (i) property, plant and equipment (including structures, machinery, tools, appliances and fixtures), and leased property, plus (ii) intangible fixed assets (including software and patents), each as determined in a manner consistent with the preparation of the Financial Statements under JGAAP or SGAAP, as applicable.

“Balance Sheet Net Assets” has the meaning set forth in Section 2.6(a).

“Balance Sheet Net Assets Deficit” has the meaning set forth in Section 2.6(a).

“Balance Sheet Net Assets Surplus” has the meaning set forth in Section 2.6(a).

“Balance Sheet Total Assets” means Balance Sheet Current Assets plus Balance Sheet Non-Current Assets.

“Benefit Arrangement” means any plan, program, policy, practice or arrangement relating to insurance, bonuses, vacation, profit-sharing, stock options, disability, pension, retirement, allowances, welfare, healthcare, unemployment or any other benefits to employees or former employees, their beneficiaries or dependents.

“Benefit Plan” has the meaning set forth in Section 4.16(a).

“Business Day” means a day, other than Saturday, Sunday or public holidays in Japan or the United States of America.

“Business Process Agreements” has the meaning set forth in Section 4.12(e)(iii).

“Buyer” has the meaning set forth in the Preamble.

“Buyer Excluded Claim” has the meaning set forth in Section 9.1(a).

“Buyer Indemnitees” has the meaning set forth in Section 9.2(a).

“Buyer Parent” has the meaning set forth in the Preamble.

“Buyer Transaction Documents” means this Agreement, the JV Agreement, the Option Agreement, and any other agreements to be entered into in connection with the Transactions to which the Buyer or the Buyer Parent is, or is specified to be, a party.

“Call Right” means the Buyer’s right to purchase all of the Seller’s remaining Stock (as defined in the Option Agreement).

“CCBD” means the Seller’s Circuit Components Business Division.

“CCBG2” means PIDSG’s Circuit Components Business Group 2.

“Clean Room Policies” means those policies implemented by the Seller to reasonably prevent the disclosure of information that would facilitate “gun jumping” or other anticompetitive acts or the violation of confidentiality obligations.

“Claim Certificate” has the meaning set forth in Section 9.4(a).

“Closing” has the meaning set forth in Section 2.4.

“Closing Date” has the meaning set forth in Section 2.4.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commitments” has the meaning set forth in Section 4.12(n).

“Consigned Equipment” has the meaning set forth in Schedule 6.19.

“Continuing Employees” means the Filter Business Employees (excluding, for the avoidance of doubt, employees who work in sales, accounting, human resources, intellectual property department and other cross-business functions) who are (a) those, to be automatically transferred to or to accept offers of employment with, FilterCo or FilterSub, as applicable, (b) the Seconded Employees, and (c) the Current Seconded Employees, each following the Contribution and as of the Closing. In the case of any Filter Business Employee who is a foreign employee (as defined in the Employment of Foreign Manpower Act (Chapter 91A) of Singapore) in Singapore and will be automatically transferred to or accepts an offer of employment with FilterSub, such employee shall only be considered a Continuing Employee if FilterSub can lawfully employ the employee as of the Closing Date in compliance with Applicable Law.

“Contract” means any contract, agreement, instrument, option, lease, license, sales and purchase order, warranty, note, bond, mortgage, indenture, obligation, commitment, binding application, arrangement or understanding, whether written or oral, express or implied, in each case as amended and supplemented from time to time.

“Contribution” means the consummation of the transactions contemplated by the Kaisha Bunkatsu Documents and the Singapore Business Transfer Agreement.

“Copyrights” means copyrights and all other similar rights under any Applicable Law with respect to Works of Authorship and all registrations thereof and applications therefor (including moral and economic rights, however denominated).

“Covered Persons” has the meaning set forth in Section 6.14(a)(iii).

“Current Seconded Employees” means the Filter Business Employees who are seconded from any Affiliate of the Seller. Such employees are listed on Schedule 1.1(D).

“Databases” means databases and other compilations and collections of data or information.

“Disclosure Schedules” has the meaning set forth in Article III.

“Dispute” has the meaning set forth in Section 12.9(b).

“Divestiture” has the meaning set forth in Section 6.7(b).

“Dollar Equivalent” of any amount means, at the date of determination thereof, (a) if such amount is expressed in US\$, such amount and (b) if such amount is denominated in Japanese Yen, the equivalent of such amount in US\$ as converted from Japanese Yen into US\$ based on the average exchange rate for such a conversion for thirty (30) calendar days ending on the date prior to the date of determination (as quoted or published from time to time by the *Wall Street Journal*).

“Domain Names” means Internet domain names and uniform resource locators.

“Encumbrance” means any mortgage, deed of trust, pledge, hypothecation, security interest, lien (statutory or otherwise), easement, charge, encumbrance, claim, license, option (including rights of first refusal or similar rights) or any similar types of restrictions or limitations.

“Environmental Laws” means any Laws relating to (i) releases or threatened releases of Hazardous Material; (ii) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Material; or (iii) pollution or protection of the environment, health, safety or natural resources.

“Environmental Permits” has the meaning set forth in Section 4.18(b).

“EOL Products” has the meaning set forth in Schedule 6.19.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Excluded Assets” has the meaning set forth in Schedule 1.1(A) hereto.

“Excluded Liabilities” has the meaning set forth in Schedule 1.1(A) hereto.

“Expiration Date” has the meaning set forth in Section 9.1(a).

“Filter Business” means the SAW and TC-SAW filters (including duplexers) for mobile communications applications business that is operated as of the Agreement Date by the CCBD of the Automotive & Industrial Systems Company of the Seller and the CCBG2 of PIDSG.

“Filter Business Employees” means (i) all current employees or seconded employees of the Kadoma Factory who work exclusively for the Filter Business, (ii) all current employees or seconded employees of the Uozu Factory who work exclusively for the Filter Business, (iii) all employees who belong to CCBD and work exclusively for the Filter Business on secondment to PIDSG, and (iv) all current employees of CCBG2 who work exclusively for the Filter Business, excluding employees who currently work in

sales, accounting, human resources, intellectual property department and other cross-business functions.

“Filter Business Intellectual Property” means the Owned Intellectual Property used in the conduct of the Filter Business and the Licensed Intellectual Property.

“Filter Business Permits” has the meaning set forth in Section 4.14(c).

“Filter Business Products” means the Seller’s and PIDSG’s SAW and TC-SAW filters (including duplexers) for mobile communications applications.

“Filter Business Software” means all Software, owned or purported to be owned by the Seller or any of its Subsidiaries, used in the Filter Business or for any Filter Business Products.

“FilterCo” has the meaning set forth in the Preamble.

“FilterCo and FilterSub Transaction Documents” means this Agreement, the Kaisha Bunkatsu Documents, the Singapore Business Transfer Agreement, the License Agreement, the Transition Services Agreement, the Real Property Lease Agreements, the Secondment Agreements, the Uozu Facility Lease and Service Agreements, the respective articles of incorporation as set forth in Exhibit J attached hereto, and any agreements to be entered into in connection with the Transactions to which FilterCo or FilterSub is, or is specified to be, a party.

“FilterSub” has the meaning set forth in the Preamble.

“Final Statement of Balance Sheet Net Assets” has the meaning set forth in Section 2.6(i).

“Final Balance Sheet Net Assets” has the meaning set forth in Section 2.6(i).

“Financial Statements” has the meaning set forth in Section 4.7(a).

“Government Officials” has the meaning set forth in Section 4.23(b).

“Governmental Entity” means any supranational, foreign, domestic, federal, national, territorial, state, county, city, township or other local governmental authority, or any regulatory, administrative or other agency, instrumentality, court, government organization, quasi-governmental organization, mediator, arbitrator or arbitral forum (whether public or private), commission, tribunal thereof, or any political or other subdivision, department or branch of any of the foregoing, HDB, or any private body, in each case, which exercises any Tax, regulatory or governmental or quasi-governmental authority.

“Hazardous Material” shall mean all materials, wastes or substances regulated, classified or otherwise characterized under Applicable Law as “hazardous,” “toxic,” “pollutant” or “contaminant.”

“HDB” means the Housing and Development Board, a corporate body incorporated under the Housing and Development Act (Chapter 129 of Singapore Statutes), having its office at HDB Hub, 480 Lorong 6 Toa Payoh Singapore 310480.

“HDB Lease” means the instrument of lease No. I/9390B relating to the Singapore Factory registered at the Singapore Land Authority.

“HDB Variation of Lease” means the instrument of variation of lease No. ID/535168K relating to the Singapore Factory registered at the Singapore Land Authority.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Inbound License Agreement” means any Contract pursuant to which a third party has granted or agreed to grant to the Seller or any of its Subsidiaries any right to use or otherwise practice or exploit, or has otherwise granted or agreed to grant any license, covenant, release, immunity or other right with respect to, any such third party’s Intellectual Property or Intellectual Property Rights, which right remains in effect as of the Agreement Date and which right is as of the Agreement Date practiced or planned to be practiced in connection with the Filter Business.

“Indemnification Basket” has the meaning set forth in Section 9.2(b).

“Indemnified Party” has the meaning set forth in Section 9.4(a).

“Indemnifying Party” has the meaning set forth in Section 9.4(b).

“Intellectual Property” means any and all Intellectual Property Rights and Technology, including tangible embodiments thereof.

“Intellectual Property Rights” means any and all rights (anywhere in the world, whether statutory, common law or otherwise) relating to, arising from or associated with Technology, including (i) Patents; (ii) Copyrights; (iii) industrial design rights and registrations thereof and applications therefor; (iv) rights with respect to Trademarks, including registrations thereof and applications therefor; (v) rights with respect to Domain Names; (vi) rights with respect to Trade Secrets, including rights to limit the use or disclosure thereof by any Person; (vii) publicity and privacy rights, including rights with respect to the use of a Person’s name, signature, likeness, image, photograph, voice, identity, personality, and biographical and personal information and materials; and (viii) any rights equivalent or similar to any of the foregoing.

“Inventory” means the Seller’s and its Subsidiaries’ inventory of the Filter Business Products held for sale, and all raw materials, work in process, finished products, spare parts, supplies, packaging and promotional materials for the Filter Business Products, in each case wherever located.

“IP Indemnification Cap” has the meaning set forth in Section 9.2(d).

“IP Representations” has the meaning set forth in Section 9.1(a).

“JGAAP” means generally accepted accounting principles of Japan applied in a manner consistent with past practices of the Seller.

“Kadoma Factory” means the property located at 12-10-1, Yakumo-higashi, Moriguchi-City, Osaka, Japan, comprising Building No. 5 (8,894 square meters) of the Seller’s Automotive & Industrial Systems Company property.

“Kaisha Bunkatsu Documents” has the meaning set forth in the Recitals.

“Key Employees” means the employees listed on Schedule 1.1(B).

“Knowledge” means the actual knowledge after reasonable inquiry of a Person.

“Knowledge of the Seller” means the Knowledge of the individuals listed on Schedule 1.1(C).

“Later-Identified Asset” has the meaning set forth in Section 6.17.

“Law” means any foreign or domestic constitutional provision, act, statute or other law, ordinance, circular, rule or regulation of any Governmental Entity and any binding and enforceable Order, doctrine, compliance plan, assessment or arbitration award or similar form of decision or determination issued by a Governmental Entity.

“Leased Real Property” means the Kadoma Factory, the Uozu Factory, and the Singapore Factory.

“Leases” has the meaning set forth in Section 4.11(b)(i).

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

“Licensed Intellectual Property” means all Intellectual Property for which FilterCo and/or FilterSub has a license or other valid right to use in the conduct of the Filter Business.

“Licensed Patents” has the meaning set forth in the License Agreement.

“Licensed Non-Patent IP” has the meaning set forth in the License Agreement.

“Loss” and “Losses” have the meaning set forth in Section 9.5(b).

“Mask Works” means mask works, layout designs, topographies and other design features with respect to the Filter Business Products.

“Material Adverse Effect” means any event, circumstance, occurrence, change, effect or fact, or group of any of the foregoing, that (x) would prevent, materially delay or materially impede the consummation of the Transactions or (y) results in, or would reasonably be expected to result in, a material adverse effect on, or a material adverse change in, the Filter Business, the Transferred Assets, the Assumed Contracts or the Assumed Liabilities, taken as a whole, except to the extent that any such event, circumstance, occurrence, change, effect or fact, or group of any of the foregoing, directly results from (i) changes in general economic conditions, (ii) changes generally affecting the industry in which the Filter Business operates (provided that such changes do not affect the Filter Business, the Transferred Assets, the Assumed Contracts or the Assumed Liabilities substantially and disproportionately as compared to the Filter Business’s competitors), (iii) any acts of terrorism, military action or war, (iv) changes in

Applicable Law, JGAAP, or SGAAP generally affecting the industry in which the Filter Business operates, (v) natural disasters or acts of God, or (vi) the announcement of the Transactions.

“Material Contract” or “Material Contracts” has the meaning set forth in Section 4.12(a).

“MOU” has the meaning set forth in the Recitals.

“New Equipment” means that certain new equipment as reflected on Schedule 2.6(b) for production of the Filter Products already ordered by the Seller and scheduled to be delivered to the Kadoma Factory prior to the Closing.

“New Equipment Payment” has the meaning set forth in Section 2.8(a).

“Non-Compete Company” has the meaning set forth in Section 6.14(a).

“Non-Compete Filter Products” means the Seller’s and PIDSG’s SAW and TC-SAW filters (including duplexers) for mobile communications devices.

“Non-Disclosure Agreement” has the meaning set forth in Section 6.10(a).

“Non-IP Indemnification Cap” has the meaning set forth in Section 9.2(c).

“Notice of Balance Sheet Net Assets Disagreement” has the meaning set forth in Section 2.6(e).

“Open Source Software” means any Software that contains, is derived in any manner (in whole or in part) from, or is distributed as, free Software, share-ware, “open source software” or is otherwise made available under terms that require such Software or derivative works thereof, as a covenant or condition of distribution of such Software or derivative works, (a) be made available or distributed in a form other than binary (e.g., source code form); (b) be licensed under terms that allow for creation of derivative works; (c) be licensed under terms that allow for decompiling, disassembling or reverse engineering; or (d) be licensed under terms that permit free redistribution (such covenants and conditions, “Open Source Terms”).

“Order” means any writ, judgment, decision, decree, award, order, injunction, ruling, stipulation or similar order of any federal, national, state or local court or Governmental Entity, in each case that is preliminary or final.

“Outbound License Agreement” means any Contract pursuant to which the Seller or any of its Subsidiaries has granted or agreed to grant to any third party any right to use or otherwise practice or exploit, or has otherwise granted or agreed to grant any license, covenant, release, immunity or other right, in each case which is in effect as of the Agreement Date, with respect to any Transferred IP.

“Owned Intellectual Property” means all Intellectual Property owned or purported to be owned by FilterCo and/or FilterSub relating to the Filter Business.

“Party” has the meaning set forth in the Recitals.

“Patents” means patents and patent applications, utility models and applications for utility models, inventor’s certificates and applications for inventor’s certificates, and invention disclosure statements, together with (a) all divisionals, continuations, continuations-in-part, and foreign counterpart applications related to the foregoing, (b) all patents, including foreign counterpart patents, issuing on any patent applications included in any of the foregoing, and (c) all reissues, reexaminations, extensions, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing.

“Permitted Encumbrance” means (a) liens to the extent shown on or reflected in the balance sheets of FilterCo or FilterSub; (b) liens for Taxes and other Governmental Entity charges and assessments that are not yet due or delinquent; (c) non-exclusive licenses to Filter Business Intellectual Property granted by the Seller or its Subsidiaries in the ordinary course of business consistent with past practice; and (d) carrier’s, warehousemen’s, mechanic’s, materialmen’s and other similar liens with respect to amounts that are not yet due and payable.

“Permits” means all licenses, permits, franchises, approvals, certificates, waivers, concessions, exemptions, variances, Orders, certificates of occupancy, registrations, notices, authorizations or consents of, or filings with, any Governmental Entity or any other Person.

“Person” means any individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity, or Governmental Entity.

“Personal Data” means data about an individual who can be identified from that data or from the combination with other data to which the Seller or any of its Subsidiaries has access, including personally identifiable information of employees of the Seller or any of its Subsidiaries.

“PIDSG” has the meaning set forth in the Preamble.

“Put Right” means Seller’s right to sell all of the Seller’s remaining Stock (as defined in the Option Agreement).

“Pre-Closing Taxes” means Taxes and Transfer Taxes of the Seller, PIDSG, FilterCo or FilterSub for a Pre-Closing Tax Period.

“Pre-Closing Tax Period” means any taxable period ending on or before the Closing Date and, in the case of any Straddle Period, the portion of such period ending on and including the Closing Date.

“Proceeding” means any audit or other examination, or any judicial or administrative proceeding, relating to Liability for or refunds or adjustments with respect to Taxes.

“Proposed Statement of Balance Sheet Net Assets” has the meaning set forth in Section 2.6(c).

“Proposed Statement Review Period” has the meaning set forth in Section 2.6(d).

“Purchase Price” has the meaning set forth in Section 2.2.

“Purchased Stock” has the meaning set forth in the Recitals.

“Registered Intellectual Property” means any Patents, registered Trademarks, applications to register Trademarks, registered Copyrights, applications to register Copyrights, and Domain Names that are registered, recorded or filed with a Governmental Entity or such other applicable authority.

“Representatives” means, with respect to any Person, such Person’s officers, directors, principals, employees, counsel, advisors, auditors, agents, consultants and other representatives.

“Required Approvals” has the meaning set forth in Section 7.1(b).

“Required Consents” means, collectively, the Required Governmental Consents and the Third-Party Consents.

“Required Governmental Consents” has the meaning set forth in Section 4.4(a).

“Required Third-Party Consents” has the meaning set forth in Section 7.1(c).

“Seconded Employees” means the Seconded Non-Union Employees and the Seconded Union Employees.

“Seconded Non-Union Employees” means all non-union employees (excluding employees with Senior Coordinator (*shuji*) classification) who (a) belong to CCBD and (b) work exclusively for the Filter Business as of the immediately preceding working day of the Agreement Date. Such employees are listed on Schedule 1.1(D).

“Seconded Union Employees” means all union employees (including employees with Senior Coordinator (*shuji*) classification) who (a) belong to CCBD and (b) work exclusively for the Filter Business as of the immediately preceding working day of the Agreement Date. Such employees are listed on Schedule 1.1(D).

“Secondment Agreement” has the meaning set forth in the Recitals.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Seller” has the meaning set forth in the Preamble.

“Seller Excluded Claims” has the meaning set forth in Section 9.1(a).

“Seller Indemnitees” has the meaning set forth in Section 9.3(a).

“Seller License Agreements” has the meaning set forth in Section 4.12(e)(iii).

“Seller Mask Works” has the meaning set forth in Section 4.12(k).

“Seller Software” has the meaning set forth in Section 4.12(j).

“Seller Transaction Documents” means this Agreement, the Kaisha Bunkatsu Documents, the Singapore Business Transfer Agreement, the Option Agreement, the JV Agreement, the License Agreement, the Transition Services Agreement, the Real Property Lease Agreements, the Secondment Agreement, the Uozu Facility Lease and Service Agreements, and

any other agreements to be entered into in connection with the Transactions to which the Seller or its Subsidiaries is, or is specified to be, a party.

“SGAAP” means generally accepted accounting principles of Singapore applied in a manner consistent with past practices of PIDSG.

“SIAC” has the meaning set forth in Section 12.9(b).

“SIAC Rules” has the meaning set forth in Section 12.9(b).

“Singapore Business Transfer Agreement” has the meaning set forth in the Recitals.

“Singapore Factory” means the leased premises located at 3 Bedok South Road, Singapore, as described in Annexure B of the Singapore Real Property Lease Agreement attached as Exhibit F hereto.

“Social Insurance” means any form of social insurance required under Applicable Law.

“Software” means computer programs and firmware, including any and all software implementations of algorithms, models and methodologies, program files, program and system logic, program modules, routines, and subroutines, whether in source code, object code or other form, including manuals, specifications, and other documentation and materials relating thereto.

“Special IP Indemnification Cap” has the meaning set forth in Section 9.2(e).

“Standards Body” has the meaning set forth in Section 4.12(n).

“Stock” means all of the issued and paid-up shares in the capital of FilterCo outstanding on the Closing Date.

“Straddle Period” means any taxable period beginning on or prior to and ending after the Closing Date.

“Subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which such Person (either alone or through or together with any other Subsidiary), (a) owns, directly or indirectly, more than fifty percent (50%) of the shares of capital stock or other equity interests that are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity, or (b) has the contractual or other power to designate a majority of the board of directors or other governing body (and, where the context permits, includes any predecessor of such an entity).

“Target Balance Sheet Net Assets” means JPY 13,550,000,000.

“Tax” or “Taxes” means any and all federal, national, state, local, regional and foreign taxes, assessments, duties, impositions, including those based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, goods and services tax, alternative minimum, windfall profits, estimated, customs, transfer, stamp duties, franchise, withholding, payroll, recapture, employment, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts.

“Tax Return” means any return, declaration, report, claim for refund, information return (including any related or supporting schedule, attachment, statement or information) filed or required to be filed in connection with the determination, assessment or collection of any Tax of any Party.

“Technology” means all tangible and intangible items related to, constituting, disclosing or embodying any or all of (a) Works of Authorship, (b) Trade Secrets, (c) Mask Works, (d) inventions (whether or not patentable), technology, formulae, algorithms, techniques, discoveries and improvements, (e) proprietary and confidential information and know-how, including technical, engineering, manufacturing, product, marketing, servicing, financial, supplier, customer and personnel information and materials, (f) Databases, including technical data, (g) methods and processes, and (h) tools, models, prototypes, devices, components, designs, specifications and schematics.

“Termination Date” has the meaning set forth in Section 10.1(b).

“Third-Party Claim” has the meaning set forth in Section 9.6(a).

“Third-Party Consents” has the meaning set forth in Section 4.4(b).

“Top Customers” has the meaning set forth in Section 4.20(a).

“Top Distributors” has the meaning set forth in Section 4.20(a).

“Top Suppliers” has the meaning set forth in Section 4.20(a).

“Trade Secrets” means information and materials that (a) derive independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use and (b) are the subject of efforts that are reasonable under the circumstances to maintain their secrecy.

“Trademarks” means trademarks, service marks, logos and design marks, trade dress, trade names, fictitious and other business names, and brand names, product and technology designations (e.g., product code names, feature and technology names, model numbers, SKU numbers, electronic labels, identification numbers), together with all goodwill associated with any of the foregoing.

“Transaction Documents” means, collectively, the Buyer Transaction Documents, FilterCo and FilterSub Transaction Documents and the Seller Transaction Documents.

“Transactions” means the transactions contemplated by this Agreement and the other Transaction Documents, as applicable.

“Transfer Taxes” means any statutory, governmental, federal, national, state, local, municipal, foreign and other transfer, documentary, real estate transfer, mortgage recording, sales, use, stamp, duty, stamp duties, registration, value-added, goods and services tax, gross receipts, excise, and other similar Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred or that may be payable in connection with the sale or purchase of the Transferred Assets and with, up to and including the

Closing Date, the Transactions. For the avoidance of doubt, Transfer Taxes does not include income tax or corporate tax to be imposed on each Party.

“Transferred Assets” has the meaning set forth in Schedule 1.1(A) attached hereto.

“Transferred Employees” means the employees listed in Schedule 1.1(E).

“Transferred Inventory” means any Inventory included in the Transferred Assets.

“Transferred IP” means all Intellectual Property included in the Transferred Assets.

“Transferred Patents” has the meaning set forth in Section 4.12(a)(i).

“Transition Services Agreement” means the transition services agreement in form and substance reasonably acceptable to each Party for the provision of certain transition services, including human resources, finance, accounting, information technology, and other general affairs, in both Japan and Singapore at the Seller’s direct costs in connection with the provision of such services; provided that certain other material terms of such transition services agreement are to be mutually agreed by the Parties following the Agreement Date pursuant to Section 6.15.

“Uozu Facility Lease and Service Agreements” has the meaning set forth in the Recitals.

“Uozu Factory” means the property located at 800, Higashiyama, Uozu City, Toyama, Japan.

“Uozu Lease” means Uozu Lease A and Uozu Lease B.

“Uozu Lease A” means the facility lease agreement, which commences at FilterCo’s option, for the lease of Building A (3,000-square-meter clean room) and 500 square meters of office space not located in Building A for an initial term of two years, plus an additional three-year term at the option of FilterCo, plus a final six-year term that is subject to cancellation for a “change-of-control”; provided that the Uozu Lease A is subject to agreement between the parties thereto regarding all of the other material terms of such lease, including rent, expansion option exercise terms and definition of “change of control”, following the Agreement Date pursuant to Section 6.15.

“Uozu Lease B” means the facility lease agreement in form and substance reasonably acceptable to each Party for the lease of Building B (600 square meters) at the Uozu Factory for an initial term of two years plus an additional three-year term at the option of FilterCo.

“Works of Authorship” means Software, register-transfer level and gate-level descriptions, netlists, documentation, scripts, verification components, test suites, websites, content, images, graphics, text, photographs, artwork, audiovisual works, sound recordings, graphs, drawings, reports, analyses, writings, and other works of authorship and copyrightable subject matter.

“X-CO” has the meaning set forth in Section 4.12(e)(iii) of the Disclosure Schedules.

“X-CO Business Process Agreement” has the meaning set forth in Section 4.12(g) of the Disclosure Schedules.

ARTICLE II
PURCHASE AND SALE

Section 2.1 Purchase and Sale. Subject to the terms and conditions set forth herein, at the Closing, the Seller will sell as legal and beneficial owner and the Buyer will purchase (a) all of the Seller's right, title and interest in and to the Purchased Stock, free and clear of all Encumbrances and together with all rights, dividends, entitlements and advantages now and hereafter attaching thereto and (b) the Call Right, for the payments specified in Section 2.3. The Buyer shall not be obligated to complete the purchase of any of the Purchased Stock or the Call Right unless the purchase of all of the Purchased Stock and the Call Right is completed simultaneously. The Purchase Price shall be subject to a post-Closing adjustment, if any, as set forth in Section 2.6 and Section 2.8.

Section 2.2 Purchase Price. The Buyer will purchase from the Seller all of the Purchased Stock and the Call Right for the Put Right and an aggregate purchase price of US\$148,500,000 in cash (the "Purchase Price"), as may be adjusted pursuant to Section 2.6.

Section 2.3 Closing Payment. At the Closing, the Buyer or another direct or indirect wholly owned Subsidiary of Buyer Parent shall pay to the Seller an amount equal to the Purchase Price by wire transfer of immediately available funds to a bank account designated by the Seller at least five (5) Business Days prior to Closing. The payment made by the Buyer under this Section 2.3 shall not be subject to offset at the Closing for any reason whatsoever.

Section 2.4 Closing. Unless this Agreement shall have been terminated pursuant to Article X, and subject to the satisfaction or waiver of all of the conditions set forth in Article VII and Article VIII, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of O'Melveny & Myers LLP, Meiji Yasuda Seimei Building, 11th Floor, 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan, or such other place (including by electronic transmission) as the Buyer and the Seller shall agree, on August 1, 2014, Tokyo time, and/or on such other date and place as shall be mutually agreed by the Parties (the "Closing Date").

Section 2.5 Delivery of FilterCo Share Certificates; Other Closing Deliverables.

(a) Delivery of FilterCo Share Certificates. Upon the Closing, the Seller shall deliver to the Buyer one or more certificates in respect of all of the Purchased Stock and valid share transfer forms in respect of the Purchased Stock duly executed by the Seller in favor of the Buyer, together with a certified copy of FilterCo's shareholders' registry (*kabunishi meibo*), reflecting the transfer of the Purchased Stock to the Buyer.

(b) Delivery of Executed Option Agreement. Upon the Closing, the Seller shall deliver to the Buyer a duly executed counterparty to the Option Agreement, the form of which is attached as Exhibit G.

(c) Other Closing Deliverables by Seller. Upon the Closing, the Seller shall deliver to the Buyer:

(i) certified true copies of the resolutions passed by the board of directors of FilterCo approving the transfer of the Purchased Stock to the Buyer and the FilterCo and FilterSub Transaction Documents and the transactions contemplated thereby;

(ii) a certified copy of FilterCo's shareholder register (*kabunushi meibo*) which reflects the transfer of the Purchased Stock to the Buyer under this Agreement;

(iii) (A) a certified copy of the seal impression (*inkan shomeisho*) of the representative director of the Seller issued during the two (2)-week period preceding the Closing Date, and (B) a certified copy of the corporate register (*zenbujiko shomeisho*) of the Seller issued during the two (2)-week period preceding the Closing;

(iv) a certified (extract) copy of the Seller's board of director resolutions (*torshimariyakukai gijiroku*) approving the Seller Transaction Documents and the transactions contemplated thereby, certified by the Seller's representative director or his or her authorized nominee;

(v) certified (extract) copies of the resolutions passed by the shareholders (if required) and the board of directors of PIDSG approving the transfer of the Filter Business of PIDSG from PIDSG to FilterSub and authorizing the execution and delivery by PIDSG of the Singapore Business Transfer Agreement and all other documents and agreements ancillary or pursuant thereto;

(vi) photocopies of duly executed contracts of employment or service entered into with FilterSub by all of the Non-EA Employees (as defined in the Singapore Business Transfer Agreement) who have accepted the Purchaser's Offer (as defined in the Singapore Business Transfer Agreement);

(vii) in relation to the transfer of the Transferred Assets and assumption of the Assumed Contracts under the Singapore Business Transfer Agreement, by allowing FilterSub to take possession of the following deliverables to the reasonable satisfaction of the Buyer: (A) inventories (including raw materials, materials, work in process, finished goods and supplies, and spare parts), (B) books and records, including all files, documents, data, instruments and papers, (C) tangible assets (including structures, machinery, equipment, tools, appliances, fixtures, construction accounts and lease properties, furniture, fixed assets, office equipment, computer hardware and vehicles, including the tangible assets set forth in the Exhibit A entitled "List of Tangible Assets" of the Singapore Business Transfer Agreement), (D) licenses and permits including those set forth in the Exhibit B entitled "List of Required Approvals" of the Singapore Business Transfer Agreement), and (E) customer files and such other documents containing customer information;

(viii) certified (extract) copies of the resolutions passed by the board of directors of the Seller and the general meeting of shareholders of FilterCo approving the transfer of the Filter Business of the Seller to FilterCo and

authorizing the execution and delivery of the Kaisha Bunkatsu Documents and all other documents and agreements ancillary or pursuant thereto;

(ix) photocopies of secondment orders issued by the Seller to the Seconded Employees; and

(x) in relation to the transfer of the Transferred Assets and the assumption of the Assumed Contracts under the Kaisha Bunkatsu Documents, by allowing FilterCo to take possession of the following deliverables to the reasonable satisfaction of the Buyer: (A) inventories (including raw materials, materials, work in process, finished goods and supplies, and spare parts), (B) books and records, including all files, documents, data, instruments and papers, (C) tangible assets, and (D) customer files and such other documents containing customer information.

(d) Other Closing Deliverables by Buyer. Upon the Closing, the Buyer shall deliver to the Seller:

(i) a request form in the name of Buyer duly executed by Buyer in order to register Buyer as a holder of the Purchased Stock on FilterCo's shareholder register (*kabunushi meibo*);

(ii) a certified (extract) copy of the Buyer Parent's board of director resolutions approving the Buyer Transaction Documents and the transactions contemplated thereby, certified by the Buyer's secretary;

(iii) a certified (extract) copy of the Buyer's board of director resolutions approving the Buyer Transaction Documents and the transactions contemplated thereby, certified by the Buyer's secretary; and

(iv) a duly executed counterparty to the Option Agreement.

Section 2.6 Purchase Price Adjustment.

(a) For purposes of this Agreement, (i) the term "Balance Sheet Net Assets" means Balance Sheet Total Assets less Balance Sheet Liabilities, each as of the close of business on the day immediately preceding the Closing Date; (ii) the term "Balance Sheet Net Assets Deficit" shall mean the amount, if any, by which Final Balance Sheet Net Assets is less than the Target Balance Sheet Net Assets; and (iii) the term "Balance Sheet Net Assets Surplus" shall mean the amount, if any, by which the Final Balance Sheet Net Assets is greater than the Target Balance Sheet Net Assets.

(b) The Balance Sheet Net Assets, the Proposed Statement of Balance Sheet Net Assets and Final Statement of Balance Sheet Net Assets shall be based upon the books and records of FilterCo and FilterSub and prepared in accordance with JGAAP or SGAAP, as applicable, in Japanese Yen, consistent with and using the same principles, policies, practices, procedures, methods, estimates and calculations, with consistent classifications, judgments and valuation and estimation methods, as those used in preparing the Financial Statements and as set forth on Schedule 2.6(b) hereto.

(c) Within ninety (90) calendar days after the Closing Date, the Buyer and the Buyer's accountants shall prepare and deliver to the Seller a proposed statement of the Balance Sheet Net Assets of FilterCo and FilterSub (the "Proposed Statement of Balance Sheet Net Assets"). The Proposed Statement of Balance Sheet Net Assets shall include all of the balance sheet line items included in the computation of Balance Sheet Net Assets and shall include a computation of Balance Sheet Net Assets. In connection with the preparation of the Proposed Statement of Balance Sheet Net Assets, to the extent the Buyer does not have all relevant information in its possession, the Buyer and its Representatives will be permitted to have reasonable access during normal business hours to review the books, records and other relevant information of the Seller, PIDSG, FilterCo and Filter Sub relating to any item that constitutes the Balance Sheet Total Assets or Balance Sheet Liabilities and the Seller's independent accountants (to the extent permitted by the independent accountants), and the Seller shall make reasonably available the individuals in the employ of the Seller and its Representatives, if any, responsible for and knowledgeable about the information used in, and the preparation of, the Financial Statements in order to assist the Buyer in the preparation of the Proposed Statement of Balance Sheet Net Assets.

(d) During the ninety (90) calendar days immediately following the Seller's receipt of the Proposed Statement of Balance Sheet Net Assets (the "Proposed Statement Review Period"), the Seller and its Representatives will be permitted to review the work papers of the Buyer and the Buyer Parent and the work papers of the independent accountants (to the extent permitted by the independent accountants), if any, retained by the Buyer or the Buyer Parent relating to the Proposed Statement of Balance Sheet Net Assets, and to make reasonable inquiries of the Buyer, the Buyer Parent and their respective Representatives regarding questions concerning the Proposed Statement of Balance Sheet Net Assets. In connection with the review of such work papers, the Seller and its Representatives will be permitted to have reasonable access during normal business hours to review the books, records and other relevant information of FilterCo and FilterSub relating to any item that constitutes the Balance Sheet Net Assets. The Buyer and the Buyer Parent shall make reasonably available the individuals in the employ of the Buyer or the Buyer Parent and their respective Representatives, if any, responsible for and knowledgeable about the information used in, and the preparation of, the Financial Statements in order to assist the Seller in its review of the Proposed Statement of Balance Sheet Net Assets.

(e) The Seller shall notify the Buyer in writing (the "Notice of Balance Sheet Net Assets Disagreement") prior to the expiration of the Proposed Statement Review Period if the Seller disagrees with any one or more of the line items of the Proposed Statement of Balance Sheet Net Assets. The Notice of Balance Sheet Net Assets Disagreement shall set forth in reasonable detail the basis for such dispute, the amounts involved and the Seller's determination of the amount of the Balance Sheet Net Assets of FilterCo as of the close of business on the day immediately preceding the Closing Date. If no Notice of Balance Sheet Net Assets Disagreement is given to the Buyer prior to the expiration of the Proposed Statement Review Period, then the Proposed Statement of Balance Sheet Net Assets shall be deemed to have been accepted by the Seller and shall become final, binding and conclusive upon the Parties.

(f) If a Notice of Balance Sheet Net Assets Disagreement is given to the Buyer prior to the expiration of the Proposed Statement Review Period, then the Seller and the

Buyer shall attempt, in good faith, to resolve any differences that they may have with respect to the matters specified in the Notice of Balance Sheet Net Assets Disagreement.

(g) If the Seller and the Buyer have been unable to resolve all of the differences they may have with respect to the matters specified in the Notice of Balance Sheet Net Assets Disagreement within thirty (30) calendar days following receipt of such Notice of Balance Sheet Net Assets Disagreement, the Parties shall submit all matters that remain in dispute with respect to the Notice of Balance Sheet Net Assets Disagreement (along with a copy of the Proposed Statement of Balance Sheet Net Assets marked to indicate those line items that are not in dispute) to Ernst & Young (the “Accounting Arbitrator”). Each Party agrees to execute a reasonable engagement letter if requested by the Accounting Arbitrator. During the review by the Accounting Arbitrator, the Buyer and the Seller will each make available to the Accounting Arbitrator such information, books and records and work papers, as may be reasonably required by the Accounting Arbitrator to fulfill its obligations under this Section 2.6. The Buyer, on the one hand, and the Seller, on the other hand, will each be obligated to pay fifty percent (50%) of the fees and expenses, if any, of the Accounting Arbitrator.

(h) Within thirty (30) days after the submission of matters in dispute to the Accounting Arbitrator, or as soon as practicable thereafter, the Accounting Arbitrator shall make a final determination, binding on the Parties to this Agreement, of the appropriate amount of each of the line items in the Proposed Statement of Balance Sheet Net Assets as to which the Seller and the Buyer disagree as set out in the Notice of Balance Sheet Net Assets Disagreement. Such determination shall be in accordance with the standards set forth in this Section 2.6(h) and shall be final, binding and conclusive with respect to any issue relating to the Buyer’s compliance with the standards set forth in this Section 2.6(h) in preparing the Proposed Statement of Balance Sheet Net Assets. With respect to each disputed line item, such determination, if not in accordance with the position of either the Seller or the Buyer, shall not be in excess of the higher, nor less than the lower, of the amounts advocated by the Seller in the Notice of Balance Sheet Net Assets Disagreement or by the Buyer in the Proposed Statement of Balance Sheet Net Assets with respect to such disputed line item.

(i) The Statement of Balance Sheet Net Assets of FilterCo and FilterSub and the determination of the Balance Sheet Net Assets of FilterCo and FilterSub, as determined either through agreement of the Parties or through the action of the Accounting Arbitrator pursuant to this Section 2.6(i), shall be final, binding and conclusive on the Parties, and shall be referred to as the “Final Statement of Balance Sheet Net Assets” and the “Final Balance Sheet Net Assets,” respectively.

(j) Within five (5) Business Days after the Final Statement of Balance Sheet Net Assets has been determined, (i) if the Final Balance Sheet Net Assets exceeds the Target Balance Sheet Net Assets, the Buyer will pay an amount equal to the Dollar Equivalent as of the Closing of the Balance Sheet Net Assets Surplus to the Seller; or (ii) if the Final Balance Sheet Net Assets is less than the Target Balance Sheet Net Assets, the Seller will pay to the Buyer an amount equal to the Dollar Equivalent as of the Closing of the Balance Sheet Net Assets Deficit, in each case in cash by wire transfer of immediately available funds to an account designated by the Seller or the Buyer, as applicable.

Section 2.7 Withholding Taxes.

(a) Notwithstanding any other provision in this Agreement (other than Section 2.7(b)), the Buyer (and any other Person that has any withholding obligation with respect to any payment made pursuant to this Agreement) shall be entitled to deduct and withhold from the payments to be made pursuant to this Agreement any Taxes required to be deducted and withheld with respect to the making of such payments under any Applicable Law and treaties. To the extent that amounts are so withheld pursuant to this Agreement, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made.

(b) Each of the Buyer and the Seller acknowledges and agrees that any payments made by the Buyer to the Seller hereunder are not subject to withholding Tax. To the extent that the Buyer becomes aware of any applicable withholding Taxes, the Buyer (i) shall provide prompt written notice to the Seller of the amount of such Tax and (ii) shall consult with the Seller in good faith as to the nature of the Tax and the basis upon which such withholding is required. Each of the Buyer and the Seller agrees to use its best efforts, in accordance with Applicable Law and treaties, to obtain exemptions from, or reductions of, any Taxes required to be withheld from payments under this Agreement.

Section 2.8 New Equipment Payment.

(a) If at any time within 18 months of the Closing, FilterCo or FilterSub runs one or more lots on the New Equipment, Buyer shall pay to the Seller, pursuant to Section 2.8(c) below, an additional amount equal to the Dollar Equivalent of JPY 260 million as an additional adjustment to the Purchase Price (the "New Equipment Payment").

(b) No later than ten (10) Business Days after running one lot on the New Equipment, Buyer shall cause FilterCo to notify the Seller in writing of the use of the New Equipment. In the event that FilterCo or FilterSub does not run one or more lots on the New Equipment by the end of the 18th month following the Closing, Buyer shall cause FilterCo to notify the Seller in writing of such non-use.

(c) In the event that FilterCo or FilterSub runs one or more lots on the New Equipment within 18 months of the Closing, Buyer shall make the New Equipment Payment by wire transfer of immediately available funds to a bank account designated by the Seller at the first to occur of (i) the payment of any exercise price under the Put Right or Call Right, as applicable, or (ii) the expiration of the Put Right and the Call Right.

ARTICLE III
REPRESENTATIONS AND WARRANTIES
RELATING TO THE SELLER AND PIDSG

Except as set forth in the disclosure schedules delivered by the Seller concurrent with the execution and delivery of this Agreement (the "Disclosure Schedules"), each of the Seller and PIDSG represents and warrants to each of the Buyer and the Buyer Parent as of the Agreement Date and the Closing Date (except for such representations and warranties as are made only as of a specific date) as set forth below.

Section 3.1 Organization. Each of the Seller and PIDSG is a company duly organized and validly existing under the Laws of Japan and Singapore, respectively, with all requisite corporate power and authority necessary to carry on its business as it is presently conducted and to own, lease or operate its properties and assets. Neither the Seller nor PIDSG is in violation of any of the provisions of its articles of incorporation (*teikan*) or bylaws (or other equivalent organizational documents). As of the Agreement Date and immediately prior to the Contribution, each of the Seller and PIDSG is duly qualified or licensed as a foreign corporation to do business, and is in good standing (to the extent such concept or a comparable status is recognized), in each jurisdiction where the character of the Transferred Assets, the Assumed Contracts or the nature of the Filter Business makes such qualification or licensing necessary, but only if required under Applicable Law.

Section 3.2 Authorization; Enforceability.

(a) Each of the Seller and PIDSG has all requisite power and authority to enter into this Agreement and the other Seller Transaction Documents, to perform its obligations hereunder and thereunder and to carry out the Transactions. All necessary corporate action has been taken by the Seller and PIDSG to authorize the execution, delivery and performance of this Agreement and each other Seller Transaction Document to which it is a party. Each of the Seller and PIDSG has duly executed and delivered this Agreement and, at or prior to the Closing, will have duly executed and delivered each other Seller Transaction Document to which it is a party.

(b) This Agreement is, and each other Seller Transaction Document, when duly executed and delivered at or prior to the Closing by the Seller and PIDSG, as applicable, will be, the legal, valid and binding obligation of such Party, enforceable against it in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws now or hereafter in effect relating to or limiting creditors' rights and remedies generally and general principles of equity relating to the availability of specific performance and injunctive and other forms of equitable relief.

Section 3.3 Ownership of the Stock. The Seller is currently, and shall on Closing be, the sole owner, legally, beneficially and of record, of the Stock, free and clear of any Encumbrances. All of the Stock has been duly authorized, validly issued and fully paid, and is not subject to and was not issued in violation of any preemptive rights. The Stock was not issued in violation of any Laws, including applicable securities laws. There is no stockholder agreement, voting trust or other agreement or understanding to which the Seller is a party or by which the Seller is bound relating to the voting, purchase, transfer or registration of the Stock or preemptive rights with respect thereto. At the Closing, the Buyer will acquire legal title to the Purchased Stock, free and clear of any Encumbrances, together with all rights and benefits attaching thereto as at the Closing Date.

Section 3.4 No Violation. Provided the Required Consents are obtained prior to the Closing Date, neither the execution and delivery of this Agreement and the other Seller Transaction Documents nor the consummation of the Transactions (with or without the passage of time or the giving of notice, or both) by the Seller and/or PIDSG, as applicable, will (a) contravene, violate, breach or be in conflict with any provisions of its articles of incorporation (*teikan*) or bylaws or other equivalent organizational documents or (b) with or without the giving

of notice or passage of time, or both, violate, or be in conflict with or constitute a default (or give rise to any right of termination, amendment, cancellation or acceleration) under any of the terms, conditions or provisions of any Material Contract to which the Seller or PIDSG, as applicable, is a party or by which the Seller, PIDSG or any of their respective assets may be bound or (c) violate or conflict with any Laws to which the Seller or PIDSG is subject.

Section 3.5 Litigation; Compliance with Law. Except for any possible Action related to Required Governmental Consents and compliance with any applicable Antitrust Law, there is no material Action pending or, to the Knowledge of the Seller, threatened against the Seller or PIDSG or affecting any of their respective properties or assets that would reasonably be expected to have an adverse effect on or materially delay or prevent the Seller's or PIDSG's performance under this Agreement and the other Seller Transaction Documents or the consummation of the Transactions.

Section 3.6 Consents and Approvals. Except for the Required Governmental Consents and except for compliance with the HSR Act and other applicable Antitrust Laws, no consent, approval or authorization of, or declaration or filing with, any Governmental Entity is required to be made or obtained by the Seller or PIDSG in connection with the execution, delivery and performance by the Seller and PIDSG of this Agreement and the Seller Transaction Documents or the consummation by the Seller and PIDSG of the Transactions.

Section 3.7 No Claims. (a) There are no defaults by FilterCo or FilterSub under any Contract between the Seller or any of its Affiliates (other than FilterCo and FilterSub), on the one hand, and FilterCo or FilterSub, on the other hand (collectively, the "Affiliate Contracts"), (b) no event has occurred which, through the passage of time or the giving of notice, or both, would constitute a default by FilterCo or FilterSub under any of the Affiliate Contracts or would cause the acceleration of any obligation of FilterCo or FilterSub under any of the Affiliate Contracts, the loss of any rights of FilterCo or FilterSub under any of the Affiliate Contracts, or the creation of any Encumbrance (other than a Permitted Encumbrance) upon any asset of FilterCo or FilterSub pursuant to any of the Affiliate Contracts and (c) neither the Seller nor any of its Affiliates (other than FilterCo and FilterSub) has any claim, cause of action or the like against FilterCo or FilterSub under any of the Affiliate Contracts.

Section 3.8 Brokers', Finders' Fees, etc. No Person is entitled to rights to brokerage commissions, finders' fees or similar compensation in connection with the Transactions based on any arrangement or agreement made or alleged to have been made by or on behalf of the Seller or any of its Affiliates, officers, employees or directors for which FilterCo or FilterSub is liable.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES RELATING
TO THE FILTER BUSINESS, FILTERCO AND FILTERSUB

Except as set forth in the Disclosure Schedules, the Seller represents and warrants to each of the Buyer and the Buyer Parent as of the Agreement Date and the Closing Date (except for such representations and warranties as are made only as of a specific date) as set forth below.

Section 4.1 Organization.

(a) FilterCo is a company duly incorporated and validly existing under the Laws of Japan, with all requisite corporate power and authority to carry on its business as it is presently conducted and to own, lease or operate its properties and assets. FilterCo is duly qualified to do business in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary. FilterCo has delivered to the Buyer and the Buyer Parent a complete and correct copy of its articles of incorporation (*teikan*), as amended to date, and such instrument is in full force and effect. FilterCo is not in violation of any of the provisions of its articles of incorporation (*teikan*).

(b) FilterSub is a company duly incorporated and validly existing under the Laws of the Republic of Singapore, with all requisite corporate power and authority to carry on its business as it is presently conducted and to own, lease or operate its properties and assets. FilterSub is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary. FilterSub has delivered to the Buyer and the Buyer Parent complete and correct copies of its certificate of incorporation and memorandum and articles of association (or other equivalent organizational documents), as amended to date, and each such instrument is in full force and effect.

Section 4.2 Authority; Enforceability.

(a) Each of FilterCo and FilterSub has all requisite power and authority to enter into this Agreement and the other FilterCo and FilterSub Transaction Documents, and to perform its obligations hereunder and thereunder and to carry out the Transactions. All necessary corporate action has been taken by FilterCo to authorize the execution, delivery and performance of this Agreement and each other FilterCo and FilterSub Transaction Document. FilterCo and FilterSub have duly executed and delivered this Agreement and, at or prior to the Closing, will have duly executed and delivered each other FilterCo and FilterSub Transaction Document.

(b) This Agreement is, and each other FilterCo and FilterSub Transaction Document, when duly executed and delivered at or prior to the Closing by FilterCo and/or FilterSub, will be, the legal, valid and binding obligation of FilterCo and/or FilterSub, as applicable, enforceable against FilterCo and/or FilterSub in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws now or hereafter in effect relating to or limiting creditors' rights and remedies generally and general principles of equity relating to the availability of specific performance and injunctive and other forms of equitable relief.

Section 4.3 No Violation. Provided the Required Consents are obtained prior to the Closing Date, neither the execution and delivery of this Agreement and the other FilterCo and FilterSub Transaction Documents nor the consummation of the Transactions (with or without the passage of time or the giving of notice, or both) will (a) contravene, violate, breach or be in conflict with any provisions of the articles of incorporation or other equivalent organizational documents of FilterCo or FilterSub or (b) with or without the giving of notice or passage of time, or both, violate, or be in conflict with, or create an Encumbrance (other than a Permitted Encumbrance) under, constitute a default (or give rise to any right of termination, amendment, cancellation or acceleration) under or result in any loss of rights under any of the terms, conditions or provisions of any Material Contract to which FilterCo or FilterSub is a party or by which

FilterCo or FilterSub or any of their respective assets may be bound or (c) violate or conflict with any Laws to which FilterCo or FilterSub is subject or (d) give rise to a declaration or imposition of any Encumbrance (other than a Permitted Encumbrance) on any of the assets of FilterCo or FilterSub or (e) cause any grants, subsidies or allowances which have been applied for or received by any of FilterCo or FilterSub from any Government Entity to be liable to be repaid or recovered.

Section 4.4 Consents and Approvals.

(k) Except for the consents set forth on Section 4.4(a) of the Disclosure Schedules (other than with respect to antitrust matters, the “Required Governmental Consents”), and except for compliance with the HSR Act and other applicable Antitrust Laws, no material consent, approval or authorization of, or declaration or filing with, any Governmental Entity is required to be made or obtained by FilterCo or FilterSub in connection with the execution, delivery and performance by FilterCo and FilterSub of this Agreement and the other FilterCo and FilterSub Transaction Documents or the consummation by FilterCo of the Transactions.

(l) Except for the consents set forth on Section 4.4(b) of the Disclosure Schedules (the “Third-Party Consents”), no consent, approval or authorization of, or notice to any counterparty to any Material Contract must be made or obtained by FilterCo or FilterSub in connection with the execution, delivery and performance by the Seller, PIDSG, FilterCo or FilterSub of this Agreement and the other FilterCo and FilterSub Transaction Documents or the consummation by the Seller, PIDSG, FilterCo or FilterSub of the Transactions.

Section 4.5 Capitalization.

(c) The issued and paid-up share capital (*shihon-kin*) of FilterCo is JPY 10,000,000, which, as of the Agreement Date, is comprised of 200 issued and paid-up ordinary shares and which, as of the Closing Date, will be comprised of 402,200 issued and paid-up ordinary shares.

(d) The issued and paid-up share capital of FilterSub is US\$100,000, which, as of the Agreement Date, is comprised of 100,000 issued and paid-up ordinary shares.

(e) All issued shares of the capital stock of FilterCo and FilterSub have been duly authorized, validly issued, fully paid and are not subject to and were not issued in violation of any preemptive rights. There is no outstanding, and there has not been reserved for issuance any: (i) share or other voting securities of FilterCo or FilterSub; (ii) security of FilterCo or FilterSub convertible into or exchangeable for shares in the capital or voting securities of FilterCo; (iii) option or other right to acquire from FilterCo or FilterSub, or obligation of FilterCo or FilterSub to issue, any shares, voting securities or security convertible into or exchangeable for shares or voting securities of FilterCo or FilterSub, as the case may be; or (iv) equity equivalent interest in the ownership or earnings of FilterCo or FilterSub or other similar right. There is no outstanding obligation of FilterCo or FilterSub to repurchase, redeem or otherwise acquire any of the items in clauses (i) through (iv) above. Except for the Transaction Documents, there is no stockholder agreement, voting trust or other agreement or understanding to which FilterCo or FilterSub is a party or by which FilterCo or FilterSub are

bound relating to the voting, purchase, transfer or registration of any shares of FilterCo or FilterSub or preemptive rights with respect thereto.

Section 4.6 Subsidiaries. Other than FilterSub, FilterCo owns no capital stock or other equity securities of any other Person or otherwise has an interest (whether ownership or other) in any other Person. FilterSub owns no capital stock or other equity securities of any other Person or otherwise has an interest (whether ownership or other) in any other Person.

Section 4.7 Financial Statements.

(a) The Seller has previously delivered to the Buyer accurate and complete copies of the pro forma unaudited consolidated balance sheet of the Filter Business as of June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, the pro forma unaudited consolidated statement of operations of the Filter Business for the year ended March 31, 2014, and the pro forma unaudited consolidated statement of cash flows of the Filter Business for the period between July 1, 2013 and September 30, 2013, the period between October 1, 2013 and December 31, 2013, and the period between January 1, 2014 and March 31, 2014, copies of which are attached to Section 4.7(a) of the Disclosure Schedules (collectively, the financial statements described in this Section 4.7(a) are referred to herein as the “Financial Statements”). The Financial Statements (i) were prepared in accordance with the Seller’s books and records and fairly present in all material respects the net assets and the direct revenues and direct operating expenses of the Filter Business for the period covered thereby and (ii) the portions in the Financial Statements that correspond to the Filter Business purported to be transferred to each of FilterCo and FilterSub via the Contribution were extracted from the Seller’s books and records that were prepared in accordance with JGAAP (with respect to the portion purported to be transferred to FilterCo) or SGAAP (with respect to the portion purported to be transferred to FilterSub), as applicable, in all material respects throughout the periods indicated (except as may be indicated in the notes thereto), provided that the Financial Statements are subject to (A) normal year-end adjustments and lack notes and other presentation items that may be required by JGAAP or SGAAP, as applicable, and (B) certain reasonable assumptions which are explained in Section 4.7(a) of the Disclosure Schedules.

(b) Seller and its Subsidiaries maintain systems of internal accounting controls sufficient to provide reasonable assurances with respect to the Filter Business that: (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with JGAAP or SGAAP, as applicable, and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the actual levels at reasonable intervals and appropriate action is taken with respect to any differences.

Section 4.8 Absence of Certain Changes. Since March 31, 2014, (a) there has not been any event, condition, circumstance, development, change or effect, that, in the aggregate, has had, or would reasonably be expected to have, a Material Adverse Effect; (b) neither the Seller nor PIDSG has suffered any loss, damage, destruction or other casualty affecting any of the Transferred Assets, the Assumed Contracts or the Filter Business, whether or not covered by insurance; and (c) neither the Seller nor PIDSG has taken any action that, if taken after the Agreement Date, would constitute a breach of any of the covenants set forth in Section 6.1 and Section 6.2, except for those incurred in the ordinary course of business consistent with past

practice, which, in the aggregate, has not had, or would not reasonably be expected to have, a Material Adverse Effect.

Section 4.9 Title; Sufficiency; Condition of Assets.

(a) The Seller and PIDSG, as of the Agreement Date, have and, as of immediately prior to the Contribution, will have legal title to, or in the case of leased properties and assets, valid leasehold interests in, are the exclusive legal and beneficial owners of, and, subject to obtaining the consents set forth on Section 4.9(a) of the Disclosure Schedules, have the unrestricted power and right to sell, assign and deliver the Transferred Assets and the Assumed Contracts pursuant to the Contribution. The Transferred Assets and the Assumed Contracts are free and clear of all Encumbrances of any kind or nature, except (i) Encumbrances disclosed in Section 4.9(a)(i) of the Disclosure Schedules, which will be removed and released at or prior to the closing of the Contribution, and (ii) Permitted Encumbrances. Upon the closing of the Contribution, subject to obtaining the consents set forth on Section 4.9(a) of the Disclosure Schedules, FilterCo or FilterSub will acquire legal title to or a valid leasehold interest in (as the case may be) the Transferred Assets and the Assumed Contracts and no restrictions will exist on FilterCo's or FilterSub's right to resell, license or sublicense any of the Transferred Assets, the Assumed Contracts or the Assumed Liabilities or engage in the Filter Business as currently conducted.

(b) Subject to obtaining the Required Consents, (i) the Transferred Assets together with the Licensed Patents, the Licensed Non-Patent IP, the Assumed Contracts, the Material Contracts, the Continuing Employees, the Key Employees and the Transition Services will constitute, as of the Closing Date, all of the properties, rights, Contracts, interests, employees and independent contractors and other tangible and intangible assets necessary to enable FilterCo and FilterSub to (A) own and use the Transferred Assets in the manner in which the Transferred Assets have been owned and used prior to the Agreement Date and are currently being owned and used and (B) conduct the Filter Business in the manner in which the Filter Business has been conducted prior to the Agreement Date and is currently being conducted, and (ii) no licenses or Consents from, or payments to, any other Person are or will be necessary for FilterCo or FilterSub to use any of the Transferred Assets, Licensed Patents or Licensed Non-Patent IP in substantially the manner in which the Seller and PIDSG have used such Transferred Assets, Licensed Patents and Licensed Non-Patent IP prior to the Closing or to otherwise operate the Filter Business in the manner in which the Filter Business has been conducted prior to the Agreement Date and is currently being conducted, except for such licenses and Consents that if not obtained, or payments that if not made, would not reasonably be expected to be material to the conduct of the Filter Business.

(c) Except for compliance with the terms of the Assumed Contracts and compliance with Applicable Law, no restrictions will exist on FilterCo's or FilterSub's right to sell, resell or license any of the Transferred Assets or the Assumed Contracts or engage in the Filter Business, nor will any such restrictions be imposed on FilterCo or FilterSub as a consequence of the Transactions.

(d) All tangible assets and properties which are part of the Transferred Assets are (i) in good operating condition and repair, ordinary wear and tear excepted; (ii) suitable and adequate for continued use in the manner in which they are presently being used; (iii) adequate to meet all present and reasonably anticipated requirements of the Filter

Business; and (iv) free of defects (latent and patent), except as would not reasonably be expected to be material to the conduct of the Filter Business.

Section 4.10 Undisclosed Liabilities. Except for any liabilities incurred in connection with a breach of the contracts listed on Section 4.10 of the Disclosure Schedule that is caused by the Contribution, neither the Seller nor PIDSG has any Liabilities required by JGAAP or SGAAP, as applicable, or necessary to provide a complete and accurate understanding of the Filter Business, to be included in the Financial Statements other than (a) Liabilities reflected or otherwise reserved against in the Financial Statements or disclosed in the notes thereto, (b) Liabilities in connection with this Agreement, the Seller Transaction Documents, the FilterCo and FilterSub Transaction Documents, or the Transactions, (c) Liabilities arising subsequent to March 31, 2014 in the ordinary course of business consistent with past practice or (d) Liabilities that have not had and would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on FilterCo and FilterSub, taken as a whole.

Section 4.11 Real Property.

(a) Owned Real Property. Neither FilterCo nor FilterSub has an ownership interest in any real property.

(b) Leased Real Property.

(i) Section 4.11(b)(i) of the Disclosure Schedules sets forth a complete and correct list of all leased real property of the Seller and PIDSG, as of the Agreement Date and immediately prior to the Contribution, necessary for or primarily related to the Filter Business and all the leases, subleases, ground leases, licenses, use agreements and other agreements for the use and occupancy of real property necessary for or primarily related to the Filter Business to which the Seller or PIDSG is a party (each, a "Lease" and collectively, the "Leases," such expression to include the HDB Lease and the HDB Variation of Lease). The Seller has caused to be delivered to the Buyer (or made available for inspection by the Buyer) true, correct and complete copies of all Leases including all variations, supplemental and modifications thereto. Each of the Leases is legal, valid, binding, enforceable and in full force and effect. The Leased Real Property comprises all of the real property used in the Filter Business as currently conducted.

(ii) No Defaults. No party to any Lease is in default of its obligations thereunder, no event has occurred which permits the termination of any Lease, and there is no actual, pending, or, to the Knowledge of the Seller, threatened action, dispute, claim, or demand by any party to any Lease under or in connection with any Lease or any of the Leased Real Property.

(iii) Granting of Rights. The Seller and PIDSG have not entered into any agreement to grant any leases, subleases, tenancies, licenses, easements, or other rights affecting the Leased Real Property to third parties.

(iv) Security. All security deposits, letters of credit and other security made in connection with the Leases are set forth in Section 4.11(b)(iv) of the Disclosure Schedules. With respect to Leases for which the Seller or PIDSG is the lessor, licensor, or grantor, the Seller or PIDSG (as applicable) is able to

transfer its rights in and to such security deposits, letters of credit and other security made in connection with such Leases to FilterCo or FilterSub (as applicable) at the closing of the Contribution, free and clear of any Encumbrances.

(v) Tenant Improvements. Neither the Seller nor PIDSG is obligated to construct any tenant improvements or other alterations pursuant to the terms of any Lease.

(vi) Title. The Seller and PIDSG, as of the Agreement Date and immediately prior to the Contribution, have legal and valid title or leasehold title, as applicable, to (and, as applicable, the legal and beneficial ownership of) all Leased Real Property, in each case, free and clear of all Encumbrances. FilterCo and FilterSub will have, following the Contribution, legal and valid title or leasehold title, as applicable, to (and, as applicable, the legal and beneficial ownership of) all Leased Real Property, in each case, free and clear of all Encumbrances.

(vii) Condition. All of the Improvements, fixtures, systems and other items of property owned by the Seller or PIDSG, as of the Agreement Date and immediately prior to the Contribution, or, following the Contribution, by FilterCo or FilterSub and located on the Leased Real Property are adequately maintained and suitable in all material respects for the purpose of conducting the Filter Business as now being conducted. Neither the Seller nor PIDSG has received written notice that the Leased Real Property or the use, occupation, or operation thereof by the Seller or PIDSG as presently or previously conducted is, and, to the Knowledge of the Seller, the use, occupation, and operation thereof by the Seller or PIDSG as presently or previously conducted is not, in violation of any Lease, any applicable building code, zoning ordinance, Contract or other Applicable Law. With respect to each Lease, neither the Seller nor PIDSG has any obligation to restore the applicable premises to the condition required under such Lease prior to the expiration or earlier termination of the applicable term. All utilities necessary for the operation of the Filter Business as currently conducted at the Leased Real Property are installed and operational and sufficient.

(viii) Condemnation. There are no pending, or to the Knowledge of the Seller, threatened, acquisition or condemnation proceedings for the taking of all or any portion of any Leased Real Property.

(ix) Government Notices. The Seller and PIDSG, as of the Agreement Date and immediately prior to the Contribution, or, following the Contribution, FilterCo and FilterSub have not received any notice from any Governmental Entity which is still outstanding, requiring the Seller or any of its Subsidiaries to perform building works or rectification works or cease such works in respect of the Leased Real Property.

(x) Insurance. Each of the Leased Real Property is insured as set forth on Section 4.11(b)(x) of the Disclosure Schedules, and the Seller and PIDSG, as of the Agreement Date and immediately prior to the Contribution, or, following the Contribution, FilterCo or FilterSub are adequately insured against

accidents, damage, and other risks normally taken out by companies owning and/or operating properties used for similar purposes as the Leased Real Property. In respect of all such insurance: (i) all premiums have been duly paid to date; (ii) all the policies are in force and are not voidable on account of any act, omission, or non-disclosure on the part of the Seller or any of its Subsidiaries; and (iii) no claim is outstanding, unpaid, or in dispute and, to the Knowledge of the Seller, no circumstances exist which are likely to give rise to any claim.

(xi) Property Tax. All property Taxes in relation to the Leased Real Property have been paid.

Section 4.12 Intellectual Property.

(a) Generally.

(xii) Section 4.12(a)(i) of the Disclosure Schedules sets forth a complete and correct list of all Patents included in the Transferred Assets (“Transferred Patents”), in each case listing, as applicable, (A) the name of the applicant/registrant and current owner, (B) the jurisdiction where the application/registration is located, (C) the application or registration number, (D) the filing date and issuance/registration/grant date, and (E) the prosecution status.

(xiii) To the Knowledge of the Seller, each of the Transferred Patents has been prosecuted in compliance with the rules and process of the United States Patent and Trademark Office (or the equivalent rules and processes of any other applicable patent authority anywhere in the world) and all applications for the Transferred Patents are true and correct in all material respects, including with respect to inventorship. For each Transferred Patent, no acts or omissions of the Seller or any of its Subsidiaries, or any party acting on its or their behalf or at its or their direction, have invalidated or hindered, or shall, to the Knowledge of the Seller, invalidate or hinder, enforcement of such Patent under the laws of any jurisdiction (including under 35 U.S.C. § 102(b)), including as a result of (A) disclosure of the invention or circulation of a printed publication that describes the claimed invention, (B) public use of the claimed invention, or (C) sale or offer for sale of the claimed invention prior to the application for such Patent. The Transferred Assets include all material records and files in the possession or control of the Seller or any of its Subsidiaries, counsel or agents of which the Seller is aware relating to the Transferred Patents and their acquisition, prosecution, registration, continuation, reissuance, enforcement, defense and maintenance.

(xiv) Except for those not being paid in the ordinary course of business consistent with the Seller’s or its Subsidiaries’ past practice, the Seller or PIDSG have paid all fees for obtaining, maintaining, prosecution, registration, continuation, issuance and/or reissuance of the Transferred Patents due and payable prior to the Closing Date. Except as set forth in Section 4.12(a)(iii) of the Disclosure Schedules, there are no actions that must be taken by the Seller, FilterCo or FilterSub within 120 days after the Agreement Date, including the payment of any filing, registration, maintenance or renewal fees or the filing of any responses with any Governmental Entity (including the United States Patent

and Trademark Office or any other applicable patent authority elsewhere in the world), including office actions, documents, applications or certificates, for the purposes of prosecuting, maintaining, perfecting, preserving or renewing any Transferred Patents.

(xv) Each current or former employee, officer, director, consultant and contractor of the Seller or PIDSG who is involved in, or has been involved in, the Filter Business is subject to the obligations to maintain in confidence all confidential or proprietary information (as defined in such agreements) acquired by them in the course of their employment or service and assign to the Seller or PIDSG all Intellectual Property Rights created, developed, written, invented, conceived or discovered by such employees, officers, consultants or contractors, as applicable, in the scope of such employment or service and in which they agree not to use or disclose any Trade Secrets of the Seller or PIDSG except as explicitly authorized by the Seller or PIDSG.

(xvi) To the Knowledge of the Seller, there has been no disclosure by the Seller or any of its Subsidiaries or any of its or their employees, officers, directors, consultants, or contractors of any Trade Secrets included in the Transferred Assets that would compromise the confidentiality of such Trade Secrets or their status or protectability under Applicable Law.

(xvii) In each case in which the Seller or PIDSG has acquired ownership (or claimed or purported to acquire ownership) of any Transferred IP from any Person, including any employee, officer, director, consultant or contractor of the Seller or PIDSG, the Seller or PIDSG has obtained a valid and enforceable assignment sufficient to transfer ownership of and all rights, title and interest with respect to such Transferred IP to the Seller or PIDSG irrevocably.

(xviii) Seller has provided Buyer with photocopies of all such assignment agreements in its possession for parties previously holding any rights, title or interest in or to the Transferred Patents prior to the Closing.

(xix) All assignments of the Transferred Patent to the Seller or PIDSG that are or may be required to be filed or recorded in order to cause such assignment to be valid or effective against bona fide purchasers without notice of such assignment, including all assignments for the Transferred Patents, have been duly executed and filed or recorded with the U.S. Patent and Trademark Office or the U.S. Copyright Office, as applicable, and any applicable Governmental Entity elsewhere.

(xx) Neither FilterCo nor FilterSub owes any compensation or remuneration to a current or former employee, officer, director, consultant or contractor in relation to any Transferred IP, including with respect to any Copyright that is based on a work of any current or former employee, officer, director, consultant or contractor of the Seller or PIDSG. No Person has any claim to or against the Transferred IP due to any failure to pay any compensation or remuneration with respect to any of the Transferred IP. There is no Copyright or other Intellectual Property Rights included in the Transferred IP that is owned,

exclusively licensed, or otherwise held by a current or former employee, officer, director, consultant or contractor of the Seller or any of its Subsidiaries.

(xxi) The Transferred Patents are subsisting and, except for pending applications, valid, have not been abandoned or invalidated and, to the Knowledge of the Seller, except for pending applications, are enforceable. None of the Transferred IP was developed by, on behalf of, jointly with, or with the funding of a third party.

(xxii) To the Knowledge of the Seller, there are no facts, circumstances, or information that would or reasonably could be expected to render any of the Transferred IP invalid or unenforceable.

(xxiii) To the Knowledge of the Seller, there are no facts, circumstances or information that would or reasonably could be expected to materially and adversely affect, limit, restrict, impair, or impede the ability of the Buyer to use, practice and otherwise exploit the Transferred IP upon the Closing in the same manner as currently used, practiced and otherwise exploited by the Seller and PIDSG.

(xxiv) Neither the Seller nor any of its Subsidiaries has received any notice or claim challenging the Seller's or PIDSG's sole and exclusive ownership of any Transferred IP or suggesting that any other Person has any claim of legal or beneficial ownership with respect thereto or that any such Transferred IP is invalid, unenforceable or has been misused, and no Transferred IP has been challenged or, to the Knowledge of the Seller, threatened in any way.

(xxv) None of the Transferred IP has been or is involved in any past or present action, suit, investigation or proceeding (including any reexamination, reissue, opposition or interference proceeding), or, to the Knowledge of the Seller, is threatened with any such action, suit, investigation or proceeding, other than prosecution proceedings in the ordinary course of business consistent with past practice.

(b) [Reserved]

(c) Copyrights. Neither the Seller nor any of its Subsidiaries has taken any action or failed to take any action (including a failure to disclose required information to the U.S. Copyright Office, or any corresponding office, department, organization, agency or other Governmental Entity elsewhere), or used or enforced (or failed to use or enforce) any Copyrights in a manner that would result in (or reasonably be expected to result in) the invalidity or unenforceability of any Copyright included in the Transferred IP, or that would result in (or reasonably be expected to result in) such Copyright passing into the public domain.

(d) Trade Secrets.

(i) The Seller and PIDSG have taken necessary and appropriate steps in accordance with generally accepted industry standards and Applicable Law, in any event no less than reasonable steps, to protect their rights in, and to safeguard and maintain the secrecy and confidentiality of, the

information and materials that, based on the Seller's or PIDSG's reasonable judgment, derive significant independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use included in the Transferred IP.

(ii) Neither the Seller nor PIDSG has authorized the disclosure of any Trade Secret included in the Transferred IP, nor, to the Knowledge of the Seller, has any such Trade Secret been disclosed, other than pursuant to a valid and enforceable confidentiality agreement with respect thereto.

(iii) To the Knowledge of the Seller, there has been no misappropriation or unauthorized disclosure of any Trade Secret included in the Transferred IP (or claimed or understood to be so included), or breach of any obligations of confidentiality with respect to the Seller or PIDSG or the Transferred IP.

(iv) The Seller and PIDSG are in all material respects in compliance with the terms of any agreements or understandings relating to Trade Secrets owned by third parties to which the Seller or PIDSG is a party or that otherwise bind the Seller or PIDSG.

(e) Intellectual Property Agreements.

(i) Section 4.12(e)(i) of the Disclosure Schedules sets forth a complete and correct list of all Inbound License Agreements indicating for each the title, effective date, and parties thereto, other than licenses to the Seller or PIDSG of off-the-shelf Software that is commercially available on reasonable terms to any Person for a license fee, royalty or other consideration of no more than Five Thousand Dollars (US\$5,000) per copy or user.

(ii) Section 4.12(e)(ii) of the Disclosure Schedules sets forth a complete and correct list of all Outbound License Agreements, indicating for each the title, effective date, and parties thereto, other than for non-exclusive licenses for Filter Business Products granted to customers of the Seller or any of its Subsidiaries in the ordinary course of business consistent with past practice. Except as noted on Section 4.12(e)(ii) of the Disclosure Schedules, all Outbound License Agreements are non-exclusive, non-sublicenseable, non-assignable and terminable by the grantor or licensor upon any change in control of the licensee or grantee. Other than the Outbound License Agreements, the Transferred IP is not subject to any acquisition rights or options, licenses, covenants not to use or other similar restrictions on its enforcement, licensing or enjoyment.

(iii) All Inbound License Agreements and all Outbound License Agreements (together, the "Seller License Agreements"), except for the business process agreements set forth in Section 4.12(e)(iii) of the Disclosure Schedules (the "Business Process Agreements"), are in full force and effect, and enforceable in accordance with their terms. Subject to termination of the Business Process Agreements by the counterparty for breach of the non-assignment provisions in

such agreements in connection with the Contribution, all Business Process Agreements are in full force and effect, and enforceable in accordance with their terms as of the Agreement Date and immediately after the Contribution. There is no outstanding or, to the Knowledge of the Seller, threatened dispute or disagreement with respect to any Seller License Agreement. Complete and correct copies of all Seller License Agreements have been made available to the Buyer as of the Closing Date in accordance with the Clean Room Policies. Neither the Seller nor PIDSG nor, to the Knowledge of the Seller, any other party to any Seller License Agreement is in breach or default of such Seller License Agreement except for the breach of the non-assignment provisions set forth in the Business Process Agreements in connection with the Contribution.

(iv) There is no Contract, judicial decree, arbitral award or other judgment or requirement made against the Seller or any of its Subsidiaries that obligates the Seller or any of its Subsidiaries to grant licenses in the future with respect to any Transferred IP.

(v) Neither the execution, delivery and performance of this Agreement and the Transaction Documents, nor the consummation of the Transactions will (A) violate or result in the breach, material modification, cancellation, termination or suspension of, or acceleration of any payments under any Seller License Agreement (or give rise to any right with respect to any of the foregoing), or (B) impair the right of the Buyer to use, possess, sell, license or dispose of any Transferred IP.

(vi) Following the Closing Date, FilterCo and FilterSub will have and be permitted to exercise all rights under such Seller License Agreements to the same extent that the Seller or PIDSG would have had, and been able to exercise, had this Agreement and the Transaction Documents not been entered into and the Transactions not occurred, without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Seller or PIDSG would otherwise have been required to pay.

(vii) Neither the execution, delivery and performance of this Agreement, the Transaction Documents and such other agreements, documents and instruments to be executed and delivered after the Agreement Date, nor the consummation of the Transactions, nor any Contract to which the Seller or PIDSG is a party or otherwise bound, will cause or require (or purports to cause or require) the Buyer or any of its Affiliates to (A) grant to any other Person any license, covenant not to sue, immunity or other right with respect to or under any of the Buyer's or its Affiliates' Intellectual Property, or (B) be obligated to pay any royalties or other amounts, or offer any discounts, to any other Person.

(viii) Rights in the Transferred IP. FilterCo and FilterSub solely and exclusively own all right, title and interest in and to (including the sole right to enforce), or hold the right to complete the transfer under the Contribution of, all Transferred Patents and all other Transferred IP, free and clear of all Encumbrances, other than Permitted Encumbrances, and neither the Seller nor any of its Subsidiaries has exclusively licensed any such items to any Person. All

Transferred IP and Seller License Agreements are freely transferable and assignable without restriction and without payment of any kind to any third party. There are no royalties, honoraria, fees or other payments payable by the Seller or any of its Subsidiaries to any third party by reason of the ownership, use, possession, license, sale or disposition of any Transferred IP.

(ix) Transferability of Business Process Agreements. The Business Process Agreements are transferrable from the Seller to FilterCo by operation of law via *kaisha bunkatsu (houkatsu-shokei)* without obtaining consent of the counterparty. For the avoidance of doubt, the representation and warranty under this Section 4.12(e)(ix) is deemed breached only if it is expressly confirmed by the final and conclusive judgment by the court that one or more of the Business Process Agreements is not transferred by operation of law via *kaisha bunkatsu (houkatsu-shokei)*.

(f) Filter Business Products. Section 4.12(f) of the Disclosure Schedules sets forth a complete and accurate list of each Filter Business Product as of the Closing Date. Section 4.12(f) of the Disclosure Schedules sets forth a complete and accurate list and/or description of material Software, Mask Works, Trademarks and Domain Names that are used in providing, incorporated into, integrated or bundled with, linked with, used in the development or compilation of, or otherwise embodied in or used in or with such Filter Business Products, indicating for each item whether such Intellectual Property is none of the Transferred IP or Licensed Non-Patent IP. For each item within such Intellectual Property other than Transferred IP, Section 4.12(f) of the Disclosure Schedules sets forth under what Contract such Intellectual Property was developed and/or acquired and/or a license or other rights with respect thereto were obtained.

(g) No Infringement by the Seller. The Filter Business, including the design, development, use, provision, import, branding, advertising, promotion, marketing, manufacture, distribution and sale of any Filter Business Products, (i) has not during the past six (6) years infringed, misappropriated, diluted, used or disclosed without authorization or otherwise violated, and does not as currently conducted infringe, misappropriate, dilute, use or disclose without authorization, or otherwise violate (and, when conducted by the Buyer immediately following the Closing in the same manner, will not infringe, misappropriate, dilute, use or disclose without authorization, or otherwise violate) any Intellectual Property Rights of any third party, (ii) has not during the past six (6) years constituted, and does not as currently conducted constitute (and, when conducted by the Buyer following the Closing in substantially the same manner, will not constitute) unfair competition or trade practices under the Laws of any relevant jurisdiction, and (iii) prior to the Closing, has not infringed and will not infringe at any time within the first five (5) years following the Closing the Intellectual Property set forth on Section 4.12(g) of the Disclosure Schedule. No Action has been initiated or is pending, and no notice of any Action has been received by the Seller or any of its Subsidiaries with respect to the Filter Business, within the past six (6) years, alleging that the Seller or any of its Subsidiaries, or any Filter Business Product or the Transferred IP has infringed, misappropriated, diluted, used or disclosed without authorization, or otherwise violated the Intellectual Property Rights of any third party through unfair competition or trade practices under the Laws of any relevant jurisdiction. Without limiting the foregoing, but except as disclosed in Section 4.12(g) of the Disclosure Schedule, neither the Seller nor any of its Subsidiaries has, within the past six (6) years, received any correspondence asking or inviting

the Seller or any of its Subsidiaries to enter into a Patent or other Intellectual Property Right license or similar agreement in connection with the Filter Business, to pay for or obtain a release for Patent or other Intellectual Property Right infringement, or otherwise to enter into other arrangements with respect to the Patents or other Intellectual Property Rights of any other Person relating to the Filter Business.

(h) No Orders. None of the Transferred IP is subject to any outstanding Order restricting the use, practice, sale, transfer, licensing or exploitation thereof.

(i) No Infringement by Third Parties. During the past six (6) years, neither the Seller nor any of its Subsidiaries has instituted or asserted any Action against any third party with respect to infringement, misappropriation, dilution, use or disclosure without authorization, or other violation of any Transferred IP, nor has the Seller or any of its Subsidiaries issued any written communication inviting any third party to take a license, authorization, covenant not to sue or the like with respect to any Transferred IP (other than in connection with licenses granted by the Seller or PIDSG in the ordinary course of business consistent with past practice and not related to any infringement or other violation by the licensee or potential licensee).

(j) Software. The Software that is included in the Transferred IP (the “Seller Software”) was (i) developed solely by employees of the Seller and its Subsidiaries acting within the scope of their employment who assigned any Intellectual Property Rights that they may have in or to such Seller Software to the Seller or the Subsidiaries pursuant to valid and enforceable written agreements, or (ii) developed by independent contractors who assigned any Intellectual Property Rights that they may have in or to such Software to the Seller or the applicable Subsidiary pursuant to valid and enforceable written agreements. No Seller Software contains any programming code, documentation or other Intellectual Property that is owned (or, to the Knowledge of the Seller, claimed to be owned) by any third party. Section 4.12(j) of the Disclosure Schedules lists all of material Seller Software. Neither the Seller nor PIDSG has provided any source code to Seller Software to any third party, and neither the Seller nor any of its Subsidiaries has deposited or is obligated to deposit into escrow any source code or other materials relating to Seller Software or other Transferred IP for the benefit of any third party.

(k) Mask Works. The Mask Works that are included in the Transferred IP (“Seller Mask Works”) were (i) developed solely by employees of the Seller and its Subsidiaries acting within the scope of their employment who assigned any Intellectual Property Rights that they may have in or to such Seller Mask Works to the Seller or the applicable Subsidiary pursuant to valid and enforceable written agreements, or (ii) developed by independent contractors who assigned any Intellectual Property Rights that they may have in or to such Mask Works to the Seller or the applicable Subsidiary pursuant to valid and enforceable written agreements. No Seller Mask Works contain any design, documentation or other Intellectual Property that is owned (or, to the Knowledge of the Seller, claimed to be owned) by any third party. Section 4.12(k) of the Disclosure Schedules lists all of Seller Mask Works that are included in the Transferred IP. Section 4.12(k) of the Disclosure Schedules lists each Mask Work used in the production of Filter Business Products, indicating for each Mask Work whether such Mask Work is none of the Transferred IP, Licensed Patents, or Licensed Non-Patent IP. Neither the Seller nor any of its Subsidiaries has taken any action or failed to take any action, or used or enforced (or failed to use or enforce) any rights in the Mask Works included in the

Transferred IP in a manner that would result in the invalidity or unenforceability of any rights in such Mask Works.

(l) Open Source and Related Matters. Section 4.12(l) of the Disclosure Schedules contains a complete and accurate list of all Open Source Software that is incorporated into, integrated or bundled with, linked with or otherwise used in any Filter Business Product, and a description. None of (i) the license terms (and versions) under which such Open Source Software is licensed, and (ii) the manner in which each such Filter Business Product incorporates, is integrated or bundled with or links to such Open Source Software, in which such Open Source Software has been used in the development or compilation of any such Filter Business Product, and in which any such Filter Business Product otherwise uses such Open Source Software. To the Knowledge of the Seller, none of Seller Software is used with Open Source Software in a manner that would require as a condition of use, modification, hosting, and/or distribution of such the Seller Software that such Seller Software (A) be disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works, (C) be redistributed, hosted or otherwise made available at no or minimal charge, or (D) be licensed, sold or otherwise made available on terms that (1) limit in any manner the ability to charge license fees or otherwise seek compensation in connection with the marketing, licensing or distribution of such Seller Software or (2) grant the right to decompile, disassemble, reverse engineer or otherwise derive the source code or underlying structure of such Seller Software. The Seller and PIDSG have taken sufficient steps, including by implementing and enforcing appropriate policies in accordance with industry standards, to identify Open Source Software used in the Filter Business by the Seller or PIDSG.

(m) Government/University Contracts. All Transferred IP, including the Seller Software, was developed at private expense by Seller or its Subsidiaries, and no Government Entity or university funded the development of any Transferred IP or has obtained, by contract or otherwise, any rights in any Transferred IP, including the Seller Software.

(n) Standards Bodies. The Seller has (i) listed on Section 4.12(n) of the Disclosure Schedules (A) any standards body, patent pools, or similar formal organization (“Standards Body”) that the Seller or any of its Subsidiaries has participated in, been affiliated with, or has been a member of, in relation to the Transferred Patents; (B) any commitments to, offers made to, or agreements with (“Commitments”) such Standards Bodies applicable to any Transferred Patent, and the terms of such Commitments, as applicable; and (C) the Transferred Patents applicable to such Commitments; and (ii) has provided the Buyer with complete copies of all relevant documentation with respect to such Commitments, and all such copies and documentation are complete in all material respects, and no information relevant to this transaction has been deleted, omitted or redacted from such copies and documentation, as applicable. The Seller is in compliance with the requirements of all Standards Bodies relating to the Transferred Patents that the Seller or its Subsidiaries has participated in, been affiliated with, or has been a member of, and has not made any (i) Commitments to any Standards Bodies, to any entities, or to the public, to license or grant any rights with respect to any of the Transferred Patents, or (ii) misrepresentations to any Standards Bodies.

Section 4.13 Material Contracts.

(a) Section 4.13(a) of the Disclosure Schedules sets forth a list of all material Contracts with respect to the Filter Business (excluding the Benefit Plans set forth on Section

4.16(a) of the Disclosure Schedules) (A) to which the Seller or any of its Subsidiaries is a party or by which the Seller or any of its Subsidiaries, or any of the Transferred Assets, is otherwise bound and (B) that are necessary for or primarily related to the Filter Business as currently conducted consistent with past practice or the ownership or operation of the Transferred Assets, Licensed Patents or Licensed Non-Patent IP (each, a “Material Contract,” and collectively, the “Material Contracts”), including:

(i) any Contract relating to any Encumbrance (other than Permitted Encumbrances) on any of the Transferred Assets, Licensed Patents or Licensed Non-Patent IP;

(ii) any Assumed Contract that purports to limit, curtail or restrict the ability of the Seller or any of its Subsidiaries to compete in any geographic area or line of business, make sales to any Person in any manner, use or enforce any Seller Intellectual Property or hire or solicit any Person in any manner, or that grants the other party or any third Person “most favored nation” or similar status, any type of special discount rights, or any right of first refusal, first notice or first negotiation;

(iii) any Assumed Contract that is not governed by Japanese Law and contains a provision requiring the consent of any Person to the assignment of such Contract or notice to any Person in connection with the assignment of such Contract;

(iv) any Assumed Contract obligating the Seller or any of its Subsidiaries to indemnify or hold harmless any Person;

(v) any license agreement and any other Contract relating in whole or in part to, or that includes, (A) any sale, assignment, hypothecation, transfer, license, option, immunity, or other grant of rights under or with respect to, or covenant not to bring claims for infringement, misappropriation, or other violation of, any Transferred IP, or (B) any use limitation with respect to any Transferred IP;

(vi) any Assumed Contract with any Affiliate of the Seller;

(vii) any employment, consulting or professional services Contract with any Filter Business Employee providing for compensation (including severance or other termination payments) in excess of US\$100,000 on an annual basis;

(viii) any Contract relating to licensing, reselling, sales, marketing, merchandising or distribution relating to the Filter Business;

(ix) any joint venture or partnership, joint development, merger, asset or share purchase or divestiture Contract relating to the Filter Business;

(x) any Contract set forth or required to be set forth in Section 4.12(e)(i) or Section 4.12(e)(ii) of the Disclosure Schedules;

(xi) any Assumed Contract with any labor union related to the Filter Business Employees;

(xii) any Contract relating to settlement of any administrative or judicial proceedings relating to the Filter Business;

(xiii) any Government Contract;

(xiv) any customer Contracts included in the Assumed Contracts related to the Filter Business in excess of US\$100,000 on an annual basis;

(xv) any Contract relating to capital expenditures for the Filter Business in excess of US\$100,000 or the acquisition or disposition of (A) any business (whether by stock or asset purchase, merger or otherwise) or (B) any other asset not in the ordinary course of business consistent with past practice;

(xvi) each other Assumed Contract and Lease; and

(xvii) any other Contract, whether or not made in the ordinary course of business consistent with past practice, that (A) involves a future or potential Liability or receivable, as the case may be, in excess of US\$100,000 on an annual basis, and (B) has a term greater than one (1) year and cannot be cancelled by FilterCo or FilterSub, as applicable, without penalty or further payment and without more than thirty (30) days' notice.

(b) The Seller has made available, in accordance with the Clean Room Policies, complete and correct copies of the Material Contracts to the Buyer Parent, including all modifications, amendments and supplements thereto. Each of the Material Contracts constitutes the valid and legally binding obligation of the Seller or PIDSG, as applicable, as of the Agreement Date and immediately prior to the Contribution, and each of the Assumed Contracts will after the Contribution constitute a valid and legally binding obligation of FilterCo or FilterSub, as applicable, and, to the Knowledge of the Seller, each other party thereto, enforceable in accordance with its terms (subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity), and is in full force and effect. There is no breach or default in any material respect under any Material Contract either by the Seller or any of its Subsidiaries or, to the Knowledge of the Seller, by any other party thereto, no event has occurred that with the giving of notice, the lapse of time, or both would constitute a breach or default thereunder by the Seller or any of its Subsidiaries or, to the Knowledge of the Seller, any other party, and neither the Seller nor any of its Subsidiaries has received any claim of any such breach or default.

Section 4.14 Litigation; Compliance with Law; Permits.

(a) Within the past three (3) years prior to the Agreement Date, neither the Seller nor any of its Subsidiaries has received any written notice of, and there is not pending and, to the Knowledge of the Seller, is not threatened, any Action against the Seller or any of its Subsidiaries related to the Filter Business, the Seller's or its Subsidiaries' interest in or use of any of the Transferred Assets or the Leased Real Property, or any employee of Seller or any of its Subsidiaries in regard to their actions as such with respect to the Filter Business, and, to the Knowledge of the Seller, there is no reasonable basis for any such Action. Except for any potential HSR review, no Action, whether settled or unsettled, has occurred, is pending or, to the Knowledge of the Seller, threatened, seeking to prevent, hinder, modify, delay or challenge the Transactions. Neither Seller nor any of its Subsidiaries has received any written notice of, and to the Knowledge of the Seller, there does not exist, any outstanding Order of, or pending or threatened investigation by, any Governmental Entity against Seller or its Subsidiaries

relating to the Filter Business, Seller's or any of its Subsidiaries' interest in or use of any of the Transferred Assets or the Leased Real Property, or any of the directors or officers of Seller or any of its Subsidiaries in regard to their actions as such with respect to the Filter Business. There is no Action related to the Filter Business, the Transferred Assets or the Leased Real Property initiated by the Seller or any of its Subsidiaries pending, or which the Seller or any of its Subsidiaries has commenced preparations to initiate, against any other Person.

(b) With respect to the conduct or operation of the Filter Business and the ownership or use of the Transferred Assets and the Leased Real Property, (i) the Seller and PIDSG are, and have been, in compliance with Applicable Law in all material respects, (ii) neither the Seller nor PIDSG has received any written notice, Order, complaint or other communication that the Seller or PIDSG has any material Liability under any Applicable Law which has not been fully discharged or extinguished, or that the Seller or PIDSG is not, or has not been, in compliance with any Applicable Law in any material respect and, to the Knowledge of the Seller, there is no reasonable basis therefor, and (iii) neither the Seller nor PIDSG has received any written notice of, and, to the Knowledge of the Seller, there has not occurred, is not pending and is not threatened, any investigation or review by any Governmental Entity with respect to the Seller regarding a violation of any Applicable Law by the Seller or PIDSG, which has subjected, or is reasonably likely to subject, the Seller or PIDSG to any material Liability and, to the Knowledge of the Seller, there is no reasonable basis therefor.

(c) The Seller and PIDSG, as of the Agreement Date and immediately prior to the Contribution, are and, following the Contribution, FilterCo and FilterSub will be in possession of, and in compliance with all material Permits, and all pending material applications or renewals thereof, exclusively used in the Filter Business or necessary for the Seller or PIDSG, as of the Agreement Date and immediately prior to the Contribution, and, following the Contribution, FilterCo and FilterSub, to lawfully own, lease and operate the Transferred Assets and the Leased Real Property and to lawfully carry on the Filter Business as currently conducted consistent with past practice (the "Filter Business Permits"), a complete and correct list of which is set forth, as of the Agreement Date, in Section 4.14(c) of the Disclosure Schedules. Each Filter Business Permit is valid and in full force and effect. Neither the Seller nor PIDSG has received any written notice of, and to the Knowledge of the Seller, there has not occurred, is not pending and is not threatened, any suspension, cancellation, modification, revocation or nonrenewal of any Filter Business Permit which has subjected, or is reasonably likely to subject, the Seller or PIDSG, as of the Agreement Date and immediately prior to the Contribution, or, following the Contribution, FilterCo or FilterSub, to any material Liability and, to the Knowledge of the Seller, there is no reasonable basis therefor.

Section 4.15 Taxes.

(a) All records pertaining to Taxes and Transfer Taxes as required to be maintained under Applicable Law have been maintained by FilterCo and FilterSub.

(b) All material Tax Returns or related documentation required to be filed on or before the Closing Date by or on behalf of FilterCo and FilterSub have been or will be filed. To the extent any such Tax Returns were required to be filed prior to the Closing, such Tax Returns are true, correct and complete in all material respects. All material Taxes (whether or not shown on a Tax Return) required to be paid prior to the Closing Date by FilterCo and FilterSub have been or will be paid by the due date thereof, other than Taxes (i) for which

adequate reserves have been established and are set forth on the Financial Statements and that are being contested in good faith by appropriate procedures, or (ii) Taxes which are not yet assessed.

(c) No written claim for the assessment or collection of material Taxes is presently being asserted against either of FilterCo or FilterSub for any open taxable period and there are no material audits or investigations by any taxing authority, or judicial or administrative proceedings with respect to Taxes of or relating to FilterCo or FilterSub currently in progress or threatened orally or in writing. Since the formation of FilterCo and FilterSub, no material claim has been received (in writing) from a jurisdiction in which Tax Returns have not been filed by FilterCo or FilterSub to the effect that such entity is or may be subject to taxation by such jurisdiction, that has not been previously resolved. Neither FilterCo nor FilterSub has consented to extend the time in which any Tax may be assessed or collected by any Taxing authority.

(d) Neither FilterCo nor FilterSub has engaged in any Tax-avoidance transaction or other Tax shelter, or engaged in any Contract or transaction that is not on an arm's-length basis.

(e) Neither FilterCo nor FilterSub is or has been a member of any affiliated group or any combined, consolidated, unitary or other group for any Tax purpose, other than a group the parent of which is FilterCo.

(f) Neither FilterCo nor FilterSub is subject to any extension of, or has filed any waiver with respect to, any statute of limitations applicable to the assessment or collection of any material Tax, which statute (taking into account any waiver or extension) has not yet expired.

(g) FilterCo and FilterSub have withheld and paid all material Taxes and Transfer Taxes required to have been withheld and/or paid.

(h) There are no Tax liens on any assets of any of FilterCo or FilterSub other than statutory liens for Taxes not yet due and payable.

(i) Neither FilterCo nor FilterSub will have any material Liability following the Closing under any Tax sharing, Tax allocation or Tax indemnification agreement entered into prior to the Closing. Neither FilterCo nor FilterSub has any material Liability for the Taxes of any other person (other than FilterCo or FilterSub), as a transferee, affiliate, or successor, by Contract or otherwise.

(j) There is no "closing agreement" with a Tax authority executed by FilterCo or FilterSub prior to the Closing which will require FilterCo or FilterSub to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date.

(k) FilterCo has provided to the Buyer all agreements for Tax holidays or incentives of FilterCo and FilterSub as in effect as of the date hereof. FilterCo and FilterSub are, and up until immediately before the Closing will be, in compliance with all requirements for any applicable Tax holidays or incentives.

Section 4.16 Employee Benefit Plans.

(a) Section 4.16(a) of the Disclosure Schedules sets forth a true and complete list of each material employee benefit plan and each and every material written, unwritten, formal or informal plan, agreement, program, policy, scheme or other arrangement involving direct or indirect compensation (other than workers' compensation, unemployment compensation and other government programs), employment, severance, consulting, death or disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits, deferred compensation, profit-sharing, bonuses, stock or share options, stock or share appreciation rights, other forms of incentive compensation, post-retirement insurance benefits, Benefit Arrangement, or other benefits, entered into, maintained or contributed to by the Seller or its Subsidiaries to which any Filter Business Employee participates or is eligible to participate or with respect to which FilterCo or FilterSub has or may in the future have any Liability. Each plan, agreement, program, policy or arrangement required to be set forth on Section 4.16(a) of the Disclosure Schedules pursuant to the foregoing is referred to herein as a "Benefit Plan."

(b) The Seller has delivered or made available, subject to the Clean Room Policies, the following documents to the Buyer with respect to each Benefit Plan: (i) true, correct and complete copies of all current and written documents embodying such Benefit Plan, including all amendments thereto, and all related trust documents, or a written description of any Benefit Plan that is not set forth in a written document, (ii) the most recent summary plan description together with the summary or summaries of material modifications thereto, if any, (iii) the two most recent annual actuarial valuations, if any, and (iv) the two most recent annual reports, if any.

(c) The Seller, PIDSG, FilterCo and FilterSub maintain, and have funded to the extent required by Applicable Law, each Benefit Plan and any other labor-related plans that FilterCo or FilterSub is required by Law or by Contract to maintain with respect to the Filter Business Employees.

(d) Each Benefit Plan has been maintained and administered in all material respects in compliance with its terms and with the requirements prescribed by any and all statutes, Orders, rules and regulations (foreign and domestic), which are applicable to such Benefit Plans. All contributions, reserves or premium payments required to be made or accrued as of the Agreement Date to the Benefit Plans have been timely made or accrued in all material respects. The Seller, PIDSG, FilterCo and FilterSub are in compliance in all material respects with all Laws and Contracts relating to their provision of any form of Social Insurance, and have paid, or made provision for the payment of, all Social Insurance contributions required under Applicable Law and any Contracts, including all deductions and payments to be made by PIDSG in respect of Central Provident Fund contributions (including employer contributions) in relation to the remuneration of its Filter Business Employees (if applicable) to the relevant competent authorities in accordance with the Central Provident Fund Act (Chapter 36 of Singapore).

(e) To the Knowledge of the Seller, no Benefit Plan is subject to the Employee Retirement Income Security Act of 1974, as amended, the Internal Revenue Code of 1986, as amended, the Laws of the United States of America, or the Laws of any State of the United States of America.

(f) No Benefit Plan provides, or reflects or represents any obligation to provide, benefits (including death or medical benefits), whether or not insured, with respect to any former or current employee, or any spouse or dependent of any such employee, beyond the employee's retirement or other termination of employment with FilterCo and FilterSub.

(g) The execution of this Agreement and the consummation of the Transactions (alone or together with any other event which, standing alone, would not by itself trigger such entitlement or acceleration) will not (i) entitle any Person to any payment, forgiveness of indebtedness, vesting, distribution or increase in benefits under or with respect to any Benefit Plan, (ii) otherwise trigger any acceleration (of vesting or payment of benefits or otherwise) under or with respect to any Benefit Plan, or (iii) trigger any obligation to fund any Benefit Plan.

(h) No Action (excluding claims for benefits incurred in the ordinary course of business consistent with past practice) has been brought or is pending or, to the Knowledge of the Seller, threatened against or with respect to any Benefit Plan or the assets or any fiduciary thereof (in that Person's capacity as a fiduciary of such Benefit Plan). There are no audits, inquiries or proceedings pending or, to the Knowledge of the Seller, threatened by any Governmental Entity with respect to any Benefit Plan.

Section 4.17 Employment Matters.

(a) Except as disclosed in Section 4.17(a) of the Disclosure Schedules, which sets forth a true and complete list of all workforce agreements reached under any Applicable Law and all collective bargaining, works council agreements, or procedural or other agreements or arrangements with any trade union, group or organization representing employees that relate to any employees of the Seller (with respect to the Filter Business), FilterCo or FilterSub, neither the Seller or PIDSG (with respect to the Filter Business Employees) nor FilterCo or FilterSub is a party to any workforce agreements, collective bargaining, works council agreements, or procedural or other agreements or arrangements with any trade union, group or organization representing employees that relate to any employees of the Seller (with respect to the Filter Business), FilterCo or FilterSub, and there are no trade or labor unions or other organizations representing any Filter Business Employees. In the three (3) years prior to the Closing Date, there has not been, there is not presently pending or existing, and, to the Knowledge of the Seller, there is not threatened, (i) any strike, lockout, slowdown, picketing, work interference activity, industrial action (official or unofficial) or work stoppage with respect to the Filter Business Employees, (ii) any material unfair labor practice charge or material grievance or arbitration proceeding against the Seller (with respect to the Filter Business Employees), FilterCo or FilterSub, or (iii) any notice of any industrial or trade dispute or any dispute or negotiation with any trade or labor union or association or trade unions or organization or body of employees except for those conducted in the ordinary course of business consistent with past practice that are not material to the Filter Business.

(b) Section 4.17(b) of the Disclosure Schedules lists all Filter Business Employees as of the Agreement Date, without identifying the names of such employees, and for each such employee: (i) job position; (ii) job location; (iii) classification as exempt or non-exempt under applicable state, federal or foreign overtime regulations and classification as an employee or not as defined in and under the purview of the Employment Act (Chapter 91) of Singapore; (iv) whether such employee's base compensation in 2013 exceeded US\$100,000;

(v) hourly rate of compensation or base salary (as applicable); (vi) target incentive compensation for 2013 (including commission and/or bonus, as applicable); (vii) the commencement date of employment and, if applicable, the term of employment and the length of notice necessary to terminate the employment; (viii) the employee's nationality; and (ix) the entity by which such employee is employed. None of the Filter Business Employees is located in or subject to the Laws of the United States of America or any State of the United States of America.

(c) Section 4.17(c) of the Disclosure Schedules lists all individuals who are providing services similar to those employed by the Filter Business for the purposes of the Filter Business as of the Agreement Date under an agreement which is not a contract of employment with the Seller or PIDSG (including where the individual acts as a consultant or is on secondment from another Person) and the particulars of the terms on which the individual provides services, namely, (i) the individual's name (to be provided prior to the Closing), (ii) the remuneration of the individual (including any benefits and privileges provided or which the Seller or PIDSG is bound to provide), (iii) the length of notice necessary to terminate the agreement, and (iv) the term of the agreement.

(d) As of the Agreement Date, to the Knowledge of the Seller, no executive of the Seller or PIDSG working in the Filter Business who is a Key Employee has indicated any plans to not accept employment with FilterCo or FilterSub after the Closing. As of the Agreement Date, to the Knowledge of the Seller, no executive that is a Filter Business Employee has indicated any plans to terminate employment with Seller before or after the Closing. The acquisition of the Purchased Stock by the Buyer or the compliance with the terms of this Agreement will not enable any Filter Business Employee to terminate his or her employment or receive any payment or other benefit.

(e) Each of the Seller (with respect to the Filter Business Employees), FilterCo and FilterSub is presently in compliance, in all material respects, with Applicable Law and any collective agreement relating to employment, equal opportunity, nondiscrimination, immigration, wages, employee exemption status, hours, collective bargaining, occupational safety and health, and/or privacy rights of employees. Without prejudice to the generality of the foregoing, every employee of the Seller (with respect to the Filter Business), FilterCo and FilterSub who requires a work pass or other required permit to work in Singapore has a current work pass or such other required permit and all necessary permission to remain in Singapore and true and complete particulars of each such employee's current remuneration, age, sex, date of commencement of continuous employment, nationality, pension scheme membership, and work pass or work permit status are set out in Section 4.17(e) of the Disclosure Schedules.

(f) There are no amounts owing to any present or former Filter Business Employee except for accrued benefits and remuneration due to present Filter Business Employees as set out in the Financial Statements.

Section 4.18 Environmental Matters.

(a) With respect to the Filter Business, the Transferred Assets and the Leased Real Property, each of the Seller and PIDSG is and has at all times been in compliance in all material respects with all applicable Environmental Laws. To the Knowledge of the Seller, none of the properties associated with the Filter Business currently or formerly owned, leased

or operated by the Seller or PIDSG (including soils and surface and ground waters) is contaminated with any Hazardous Material at the level exceeding the threshold or standard permitted under Applicable Law with respect to such Hazardous Material. With respect to the Filter Business, the Transferred Assets and the Leased Real Property, neither the Seller nor PIDSG has received any written notice, letter or request for information stating that it may be in violation of Environmental Laws, or liable under any Contract or pursuant to Environmental Laws, for any contamination by Hazardous Material at any site containing Hazardous Material, and there have been no allegations of current material non-compliance with Environmental Laws or Liability under Environmental Laws.

(b) With respect to the Filter Business, the Transferred Assets and the Leased Real Property, the Seller and PIDSG possess and are in compliance in all material respects with all certificates, registrations, Permits, licenses and other authorizations required under any applicable Environmental Law ("Environmental Permits"). With respect to the Filter Business, the Transferred Assets and the Leased Real Property, none of the Seller, PIDSG or any of its or their officers has received, nor, to the Knowledge of the Seller, is there any basis for, any communication or complaint from a Governmental Entity or other Person alleging that the Seller or PIDSG has any Liability under any Environmental Law or that it is not in compliance in any material respect with any Environmental Law or Environmental Permit, or that there are any circumstances that may render the Filter Business, as currently operated, ineligible for, or unable to renew or extend, any Environmental Permit.

(c) With respect to the Filter Business, the Transferred Assets and the Leased Real Property, in the past six (6) years prior to the Agreement Date, there are no past or present events, conditions, circumstances, activities, practices, incidents, actions, omissions or plans that constitute a material violation by the Seller or PIDSG of, or are reasonably likely to prevent or interfere with FilterCo's or FilterSub's future compliance with, any Environmental Laws or Environmental Permits.

Section 4.19 Affiliate Transactions. No officer or director of the Seller, FilterCo or any of their Subsidiaries: (a) is a party to any current Material Contract with the Seller or any of its Subsidiaries primarily relating to the Filter Business or has any ownership interest in any Transferred Asset; (b) owns, directly or indirectly, any interest in or is an officer, director, employee or consultant of any Person that is a significant competitor of the Filter Business; or (c) has any loan outstanding to or Action against the Seller, FilterCo or any of their Subsidiaries. Section 4.19 of the Disclosure Schedules sets forth a description of all services currently, or following the Contribution, that will be, provided by the Seller or any of its Affiliates to FilterCo or FilterSub.

Section 4.20 Customers and Suppliers.

(a) Section 4.20(a) of the Disclosure Schedules sets forth a complete and correct list of: (i) the ten (10) largest suppliers to the Seller and its Subsidiaries associated with the Filter Business during each of the past three (3) fiscal years of the Seller and during the three (3) months ended March 31, 2014 (in each case, based on dollar amount paid to such supplier during such year or quarter) (the "Top Suppliers"); (ii) the ten (10) largest customers of the Seller and its Subsidiaries associated with the Filter Business during each of the past three (3) fiscal years of the Seller and during the three (3) months ended March 31, 2014 (in each case, based on dollar amount of revenue recognized during such year or quarter) (the

“Top Customers”); and (iii) the ten (10) largest distributors of the Seller and its Subsidiaries associated with the Filter Business during each of the past three (3) fiscal years of the Seller and during the three (3) months ended March 31, 2014 (in each case, based on dollar amount of revenue recognized during such year or quarter) (the “Top Distributors”).

(b) During the past six (6) years prior to the Agreement Date, neither the Seller nor PIDSG has received any notice, letter, complaint or other communication from any Top Supplier, Top Customer or Top Distributor to the effect that it (i) has changed, modified, amended or reduced, or is reasonably likely to change, modify, amend or reduce, its business relationship with the Seller and/or PIDSG in a manner that is, or is reasonably likely to be, adverse to the Seller and/or PIDSG, or (ii) will fail to perform, or is reasonably likely to fail to perform, its obligations under any Contract with the Seller and/or PIDSG in any manner that is, or is reasonably likely to be, adverse to the Seller and/or PIDSG. Since March 31, 2014, there has been no cancellation of backlogged orders in excess of the average rate of cancellation prior to such date.

Section 4.21 Insurance. Section 4.21 of the Disclosure Schedules sets forth a list of each type of material insurance policy relating to the Filter Business, and such policies are sufficient for compliance in all material respects with the requirements of Applicable Law (except for applicable labor Laws) to operate the Filter Business, as of the Closing.

Section 4.22 Product Warranties and Returns; Product Liability.

(a) Section 4.22(a) of the Disclosure Schedules sets forth complete and correct copies of all written warranties and guaranties, given by the Seller and its Subsidiaries currently in effect with respect to the Filter Business Products. To the Knowledge of the Seller, there have not been any deviations from or modification to such warranties and guaranties, and none of the sales personnel, employees, distributors and agents of the Seller or any of its Subsidiaries is authorized to undertake obligations to any customer or to other third parties in excess of such warranties or guaranties. With respect to the Filter Business, neither the Seller nor any of its Subsidiaries has received any material warranty claims, has any material warranty claims pending, or, to the Knowledge of the Seller, is threatened with any material warranty claims under any Contract, and, to the Knowledge of the Seller, there is no basis for any such claim.

(b) Each of the Filter Business Products that has been manufactured, authored, distributed, sold, rendered, offered or provided, as the case may be, to any Person conformed to the terms of the applicable warranty with respect to such Filter Business Product that was provided by the Seller. During the past three (3) years prior to the Agreement Date, neither the Seller nor any of its Subsidiaries has received any written notice of a claim against the Seller or any of its Subsidiaries alleging a design or manufacturing defect in any Filter Business Products, excluding any and all requests for product returns in the ordinary course of business consistent with the past experience of the Seller and its Subsidiaries which have not had and are not reasonably expected to result in, individually or in the aggregate, any material Liability to the Seller and its Subsidiaries taken as a whole. During the past three (3) years prior to the Agreement Date, none of the Filter Business Products that has been manufactured, authored, distributed, sold, rendered, offered or provided, as the case may be, has been the subject of any recall or other similar action and, to the Knowledge of the Seller, no event has occurred, and no condition or circumstance exists, that could (with or without

notice or lapse of time) give rise to or serve as a basis for any such recall or other similar action relating to any such product.

Section 4.23 Compliance with Anti-Corruption Laws, Export Control and Import Laws.

(a) To the Knowledge of the Seller, neither the Seller nor any of its Subsidiaries has, directly or indirectly, taken any action with respect to the Filter Business, the Transferred Assets, the Assumed Contracts and/or the Leased Real Property which would cause them to be in violation of any anti-corruption and/or anti-bribery laws, statutes, rules, regulations, ordinances, and Orders of any Governmental Entity of any jurisdiction applicable to the Filter Business, the Transferred Assets, the Assumed Contracts and/or the Leased Real Property (whether by virtue of jurisdiction or organization or conduct of business) (collectively, the “Applicable Anti-Corruption Laws”).

(b) With respect to the Filter Business, the Transferred Assets, the Assumed Contracts and the Leased Real Property, none of the Seller, any of its Subsidiaries, or any Representatives of the Seller or any of its Subsidiaries, has, directly or indirectly, offered, paid, promised to pay, or authorized a payment, of any money or other thing of value (including any fee, gift, sample, travel expense or entertainment) or any commission payment, or any payment related to political activity, to any of the following Persons for the purpose of influencing any act or decision of such Person in his official capacity, inducing such Person to do or omit to do any act in violation of the lawful duty of such official, securing any improper advantage, or inducing such Person to use his influence with a foreign government or instrumentality thereof to affect or to influence any act or decision of such government or instrumentality, in order to assist the Seller in obtaining or retaining business for or with, or directing the business to, any of the following Persons: (i) any Person who is an agent, representative, official, officer, director, or employee of any non-U.S. government or any department, agency, or instrumentality thereof (including officers, directors, and employees of state-owned, -operated or -controlled entities) or of a public international organization; (ii) any Person acting in an official or quasi-official capacity for or on behalf of any such government, department, agency, instrumentality, or public international organization; (iii) any political party or official thereof; (iv) any candidate for political or political party office (such recipients in paragraphs (i), (ii), (iii) and (iv) of this subsection, collectively, “Government Officials”); or (v) any other individual or entity while knowing or having reason to believe that all or any portion of such money or thing of value would be offered, given, or promised, directly or indirectly, to any Government Official.

(c) With respect to the Filter Business, the Transferred Assets, the Assumed Contracts and the Leased Real Property, none of the Seller, PIDSG, or any Representatives of the Seller or PIDSG, has made any payments or transfers of value with the intent, or which have the purpose or effect, of engaging in commercial bribery, or acceptance of or acquiescence in kickbacks or other unlawful or improper means of obtaining business.

(d) For purposes of this Section only, the term “Representatives” shall also mean, with respect to any Person, such Person’s resellers, distributors, consultants and intermediaries.

(e) With respect to the Filter Business, the Transferred Assets, the Assumed Contracts and the Leased Real Property, the Seller and PIDSG have conducted their export transactions in accordance in all material respects with any Applicable Laws where the Seller or PIDSG is located and where it conducts business. Without limiting the foregoing, with respect to the Filter Business, the Transferred Assets and the Assumed Contracts: (i) the Seller and PIDSG have obtained all export licenses and other approvals required for its exports of products, Software and technologies from the U.S. and all other jurisdictions where such licenses or approvals are required by Applicable Law, including with respect to the release of technology and Software to foreign nationals in the U.S. and abroad, except for those licenses and approvals for which the failure to obtain would not be reasonably expected to be material to the Filter Business or the ownership or operation of the Transferred Assets or the Leased Real Property; (ii) the Seller and PIDSG are in compliance in all material respects with the terms of such applicable export licenses or other approvals; (iii) there are no pending or, to the Knowledge of the Seller, threatened claims against the Seller or PIDSG with respect to such export licenses or other approvals; (iv) there are no actions, conditions or circumstances pertaining to the Seller's or any of its Subsidiaries' export transactions that would reasonably be expected to give rise to any future material Actions against the Seller or PIDSG; (v) the Seller and PIDSG have established internal controls and procedures intended to ensure compliance with all applicable export control Laws; and (vi) the Seller and PIDSG are in compliance in all material respects with (A) all U.S. import and export Laws (including those Laws under the authority of U.S. Departments of Commerce (Bureau of Industry and Security) codified at 15 CFR, Parts 700-799; Homeland Security (Customs and Border Protection) codified at 19 CFR, Parts 1-199; State (Directorate of Defense Trade Controls) codified at 22 CFR, Parts 103, 120-130; and Treasury (Office of Foreign Assets Control) codified at 31 CFR, Parts 500-599) and (B) all comparable Laws outside the U.S., including the Customs Act (Chapter 70) of Singapore, the Goods and Services Tax Act (Chapter 117A) of Singapore, Regulations of Imports and Exports Act (Chapter 272A) of Singapore, Free Trade Zone Act (Chapter 114) of Singapore, Strategic Goods (Control) Act (Chapter 300) of Singapore, Chemical Weapons Prohibition Act (Chapter 37B) of Singapore, Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949) of Japan, Export and Import Transaction Act (Act No. 299 of 1952) of Japan and Customs Act (Act No. 61 of 1954) of Japan.

Section 4.24 Books and Records. As of the Closing Date, the books and records (including any statutory records, registers and books) of FilterCo and FilterSub are true, accurate and complete in all material respects and have been kept in all material respects in compliance with Applicable Law. At the Closing, all such books and records will be in the possession of FilterCo and FilterSub. All books, records, data, information, Databases, systems and control maintained, operated or used by the Seller or PIDSG in connection with the conduct or administration of the Filter Business (including all means of access) are under the exclusive ownership or direct control of the Seller.

Section 4.25 Data Protection. With respect to the Filter Business, the Transferred Assets, the Assumed Contracts and the Leased Real Property, the Seller and PIDSG have complied in all material respects with Applicable Law relating to privacy, data protection and data security, including with respect to the collection, storage, transmission, transfer (including cross-border transfers), disclosure and use of Personal Data. With respect to the Filter Business, and to the Knowledge of the Seller, the Transferred Assets, the Assumed Contracts and the Leased Real Property, there has been no material loss, damage, or unauthorized access, use, modification, or other misuse of any Personal Data maintained by or on behalf of the Seller or

PIDSG; and no Person (including any Governmental Entity) has made any written claim or commenced any Action with respect to loss, damage, or unauthorized access, use, modification, or other misuse of any such information. The execution, delivery and performance of this Agreement, the Seller Transaction Documents, and the FilterCo and FilterSub Transaction Documents and the consummation of the Transactions (and the disclosure to and use by the Buyer of such information after the Closing Date will comply) with the Seller's and PIDSG's applicable privacy policies and with Applicable Law relating to privacy and data security.

ARTICLE V
REPRESENTATIONS AND WARRANTIES RELATING
TO THE BUYER AND THE BUYER PARENT

Each of the Buyer and the Buyer Parent represents and warrants to each of FilterCo and the Seller as of the Agreement Date and as of the Closing Date (except for such representations and warranties as are made only as of a specific date), as set forth below.

Section 5.1 Organization. The Buyer is a corporation duly organized and validly existing under the laws of Luxembourg and is an indirect wholly owned subsidiary of the Buyer Parent. The Buyer Parent is a corporation duly organized and validly existing under the Laws of the State of Delaware.

Section 5.2 Authorization; Enforceability.

(a) Each of the Buyer and the Buyer Parent has all requisite power and authority to enter into this Agreement and the other Buyer Transaction Documents, to perform its obligations hereunder and thereunder and to carry out the Transactions. All necessary corporate action has been taken to authorize the execution, delivery and performance of this Agreement and each other Buyer Transaction Document. Each of the Buyer and the Buyer Parent has duly executed and delivered this Agreement and, at or prior to the Closing, will have duly executed and delivered each other Buyer Transaction Document to which the Buyer or the Buyer Parent is a party.

(b) This Agreement is, and each other Buyer Transaction Document, when duly executed and delivered at or prior to the Closing by the Buyer or the Buyer Parent (as applicable) will be, the legal, valid and binding obligation of the Buyer and the Buyer Parent (as applicable), enforceable against the Buyer and the Buyer Parent (as applicable) in accordance with their respective terms, except as enforceability of such objections may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws now or hereafter in effect relating to or limiting creditors' rights or remedies generally and general principles of equity relating to the availability of specific performance and injunctive and other forms of equitable relief.

Section 5.3 No Violation. Neither the execution and delivery of this Agreement and the other Buyer Transaction Documents nor the consummation of the Transactions (with or without the passage of time or the giving of notice, or both) will (a) contravene, violate, breach or be in conflict with any provisions of the Buyer's or the Buyer Parent's respective articles of incorporation or bylaws or other equivalent organizational documents; (b) violate or conflict with any Laws to which the Buyer or the Buyer Parent is subject; or (c) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default

or breach) under, or require any consent of any Person pursuant to, any material Contract of the Buyer or the Buyer Parent, except, in the case of the foregoing clauses (a), (b) and (c), for any such contraventions, violations, breaches or conflicts that would not, individually or in the aggregate, have a material adverse effect on the Buyer's ability to consummate the Transactions.

Section 5.4 Consents and Approvals.

(a) Except for compliance with the HSR Act and other applicable Antitrust Laws, no consent, approval or authorization of, or declaration, filing or registration with, any Governmental Entity is required to be made or obtained by the Buyer or the Buyer Parent, respectively, in connection with the execution, delivery and performance of this Agreement and the Buyer Transaction Documents or the consummation of the Transactions.

(b) No consent, approval or authorization of, or notice to any counterparty to any material Contract of the Buyer or the Buyer Parent must be made or obtained by the Buyer or the Buyer Parent, respectively, in connection with the execution, delivery and performance of this Agreement and the Buyer Transaction Documents or the consummation of the Transactions.

Section 5.5 Accredited Investor. The Buyer is an "accredited investor" as defined in Rule 501 of Regulation D of the Securities Act, as presently in effect. The Buyer acknowledges that the Purchased Stock has not been registered under the Securities Act or any state securities Laws and that the Purchased Stock may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of, unless such transfer, sale, assignment, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the Securities Act and is registered under any applicable state or foreign securities Laws or pursuant to an exemption from registration under the Securities Act and any applicable state or foreign securities Laws.

Section 5.6 Brokers', Finders' Fees, etc. No Person is entitled to rights to brokerage commissions, finders' fees or similar compensation in connection with the Transactions based on any arrangement or agreement made or alleged to have been made by or on behalf of the Buyer, the Buyer Parent or any of their respective Affiliates, officers, employees or directors, and neither the Buyer nor the Buyer Parent has received a claim for such compensation nor has knowledge of any such claim.

**ARTICLE VI
COVENANTS**

Section 6.1 Conduct of Filter Business. During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement in accordance with the terms hereof and the Closing, the Seller, PIDSG, FilterCo and FilterSub shall:

(c) conduct the Filter Business only in the ordinary course of business consistent with past practice of Seller and its Subsidiaries and in compliance with Applicable Law;

(d) to the extent necessary for or primarily related to the Filter Business, except as required under this Agreement, preserve intact its present business organizations, lines of business, and its relationships with Filter Business Employees, customers, suppliers,

distributors, contractors, licensors, licensees, lessors and other third parties having business dealings with Seller and its Subsidiaries and retain its employees, in each case, consistent with Seller's and its Subsidiaries' past practice;

(e) to the extent necessary for or primarily related to the Filter Business, pay or perform its obligations when due in the ordinary course of business consistent with past practice, including its obligations under the Material Contracts;

(f) sell and service the Filter Business Products, including maintaining distributor pricing and incentive programs at levels and on terms, in the ordinary course of business consistent with past practice and in accordance with the terms of the Contracts applicable to such sales and services;

(g) maintain the Transferred Assets in good operating condition and repair, ordinary wear and tear excepted;

(h) maintain daily wafer input volume of 700 wafers per Business Day;

(i) prosecute and maintain all registrations and applications to register the Transferred Patents;

(j) operate, maintain and repair the Leased Real Property in substantially the same condition as the same exist on the Agreement Date (ordinary wear and tear excepted) and in accordance with the terms of the applicable Lease and any Applicable Law;

(k) perform in all respects their respective obligations under each Material Contract;

(l) maintain insurance coverage for the Transferred Assets and the Leased Real Property in amounts adequate to cover the reasonably anticipated risks of the Filter Business, as applicable; and

(m) with respect to the Filter Business Employees, pay any accrued bonuses and other employee compensation payable after the Agreement Date and before the Closing in the ordinary course of business consistent with past practice.

Section 6.2 Restrictions on Conduct of Filter Business. Without limiting the generality or effect of the provisions of Section 6.1, during the period from the Agreement Date and continuing until the earlier of the termination of this Agreement in accordance with the terms hereof and the Closing, the Seller, PIDSG, FilterCo and FilterSub shall not directly or indirectly, do, propose to any third party to do (other than proposals to the Buyer for the purpose of seeking consent), cause or permit any of the following (except to the extent expressly provided otherwise in this Agreement or as consented to in writing by the Buyer, which consent shall not be unreasonably withheld or delayed):

(a) transfer, issue, sell, redeem or dispose of, or agree to do so, any shares in or other equity securities of FilterCo or FilterSub;

(b) grant options, warrants, calls or other rights to purchase or otherwise acquire shares in or other equity securities of FilterCo or FilterSub or issue any security convertible into shares in or other equity securities of FilterCo or FilterSub;

(c) amend or propose to amend the articles of incorporation (*teikan*) and other charter and organizational documents of FilterCo or FilterSub, or amend or otherwise change the Seller's certificate of incorporation or bylaws or equivalent governing documents to the extent such amendment or change would prevent, materially delay or materially impede the consummation of the Transactions;

(d) declare, set aside, issue, make or pay any dividend (whether in stock, personal or real property or other things of value) or the distribution or payment in respect of the capital stock or other equity securities of FilterCo or FilterSub or any direct or indirect redemption, purchase or other acquisition of any capital stock or other equity securities of FilterCo or FilterSub;

(e) to the extent primarily related to the Filter Business, make any material change in any method of accounting or accounting practice or policy other than as required by JGAAP, SGAAP, or Applicable Law;

(f) to the extent primarily related to the Filter Business, make or change any election with respect to Taxes;

(g) sell or dispose of any asset or property listed as a Transferred Asset (excluding any Transferred IP that is covered by Section 6.2(s)) other than Filter Business Products and inventory sold in the ordinary course of business consistent with past practice or the Leased Real Property;

(h) create or assume any mortgage, pledge or other Encumbrance on any Transferred Asset or the Leased Real Property except (i) for Permitted Encumbrances, (ii) as required by Applicable Law, or (iii) for Contracts, capital expenditures, borrowings or other commitments entered into in the ordinary course of business consistent with past practice;

(i) except as may be required by Applicable Law, enter into, modify or terminate any labor or collective bargaining agreement, work council agreement, work force agreement or any other labor union Contract applicable to any Filter Business Employee or, through negotiation or otherwise, make any commitment or incur any Liability to any labor organization relating to any Filter Business Employee;

(j) enter into, materially amend, or terminate any Material Contract other than in the ordinary course of business consistent with past practice;

(k) to the extent primarily related to the Filter Business, terminate or fail to renew any existing material insurance coverage;

(l) terminate or fail to renew any Filter Business Permits;

(m) to the extent primarily related to the Filter Business, enter into any commitment to make any loan, or other extension of credit to, or for the benefit of, any Affiliate of the Seller or its Subsidiaries;

(n) modify the compensation or benefits of any employees that may become FilterCo or FilterSub employees as part of the Transactions or enter into or materially amend any Benefit Plan with respect to such employees other than (i) as reasonably necessary to implement the Transactions, or (ii) in the ordinary course of business consistent with past practice, (A) standard annual modifications to the compensation and benefits for all of the Seller's employees or (B) as required by Applicable Law or under an existing Employee Benefit Plan;

(o) hire any employee that may become a FilterCo or FilterSub employee as part of the Transactions other than any hiring of new employees (i) as contemplated by Schedule 6.13 or (ii) as a replacement for a current employee with compensation and benefits substantially the same as the employee being replaced provided that such replacement has similar experience, expertise, and tenure and the necessary experience, expertise, and tenure to perform the job functions of such position;

(p) except in the ordinary course of business consistent with past practice, announce, implement or effect any reduction in labor force, lay-off, redundancy, early retirement program, severance program or other program or effort concerning the termination of employment of any Filter Business Employee;

(q) make any change to the Transferred Employees or the Seconded Employees, except for mandatory retirement at age 60 or voluntary resignations made in the ordinary course of business consistent with past practice;

(r) except in the ordinary course of business consistent with past practice, abandon or permit to lapse any rights to use any Filter Business Intellectual Property;

(s) transfer, lease, sell, pledge or exclusively license any Transferred Patents;

(t) take any action that would cause distributor Inventory levels in the aggregate to exceed the average Inventory levels at the end of the three quarters preceding the Agreement Date;

(u) (i) commence, negotiate, settle, pay, discharge or satisfy any material Action relating to the Filter Business, the Assumed Contracts, the ownership or use of the Transferred Assets or the Leased Real Property, (ii) commence, negotiate, settle, pay, discharge or satisfy any material Action relating to the use of Licensed Patents or Licensed Non-Patent IP that will materially and negatively affect the operation of the Filter Business, or (iii) negotiate, settle, pay, discharge or satisfy any material Assumed Liability;

(v) except in the ordinary course of business consistent with past practice, change or announce any change to the Filter Business Products, except any change necessary in the Seller's good faith judgment to address any defect in, or noncompliance of, any Filter Business Product, provided that the Seller will consult in good faith with the Buyer with respect to any such change;

(w) except in the ordinary course of business consistent with past practice, take any action not announced prior to the Agreement Date with respect to the suppliers, customers or distributors of the Filter Business relating to the quantity or terms of purchases

or sales from or to such Persons as relates to the Filter Business, including providing promotions, discounts or price increases outside of the ordinary course of business consistent with past practice;

(x) announce an intention, enter into any formal or informal Contract or otherwise make a commitment, to take any of the actions described in clauses (a) through (w) in this Section, or any action which that would reasonably be expected to make any of the Seller's representations or warranties contained in this Agreement untrue or incorrect (such that any of the conditions set forth in Article VII would not be satisfied) or prevent the Seller from performing or cause the Seller not to perform one or more covenants required hereunder to be performed by the Seller (such that any of the conditions set forth in Article VII would not be satisfied).

Section 6.3 Reasonable Access. During the period commencing on the Agreement Date and continuing until the earlier of the termination of this Agreement and the Closing, the Seller shall, in accordance with the Clean Room Policies, provide the Buyer, the Buyer Parent and their respective Representatives reasonable access during business hours to all information and personnel relating to the Filter Business, the Transferred Assets, the Assumed Contracts, the Leased Real Property, Licensed Patents, Licensed Non-Patent IP and the Assumed Liabilities as the Buyer Parent may reasonably request.

Section 6.4 Notification. From the Agreement Date until the Closing Date, FilterCo and the Seller shall as promptly as may be reasonably practicable disclose to the Buyer Parent in writing if and only if, after the Agreement Date, the Seller, PIDSG, FilterCo or FilterSub becomes aware of (a) any fact, event or condition that has caused or could be reasonably be expected to cause any of the representations and warranties contained in Article III or IV to fail to be true or correct in any material respect, (b) the occurrence of any fact, event or condition that has had or could reasonably be expected to have a Material Adverse Effect, (c) any fact, event or condition that has resulted in or could reasonably be expected to result in a breach by the Seller, PIDSG, FilterCo, or FilterSub of any of their respective covenants and obligations under this Agreement, (d) the occurrence of any fact, event or condition that has made or could reasonably be expected to make the satisfaction of the conditions in Article VII impossible, (e) any matter that, if existing or occurring prior to the Agreement Date, would have been required to be set forth or described in the Disclosure Schedules on the Agreement Date or that is necessary to correct any information in the Disclosure Schedules which has been rendered inaccurate thereby promptly following discovery thereof, including a reference to the specific Section of the Disclosure Schedules to which such matter relates (provided that no information provided pursuant to this Section shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the parties hereunder); (f) any planned or threatened labor dispute, organization efforts, strike or collective work stoppage affecting any Filter Business Employee; (g) any Action commenced or, to the Knowledge of the Seller, threatened against, relating to or involving or otherwise affecting the Filter Business, the Transferred Assets, the Assumed Contracts, Licensed Patents or Licensed Non-Patent IP or that relates to the consummation of the Transactions; or (h) any notice from any Person alleging that the consent of such Person is or may be required in connection with the Transactions.

Section 6.5 Other Information. From the Agreement Date to the Closing Date, the Seller or FilterCo, as applicable, shall furnish to the Buyer Parent (a) as soon as reasonably practicable after they become available, copies of all (i) reports, renewals, filings, certificates,

statements and other documents filed with any Governmental Entity relating to FilterCo, FilterSub, the Filter Business, the Transferred Assets, the Assumed Contracts, the Leased Real Property, or Licensed Non-Patent IP and (ii) notices or communications from any Governmental Entity relating to FilterCo, FilterSub, the Filter Business, the Transferred Assets, the Assumed Contracts, the Leased Real Property, or Licensed Non-Patent IP or the Transactions and (b) within two (2) Business Days after they are completed but in no event more than thirty (30) days following the end of each calendar month with respect to clause (A) below and in no event more than sixty (60) days following the end of each quarter with respect to clause (B) below:

(A) copies of certain monthly financial information in a manner to be mutually agreed by the Parties; and

(B) quarterly pro forma unaudited financial statements of the Filter Business that conform to the requirements of the Financial Statements.

Section 6.6 Mutual Best Efforts; Further Assurances.

(a) Upon the terms and subject to the conditions herein provided, each Party shall use its best efforts, to take or cause to be taken all action, to do or cause to be done (including the execution and delivery of such other instruments as may be necessary), and to assist and cooperate with each other Party in doing, all things necessary, proper or advisable under Applicable Law to consummate and make effective, in the most expeditious manner practicable, the Transactions, including the Contribution and the Required Consents, and undertakings contemplated by this Agreement. The Seller, FilterCo, PIDSG and FilterSub undertake to obtain the Buyer's prior written consent (including electronic confirmation) on any and all correspondence between FilterCo and/or PIDSG and/or FilterSub with any third parties (excluding such Party's Representatives) and any Governmental Entity (including HDB in relation to obtaining HDB's consent with respect to the sublease of the Singapore Facility to be granted by PIDSG to FilterSub) and to keep the Buyer promptly informed of and updated on any and all correspondence with any such third parties and any Governmental Entity, and furnishing and making available all information in relation thereto.

(b) The Seller shall use its best efforts to provide all normal and customary assistance (including with respect to exemption certifications and filings) and cooperation in a timely manner with respect to the Buyer's obtaining all necessary Permits (other than the Transferred Permits) to conduct the Filter Business after the Closing.

Section 6.7 Antitrust.

(a) Notwithstanding anything to the contrary set forth herein (except as set forth in Section 6.7(b)), each applicable Party shall, to the extent required by the Antitrust Laws and not already done by the Agreement Date, (i) make its initial filing required under the HSR Act and any other initial filings with respect to the Antitrust Laws, if required, in the jurisdiction to be agreed by and between the Seller and the Buyer Parent reasonably promptly and in consultation with the other Parties, (ii) use its best efforts to obtain all necessary actions or nonactions, waivers, consents, approvals, orders and authorizations from, and the giving of any necessary notices to, Governmental Entities and other persons and the making of all necessary registrations, declarations and filings (including filings under the HSR Act and any other Antitrust Laws and other registrations, declarations and filings with, or notices to,

Governmental Entities, if any), and (iii) use its best efforts to provide any supplemental information requested by a Governmental Entity, including participating in meetings with officials of such entity in the course of its review of this Agreement and the Transactions. No Party shall initiate any meeting or discussion with, or make any submission to, any Governmental Entity with respect to any filings, applications, investigation, litigation, or other inquiry regarding the Transactions without giving the other Party (or Parties) reasonable prior notice of the meeting or discussion and, to the extent permitted by the relevant Governmental Entity, the opportunity to attend and participate. For purposes of this Agreement, “Antitrust Laws” means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other federal, national, local, state, domestic and foreign, if any, statutes, rules, regulations, Orders, administrative and judicial doctrines and other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

(b) For clarity, (i) if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging any of the Transactions as violative of any Antitrust Law, it is expressly understood and agreed that: (A) the Parties shall not have any obligation to litigate or contest any administrative or judicial action or any decree, judgment, injunction or other Order, whether temporary, preliminary or permanent brought by or before an administrative tribunal, court or other similar tribunal or body; (B) the Parties shall be under no obligation to make proposals, execute or carry out agreements or submit to Orders providing for a Divestiture; and (C) the Seller may not conduct or agree to conduct a Divestiture without the prior written consent of the Buyer and (ii) the Buyer Parent and its Affiliates shall be under no obligation to refrain from making, or agreeing to make, any acquisitions of any assets, business or any Person, whether by merger, consolidation or by any other manner. “Divestiture” shall mean (A) the sale, lease, license or other disposition or holding separate (through the establishment of a trust or otherwise) of any assets or categories of assets of the Buyer Parent or any of its Affiliates or the Transferred Assets, the Assumed Contracts, the Leased Real Property (or any part thereof), Licensed Patents or Licensed Non-Patent IP, (B) the imposition of any limitation or restriction on the ability of the Buyer Parent or any of its Affiliates to conduct their businesses (including, following the Closing, the Filter Business) or own, lease and operate the Transferred Assets, the Assumed Contracts, the Leased Real Property (or any part thereof), Licensed Patents or Licensed Non-Patent IP, or (C) any other action that would reasonably be expected to have a material adverse impact on the Filter Business.

(c) In connection with and without limiting the generality of the foregoing, each of the Seller, FilterCo and their respective boards of directors shall, if any takeover statute or similar statute or regulation is or becomes applicable to this Agreement and the Transactions, use its best efforts to ensure that the Transactions may be consummated as promptly as practicable on the terms contemplated hereby or thereby and otherwise to minimize the effect of such statute or regulation on this Agreement and the Transactions.

(d) Each applicable Party and any of their respective Affiliates shall not take any action with the intention to or that could reasonably be expected to hinder or delay the obtaining of clearance or any necessary approval of any Governmental Entity under any premerger notification rule or Antitrust Law or the expiration of the required waiting period under any premerger notification rule or any other Antitrust Law.

Section 6.8 Exclusivity; No Solicitation of Acquisition Proposals; Notice of Inquiry.

(a) Until the earlier of the Closing or the date of termination of this Agreement, neither FilterCo nor the Seller, nor any of their Affiliates, shall directly or indirectly, take any of the following actions with any party other than the Buyer and its Affiliates; (i) solicit, encourage (including by way of furnishing non-customary information), facilitate, seek or initiate in any inquiry, negotiations, or discussions or enter into any agreement, with respect to any Acquisition Proposal, or (ii) disclose or furnish any information not customarily disclosed to any third party concerning the Filter Business or any Transferred Assets, the Assumed Contracts, or the Leased Real Property, or afford to any third party access to its properties, technologies, books or records, not customarily afforded such access, except to the Buyer and its Affiliates, with respect to any Acquisition Proposal, (iii) assist or cooperate with any third party to make any Acquisition Proposal, or (iv) enter into any agreement with any third party providing for the acquisition of the Filter Business except in furtherance of the Transactions. Upon receipt of any Acquisition Proposal, the Seller and any of its Affiliates shall, subject to any confidentiality constraints, promptly notify the Buyer in writing of the details of such Acquisition Proposal. For purposes of this Agreement, "Acquisition Proposal" means any inquiry, expression of interest, proposal or offer (whether or not in writing) concerning the sale or other conveyance of the Filter Business or, except for sales and conveyances in the ordinary course of business consistent with past practice and except for sales and conveyances of Licensed Patents made subject to the License Agreement when effective, the Transferred Assets, the Leased Real Property, Licensed Patents or Licensed Non-Patent IP (whether by way of merger, purchase of capital stock, purchase of assets or otherwise), or any proposal or offer to acquire in any manner, directly or indirectly, an equity interest in, any voting securities of, or a portion of the assets (other than in the ordinary course of business consistent with past practice) of FilterCo or FilterSub taken as a whole, other than in furtherance of the Transactions.

(b) Neither the Seller nor any of its Affiliates shall amend, terminate, waive or fail to enforce any provisions of any confidentiality agreement with respect to any potential Acquisition Proposal, and the Seller shall promptly request, in accordance with the terms of any such confidentiality agreement, the return or destruction of any confidential information previously furnished pursuant thereto.

Section 6.9 Press Releases and Announcements; Contacts with Customers and Suppliers. No press release or other public statement related to this Agreement or the Transactions will be issued without the joint approval of the Buyer Parent and the Seller, except as otherwise required by Applicable Law, including the rules of the New York Stock Exchange, the Tokyo Stock Exchange, the U.S. Securities and Exchange Commission or the Japanese Financial Services Agency, in which case each of the Seller and the Buyer Parent shall use its best efforts to allow the other Party reasonable time to comment on such release or announcement in advance of such issuance and will consider in good faith the advice of such other Party with respect thereto. The Parties shall consult with each other concerning the means by which the customers and suppliers of the Filter Business will be informed of the Transactions.

Section 6.10 Confidentiality.

(a) The Parties acknowledge that the Seller and the Buyer Parent have previously executed a Non-Disclosure Agreement, dated October 9, 2013 (the "Non-Disclosure

Agreement”). The Parties agree that (i) the Non-Disclosure Agreement is in full force and effect through the Closing Date, and (ii) following the Closing Date, the Non-Disclosure Agreement shall terminate and be of no further force or effect in accordance with its terms.

(b) Notwithstanding anything to the contrary herein or in any other Transaction Document, following the Closing, (i) all Trade Secrets included in the Transferred Assets shall constitute confidential information of the Buyer Parent (and not of the Seller), irrespective of whether such Trade Secrets were identified or otherwise designated as “confidential”, and the Seller shall be deemed the “receiving party” and the Buyer Parent the “disclosing party” with respect thereto; (ii) the Buyer Parent shall have no obligations whatsoever under the Non-Disclosure Agreement with respect to such Trade Secrets; and (iii) with respect to such Trade Secrets, the Seller’s obligations pursuant to the Non-Disclosure Agreement shall apply until the earlier of either (A) the time when such Trade Secrets become publicly known other than through negligence or any other wrongful act or omission of the Seller or any of its Affiliates or (B) the fifth anniversary of the Closing Date.

Section 6.11 Expenses. Each of the Buyer Parent and the Seller shall bear its own costs and expenses incurred in connection with the Transactions, and, to the extent this Agreement is terminated because of a fraud, intentional misrepresentation, or material breach by the other Party, and such terminating Party is not in breach of its obligations under this Agreement, then the breaching Party will be responsible for the fees and expenses (including reasonable attorneys’ fees) of the non-breaching Party in connection with the negotiation and entry into this Agreement; provided, however, that (a) each of the Buyer Parent and the Seller shall equally (one-half each) bear (i) HSR filing fee (if filing is necessary), (ii) charges or fees that may be imposed by HDB or other regulatory authorities for subletting the relevant part of the Singapore Facility used in connection with the Filter Business, if any, and (iii) certain transfer taxes and/or goods and service taxes (if applicable) imposed on the Parties in connection to the Transactions, and (b) FilterCo and FilterSub, as applicable, shall bear the fees and costs (including reasonable attorneys’ fees) incurred in connection with recording the assignment of the Transferred Patents under the Kaisha Bunkatsu Documents and the Singapore Business Transfer Agreement.

Section 6.12 Consents. Each of the Seller, FilterCo and FilterSub shall use its best efforts to obtain any consent in order to transfer the Transferred Assets or Assumed Contracts as contemplated by the Transactions. If any such consent is not obtained, the Parties shall reasonably cooperate, during the six (6)-month period after the Closing, to obtain such consents as soon as practicable. During such six (6)-month period, and for an additional six (6)-month period thereafter with respect to any Assumed Contract or Transferred Asset for which the consent is not obtained and which are central to the Filter Business, other than the Business Process Agreements, the Parties shall use their best efforts to cooperate and explore arrangements practically feasible and reasonably satisfactory to the Buyer Parent, the Buyer and the Seller under which FilterCo or FilterSub, as the case may be and at its own expense, would obtain rights of, and benefits to, such Assumed Contract or Transferred Asset, including, if appropriate, by performing services under any such Assumed Contract under a contract for the benefit of FilterCo or FilterSub, as applicable. For the avoidance of doubt, (a) as for the Transferred Assets and the Assumed Contracts to be transferred from PIDSG to FilterSub, if any consent is not obtained, the relevant agreement or asset shall not constitute an assignment or transfer of such agreement or asset, and FilterSub shall not assume PIDSG’s rights or obligations under such agreement or asset, and (b) neither the Seller nor PIDSG shall assume any liabilities or obligations

of, or indemnify against any Losses incurred by the Buyer Parent, the Buyer, FilterCo or FilterSub arising out of or in relation to any failure in obtaining such consent.

Section 6.13 Certain Employee Matters. The Parties shall work together in good faith to develop the human resources strategy as described on Schedule 6.13 for facilitating smooth transfer of the Transferred Employees and the Seconded Employees to FilterCo and FilterSub, as applicable.

(a) Long-Term Human Resources Strategy.

(i) During the two (2) year period following the Closing, the Buyer Parent and the Buyer shall cause FilterCo or FilterSub, including its successors, as applicable, to maintain the employment of the Filter Business Employees whose employment is transferred to FilterCo or FilterSub, subject to termination or other actions as a result of due disciplinary cause, or matters described on Schedule 6.13, on substantially similar terms and conditions at the same level or better, in the aggregate, than those provided by the Seller as of the date hereof and described in the Seller's current work rules and employee handbook, copies of which have been provided to the Buyer Parent.

(ii) For at least five (5) years after the Closing, the Buyer Parent and the Buyer shall use their best efforts to cause FilterCo or FilterSub, as applicable, to maintain the employment of the Filter Business Employees whose employment is transferred to FilterCo or FilterSub, subject to termination or other actions as a result of due disciplinary cause, or matters described on Schedule 6.13, by designing and maintaining employment conditions (salary, benefit program, etc.) and other human resources strategies (performance-based salary system, stock option, other incentive programs, etc.) for and to the Filter Business Employees whose employment is transferred to FilterCo or FilterSub to ensure long-term employee retention in a highly motivated culture.

(b) No Third-Party Beneficiaries. No provision of this Agreement shall create any third-party beneficiary rights in any employee of FilterCo or FilterSub, or any Filter Business Employee, or any of their respective beneficiaries, dependents, or collective bargaining representatives, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any employee of FilterCo, any employee of any of the Subsidiaries, or any Filter Business Employee by the Buyer or its Affiliates or under any Benefit Arrangement which the Buyer or its Affiliates may maintain, or otherwise. Except as provided in this Section 6.13, no provision of this Agreement shall be construed to prohibit the Buyer or its Affiliates from amending or terminating any Buyer Benefit Plans.

(c) Neither the Buyer nor any of its Affiliates (including, from and after the Closing, FilterCo and FilterSub) will contribute to or otherwise have any Liability in respect of any compensation or benefit plan, program, agreement or arrangement of the Seller or any of its Affiliates. Neither the Buyer nor any of its Affiliates (including, from and after the Closing, FilterCo and FilterSub) will have any Liability in respect of the employment by the Seller or any of its Affiliates of any Person.

Section 6.14 Non-Competition; Non-Solicitation.

(a) From the Closing until the date that is five (5) years thereafter, except for any cases of inventory supply and manufacturing consignment pursuant to Section 6.19, the Seller shall not permit (i) CCBD, (ii) its semiconductor business division or (iii) any majority-owned subsidiary or its division that is controlled by CCBD or its semiconductor business division (each a “Non-Compete Company”), and the successor of any Non-Compete Company, in case an organization restructuring involving a Non-Compete Company is implemented, to:

(i) design, develop, manufacture, distribute or sell the Non-Compete Filter Products;

(ii) participate, sponsor, organize, encourage, or invest in any entity that primarily engages in the business of the Non-Compete Filter Products;

(iii) cause, induce, solicit or encourage any contractor, vendor, service provider, strategic partner or customer of the Filter Business (the “Covered Persons”) to terminate such status with FilterCo or FilterSub or advise any third party against entering into such status with FilterCo or FilterSub;

(iv) otherwise intentionally disrupt or interfere with the relations of the Buyer Parent or any of its Affiliates with any Covered Person in any way related to the Filter Business; or

(v) disparage or make any false statements (whether in oral, written, electronic or other form) to any media source, industry member-company or group, financial institution or Covered Person regarding the Buyer Parent or its Affiliates in connection with the Filter Business;

provided, however, that except for CCBD and any majority-owned subsidiary or its division that is controlled by CCBD, the foregoing shall not prohibit the Seller, its successors and their Subsidiaries and Affiliates from, collectively, (A) purchasing or procuring the Non-Compete Filter Products from a supplier for utilizing them for the Seller’s own products and distributing or selling such Seller’s products, or (B) acquiring or owning less than fifty percent (50%) of the equity of any entity.

(b) From the Closing until the exercise of the earlier of the Put Right or the Call Right, neither the Seller, PIDSG, the Buyer nor the Buyer Parent shall, and from the Closing until the date that is two (2) years after the exercise of the Put Right or the Call Right, as applicable, the Seller shall not directly or indirectly, without the prior written consent of the other party, solicit for employment any employee of FilterCo or FilterSub. Nothing herein shall prevent any such party from (i) advertising to the general public any employment opportunities, whether through general newspaper or online advertisement or other general non-targeted recruitment techniques, (ii) hiring any employee of FilterCo or FilterSub who responds to such general advertising or who independently seeks employment with such party, in either case, without any solicitation prohibited by this Section 6.14(b), or (iii) soliciting or hiring any such employee whose employment was previously terminated by FilterCo or FilterSub in accordance with the JV Agreement.

Section 6.15 Other Agreements. The Parties shall negotiate in good faith and use their best efforts to mutually agree on the final forms of the Transition Services Agreement, the Uozu Facility Lease and Service Agreements, the Real Property Lease Agreements, and the Secondment Agreements following the Agreement Date.

Section 6.16 Branding. Following the Closing, FilterCo shall have the right to offer for sale and sell the Transferred Inventory notwithstanding that the Transferred Inventory may bear any trademarks or designations of the Seller and its Affiliates, and FilterCo may accurately describe the Transferred Inventory, including by source and existing SKUs and other designations, in connection with such offers and sales. In addition, for a period of up to ninety (90) days following the Closing, FilterCo and FilterSub shall have the right to use any stationary, business forms, business cards, promotional materials, collateral materials, physical signage, badges and uniforms of FilterCo and FilterSub bearing any trademarks or designations of the Seller and its Affiliates in the manner that such items are in use by FilterCo and FilterSub prior to the Closing; provided, however, that the Buyer shall cause FilterCo and FilterSub to use their best efforts to cease such uses of any trademarks or designations of the Seller and its Affiliates as soon as is reasonably practicable. Pursuant to the terms of the JV Agreement, the Buyer shall not, and shall cause its Affiliates, including FilterCo and FilterSub, not to, otherwise use the Seller brand name without the written consent of the Seller.

Section 6.17 Later-Identified Asset. If after the Closing, either the Buyer or the Seller in good faith identifies any asset of the Seller or PIDSG properly transferrable as a Transferred Asset or Assumed Contract that falls in one of the categories set forth in Schedule 1.1(A) that was not included in the Transferred Assets or the Assumed Contracts transferred at the Closing (any such asset, a "Later-Identified Asset"), then either the Buyer or the Seller, as applicable, will provide written notice to the other Party identifying such Later-Identified Asset and the Seller and/or PIDSG will, as promptly as practicable after written notice by the Buyer, transfer, convey, assign, or deliver to the Buyer, FilterCo or FilterSub, as applicable, all right, title and interest of the Seller and PIDSG in and to such Later-Identified Asset which is transferable, and such Later-Identified Assets shall be deemed to be Transferred Assets or Assumed Contracts, as applicable, for purposes of this Agreement and any applicable Transaction Document, effective as of the date of transfer, conveyance, assignment, or delivery.

Section 6.18 [Reserved]

Section 6.19 Supply Contracts; Customer Support; Business Process; Equipment. The Parties covenant and agree to take or cause to take, as applicable, the actions set forth on Schedule 6.19 relating to certain supply contracts, customer support issues, business process and equipment.

ARTICLE VII

CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATIONS

Section 7.1 Conditions Precedent to the Buyer's Obligations. The obligations of the Buyer under this Agreement shall be subject to the satisfaction or the Buyer's written waiver, on or before the Closing, of each of the following conditions:

(a) No Adverse Governmental Action, Proceeding or Injunction. No Law shall have been enacted or exist that would prohibit the Transactions or the consummation of

the Closing. No temporary restraining order, preliminary or permanent injunction or other Order shall have been issued by any court of competent jurisdiction or other restraint or prohibition of any Governmental Entity (i) preventing the consummation of the Transactions or (ii) prohibiting, limiting or restricting FilterCo's or FilterSub's operation of the Filter Business in any material respect, following the Closing.

(b) Required Approvals. (i) The approvals (including the consent with respect to the sublease of the Singapore Facility to be granted by PIDSG to FilterSub) required to consummate the Transactions pursuant to Antitrust Laws or otherwise required by any Governmental Entity listed in Schedule 7.1(b) (the "Required Approvals") shall have been obtained or any applicable waiting periods thereunder (and any extensions thereof) shall have expired or been terminated, including for the operation and carrying on the Filter Business by FilterCo and FilterSub, to enable FilterCo and FilterSub to be the registered (if necessary) legal and equitable owner of the Filter Business pursuant to the relevant FilterCo and FilterSub Transaction Documents; and (ii) no Order shall have been issued by any Governmental Entity compelling the Buyer Parent to dispose of or hold separate all or any material portion of the business or assets of the Buyer Parent or any of its Subsidiaries or Affiliates or the Transferred Assets, the Assumed Contracts or the Leased Real Property as a result of this Agreement or the Transactions, shall be in effect, nor shall there be pending or threatened in writing any Action by any Governmental Entity seeking any of the foregoing or any other injunction, restraint, prohibition or material damages in connection with the Transactions. In relation to the approval from HDB for the proposed subletting of the relevant part of the Singapore Factory used in connection with the Filter Business, the terms and conditions imposed by HDB in relation to its approval must be reasonably acceptable to the Buyer.

(c) Required Third-Party Consents. The Seller, PIDSG, FilterCo and FilterSub, as applicable, shall have obtained from the applicable third parties and delivered to the Buyer any and all consents required by the Contracts (including Leases) set forth on Schedule 7.1(c), in each case, in connection with or as a result of the Transactions (the "Required Third-Party Consents").

(d) Representations, Warranties and Covenants of the Seller. (i) Each of the Seller, FilterCo, and FilterSub shall have performed and satisfied in all material respects each of its obligations hereunder and under the Seller Transaction Documents and FilterCo and FilterSub Transaction Documents, respectively, required to be performed and satisfied by it on or prior to the Closing Date; and (ii) each of the representations and warranties of the Seller contained in Article III and Article IV hereof (A) in the case of any representations and warranties qualified by materiality or Material Adverse Effect, shall have been true and correct in all respects as of the Agreement Date and at and as of the Closing with the same force and effect as if made as of the Closing Date (except that representations and warranties that are made as of a specified date shall be true and correct as of such specified date) and (B) in the case of any representations and warranties not so qualified, shall have been true and correct in all material respects as of the Agreement Date and at and as of the Closing with the same force and effect as if made as of the Closing Date (except that representations and warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date).

(e) No Material Adverse Effect. From the execution of this Agreement until the Closing, there shall not have occurred a Material Adverse Effect.

(f) Continuing Employees. The Continuing Employees shall include those Filter Business Employees that are reasonably required to operate the Filter Business with equally good prospects as those prior to the Closing.

(g) Achievement of Certain Employee Actions. The pre-Closing actions set forth on Schedule 6.13 shall have been achieved prior to the Closing.

(h) Delivery of Documents for Amendment of Articles of Incorporation. A copy of the necessary documents for amendment of the articles of incorporation of FilterCo and FilterSub shall have been delivered to the Buyer in substantially the forms set forth in Exhibit J attached hereto.

(i) Transaction Documents. (i) The Seller shall have delivered to the Buyer duly executed counterparts to this Agreement and all other Seller Transaction Documents, and (ii) FilterCo and FilterSub shall have delivered to the Buyer duly executed counterparts to this Agreement and all other FilterCo and FilterSub Transaction Documents (excluding the Uozu Lease A for purposes of items (i) and (ii) of this Section 7.1(i)).

(j) Closing Deliveries. The Seller and FilterCo, as applicable, shall have delivered to the Buyer the documents and other items listed in Section 2.5, in form and substance reasonably satisfactory to the Buyer.

(k) Contribution. The Contribution shall have been completed in accordance with the terms of the Kaisha Bunkatsu Documents and the Singapore Business Transfer Agreement, and FilterCo or FilterSub, as applicable, will have acquired legal title to the Transferred Assets and a valid leasehold interest in the Singapore Facility under the applicable Real Property Lease Agreement and no restrictions will exist on FilterCo's or FilterSub's right to engage in the Filter Business as conducted immediately prior to the closing of the Contribution.

(l) Goods and Services Tax. The Seller has obtained confirmation issued by the relevant Singapore Governmental Entity that the transfer of the assets qualifies as a transfer of business as a going concern such that no goods and services tax is chargeable in Singapore.

Section 7.2 Failure in Obtaining Consent Regarding Business Process Agreement. In no event shall receipt of the consents not to terminate any Business Process Agreement by the counterparties thereof after the transfer by operation of law to FilterCo via the Contribution be deemed as condition precedent set forth in Section 7.1 above. For the avoidance of doubt, the Seller will not assume any liabilities or obligations of, or indemnify against any Losses incurred by the Buyer Parent, the Buyer, FilterCo or FilterSub arising out of or in relation to any potential termination of any Business Process Agreement after the Contribution for breach of the non-assignment provisions of any Business Process Agreement due to the Contribution.

ARTICLE VIII

CONDITIONS PRECEDENT TO FILTERCO'S AND THE SELLER'S OBLIGATIONS

The obligations of FilterCo and the Seller under this Agreement shall be subject to the satisfaction or the Seller's written waiver, on or before the Closing, of each of the following conditions:

Section 8.1 No Adverse Governmental Action, Proceeding or Injunction. No Law shall have been enacted or exist that would prohibit the Transactions or the consummation of the Closing. No temporary restraining order, preliminary or permanent injunction or other Order shall have been issued by any court of competent jurisdiction or other restraint or prohibition of any Governmental Entity (a) preventing the consummation of the Transactions or (b) prohibiting, limiting or restricting FilterCo's ownership, conduct or operation of the Filter Business following the Closing.

Section 8.2 Required Approvals. (a) The Required Approvals shall have been obtained or any applicable waiting periods thereunder (and any extensions thereof) shall have expired or been terminated; and (b) no Order shall have been issued by any Governmental Entity compelling the Seller or PIDSG to dispose of or hold separate all or any material portion of the business or assets of the Seller or any of its Subsidiaries or Affiliates as a result of this Agreement or the Transactions, shall be in effect, nor shall there be pending or threatened any Action by any Governmental Entity seeking any of the foregoing or any other injunction, restraint, prohibition or material damages in connection with the Transactions.

Section 8.3 Representations and Warranties. (a) Each of the Buyer Parent and the Buyer shall have performed and satisfied in all material respects each of its covenants and obligations hereunder required to be performed and satisfied by it on or prior to the Closing Date; and (b) each of the representations and warranties of the Buyer Parent contained in Article V hereof (i) in the case of any representations and warranties qualified by materiality, shall have been true and correct in all respects as of the Agreement Date and at and as of the Closing with the same force and effect as if made as of the Closing Date (except that representations and warranties that are made as of a specified date shall be true and correct as of such specified date) and (ii) in the case of any representations and warranties not so qualified, shall have been true and correct in all material respects as of the Agreement Date and at and as of the Closing with the same force and effect as if made as of the Closing Date (except that representations and warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date).

Section 8.4 No Material Adverse Effect. From the execution of this Agreement until the Closing, there shall not have occurred a material adverse effect on the ability of the Buyer of the Buyer Parent to consummate the Transactions.

Section 8.5 Transaction Documents. The Buyer Parent and the Buyer, as applicable, shall have delivered to the Seller duly executed counterparts to this Agreement and all other Buyer Transaction Documents (excluding the Uozu Lease A for purposes of this Section 8.5).

ARTICLE IX INDEMNIFICATION

Section 9.1 Survival.

(a) The Parties' respective indemnification obligations with respect to representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing Date and continue until the date which is eighteen

(18) months after the Closing Date (the “Expiration Date”), except for representations and warranties set forth in (i) Section 3.1 (Organization), Section 3.2 (Authorization; Enforceability), Section 3.3 (Ownership of the Stock), Section 3.8 (Brokers’, Finders’ Fees, etc.), Section 4.1 (Organization), Section 4.2 (Authority; Enforceability), Section 4.5 (Capitalization), Section 4.6 (Subsidiaries), Section 4.9(a) (Title), (ii) Section 5.1 (Organization), Section 5.2 (Authorization; Enforceability), Section 5.5 (Accredited Investor), Section 5.6 (Brokers’, Finders’ Fees, etc.) (any claim related to the breach of such Section in clause (i), a “Seller Excluded Claim”, and any claim related to the breach of such Section in clause (ii), a “Buyer Excluded Claim”), each of which (i.e., those set forth in clauses (i) and (ii)) shall survive the Closing Date and continue until ninety (90) days following the applicable statute of limitations, if any, and (iii) Section 4.12 (Intellectual Property) (any representations and warranties set forth in Section 4.12, the “IP Representations”), which shall survive the Closing Date and continue until the date which is sixty (60) months after the Closing Date.

(b) The Parties’ respective indemnification obligations with respect to covenants, obligations and agreements in this Agreement or in any instrument delivered pursuant to this Agreement which contemplate performance or compliance after the Closing Date shall survive the Closing Date and shall terminate in accordance with the respective terms of such covenants, obligations and agreements. The Parties’ respective indemnification obligations with respect to covenants, obligations and agreements in this Agreement or in any instrument delivered pursuant to this Agreement which contemplate performance or compliance at or prior to the Closing Date shall survive the Closing Date and shall terminate as of the Expiration Date.

(c) Any claim for indemnity under Section 9.2 or Section 9.3 shall be deemed time-barred, and no such claim shall be made after the periods specified in this Section 9.1; provided, however, that in the event a Buyer Indemnitee or the Seller Indemnitee has incurred a Loss or received written notice from a third party of a third-party claim for which such Buyer Indemnitee or the Seller Indemnitee is entitled to indemnification under Section 9.2 or Section 9.3 and such Indemnitee provides written notice of a claim for indemnification under Section 9.2 or Section 9.3, as the case may be, to the Buyer or the Seller, as the case may be, in good faith and in accordance with the requirements of Article IX before the expiration of the applicable survival period that describes such claim in reasonable detail (including the facts underlying each particular claim) and includes copies of all material written evidence upon which such claim is based, then the indemnification rights pursuant to Section 9.2 or Section 9.3 that would otherwise terminate as set forth above shall survive as to such claim until such time as such claim is fully and finally resolved.

Section 9.2 Indemnification of the Buyer.

(a) Subject to the limitations set forth herein, from and after the Closing, the Seller shall indemnify and hold harmless the Buyer and Buyer Parent, Representatives, successors, and permitted assigns (collectively, the “Buyer Indemnitees”) from and against any and all Losses incurred by a Buyer Indemnitee reasonably arising out of (i) the breach of any representation or warranty made by the Seller or PIDSG in this Agreement; provided that for purposes of determining whether a Loss occurred and its amount, all references to materiality, Material Adverse Effect, or other similar qualifiers contained in any of the representations and warranties of the Seller shall be disregarded); (ii) the breach of any covenant, obligation or agreement made by the Seller, PIDSG, FilterCo or FilterSub in this

Agreement, any other Seller Transaction Document or any other FilterCo and FilterSub Transaction Document; (iii) the Excluded Liabilities; (iv) any recalls or product warranties related to Filter Products manufactured prior to the Closing Date in excess of any reserve amounts set forth in the Financial Statements; and (v) any Liabilities arising as a result of the failure or defects in the Contribution.

(b) Notwithstanding the provisions of Section 9.2(a), the Seller shall have no Liability under Section 9.2(a)(i), unless and until the Losses incurred by the Buyer Indemnitees exceed (i) US\$50,000 with respect to each individual indemnification claim or a series of related claims arising out of the same facts or circumstances and (ii) US\$2,000,000 in the aggregate (collectively, the “Indemnification Basket”) (in which event the Seller shall be obligated to indemnify the Buyer Indemnitees for all Losses from the first dollar), provided that the foregoing Indemnification Basket shall not apply to Losses related to any claim for indemnification with respect to (i) any of the Seller Excluded Claims, (ii) any of the items set forth in Section 9.2(a)(ii)-(v), and (iii) fraud or intentional misrepresentation.

(c) The maximum aggregate Liability for the Seller under Section 9.2(a)(i) for breaches of its representations and warranties made in this Agreement other than IP Representations shall be limited to US\$22,500,000 (“Non-IP Indemnification Cap”).

(d) The maximum aggregate Liability for the Seller under Section 9.2(a)(i) for breaches of IP Representations (except for IP Representation set forth in item (iii) of the first sentence of Section 4.12(g)) shall be limited to US\$40,000,000 (“IP Indemnification Cap”).

(e) The maximum aggregate Liability for the Seller under Section 9.2(a)(i) for breaches of IP Representations set forth in item (iii) of the first sentence of Section 4.12(g) shall be limited to US\$10,000,000 (“Special IP Indemnification Cap”).

(f) The foregoing Non-IP Indemnification Cap, IP Indemnification Cap and Special IP Indemnification Cap shall not apply to, and the Seller shall be responsible for any Losses related to, any claim for indemnification with respect to (i) any of the Seller Excluded Claims, (ii) any of the items set forth in Section 9.2(a)(ii)-(v), and (iii) fraud or intentional misrepresentation.

(g) For the avoidance of doubt, the Seller shall not be subject to any indemnification obligation with respect to (i) any intellectual property infringement to the extent such infringement arises from any new products developed by the Buyer Parent or its Affiliates (including FilterCo and FilterSub, after the Closing) after the Closing or to the extent such infringement arises from any modifications or amendments to any existing Filter Business Products by the Buyer Parent and any of its Affiliates (including FilterCo and FilterSub) after the Closing, or (ii) any infringement of the Intellectual Property Rights licensed under the Business Process Agreements on and after the Contribution except (A) as set forth in item (iii) of the first sentence of Section 4.12(g), and (B) for any infringement arising from Seller’s breach of its representation and warranty set forth in Section 4.12(e)(ix).

Section 9.3 Indemnification of the Seller.

(a) Subject to the limitations set forth herein, from and after the Closing, the Buyer and the Buyer Parent shall jointly and severally indemnify and hold harmless the Seller, PIDSG, Representatives, successors, and permitted assigns (collectively, the “Seller”

Indemnitees”) from and against any and all Losses incurred by a Seller Indemnitee reasonably arising out of (i) the breach of any representation or warranty made by the Buyer in this Agreement (provided that for purposes of determining whether a Loss occurred and its amount, all references to materiality, Material Adverse Effect, or other similar qualifiers contained in any of the representations and warranties of the Seller shall be disregarded), (ii) the breach of any covenant, obligation or agreement made by the Buyer or the Buyer Parent in this Agreement and any other Buyer Transaction Document, and (iii) the Assumed Liabilities.

(b) Notwithstanding the provisions of Section 9.3(a), the Buyer and the Buyer Parent shall have no Liability under Section 9.3(a)(i), unless and until the Losses incurred by the Seller Indemnitees in the aggregate exceed the Indemnification Basket (in which event the Buyer and the Buyer Parent shall be obligated to indemnify the Seller Indemnitees for all Losses from the first dollar), provided that the foregoing Indemnification Basket shall not apply to Losses related to any claim for indemnification with respect to (i) any of the Buyer Excluded Claims, (ii) any of the items set forth in Section 9.3(a)(ii)-(iii), and (iii) fraud or intentional misrepresentation.

(c) The maximum aggregate Liability for the Buyer and the Buyer Parent under Section 9.3(a)(i) of this Agreement shall be limited to an amount equal to the Non-IP Indemnification Cap; provided that the foregoing Non-IP Indemnification Cap shall not apply to, and the Buyer and the Buyer Parent shall be responsible for any Losses related to, any claim for indemnification with respect to (i) any of the Buyer Excluded Claims and (ii) fraud or intentional misrepresentation.

Section 9.4 Indemnification Claim Procedures.

(a) In the event that a Party entitled to indemnification pursuant to the terms hereof (an “Indemnified Party”) proposes to make any claim for indemnification pursuant to this Article IX, such Indemnified Party shall deliver a written demand signed by any officer of the Indemnified Party (a “Claim Certificate”) to the Seller (in the case of an indemnification claim from a Buyer Indemnitee) or to the Buyer (in the case of an indemnification claim from a Seller Indemnitee) which Claim Certificate contains (i) a description of and if reasonably determinable at the time such demand is delivered, the amount of any Losses incurred or reasonably expected to be incurred by such Indemnified Party, (ii) a statement that the Indemnified Party is entitled to indemnification under this Article IX and a reasonable explanation of the basis therefore, (iii) a copy of any related notices or claims filed with or received from any Governmental Entity or other Person, if readily available, and (iv) a demand for indemnification hereunder and payment of all such Losses.

(b) The Party providing indemnity hereunder (the “Indemnifying Party”) shall deliver to the Indemnified Party, an amount, in United States Dollars, equal to the Losses set forth in the Claim Certificate within thirty (30) days of receipt thereof, unless the Indemnifying Party shall object in a written statement to the claim or claims made in the Claim Certificate, and such statement shall have been delivered to the Indemnified Party prior to the expiration of such thirty (30)-day period. In the event the Indemnifying Party does not object to a Claim Certificate within thirty (30) days following its receipt by the Indemnifying Party, the Indemnifying Party shall be deemed to have accepted and agreed to the claim set forth in the Claim Certificate and shall be precluded from raising any objection thereto following such date.

(c) In case the Indemnifying Party shall object in writing to any claim or claims made in any Claim Certificate, the Indemnified Party shall have fifteen (15) days after receipt of such objection to respond thereto in a written statement. If after such fifteen (15) day period there remains a dispute as to any claim, the Indemnifying Party and the Indemnified Party shall attempt in good faith to agree upon the rights of the respective Parties with respect to such claim. If the Parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by both Parties and the Indemnifying Party shall deliver to the Indemnified Party the amount set forth in such memorandum in accordance with the terms thereof. In the event that the Parties are not able to reach an agreement, or the memorandum contains an agreement as to only a portion of the Losses in question, the Parties may resolve such dispute in the manner provided in Section 12.9(b) hereof.

(d) In the event a claim set forth in the Claim Certificate is contested by the Indemnifying Party solely on the grounds that Losses have not been finally determined, then such claim shall be treated as an unresolved claim only with respect to the amount of Losses and not with respect to whether the Indemnified Party is entitled to indemnification and there shall be no indemnification for amounts incurred in connection with investigation or defending such claim until such Losses are finally determined.

Section 9.5 Additional Indemnity Provisions. The indemnification obligations of the Buyer and the Seller hereunder shall be subject to the following terms and conditions:

(a) With respect to any breach of any representations or warranties, covenants, agreements, undertakings or any other provisions by any of the Parties hereto, the remedies available to the other Parties will be strictly limited to the indemnification claims for Losses pursuant to this Article, the right to termination under Article X and specific performance under Section 12.12, and except for these remedies expressly provided for herein, no other remedies may be available with respect to such breach, regardless of whether it is based on the theory of liability for defects (*kashi-tampo*), tort (*fuho-koi*), or any other legal frame or legal theory. However, this does not apply in the case of fraud or intentional misrepresentation.

(b) The term “Loss” or “Losses” shall mean any and all assessments, disbursements, penalties, fines, losses, Taxes (other than 50% of the goods and service tax imposed in Singapore for which Buyer has agreed to be responsible, Transfer Taxes and income Taxes imposed upon any payments made as indemnification under Section 9.2 or Section 9.3), damages (whether direct, indirect, incidental or consequential), deficiencies, settlements, judgments, costs and/or expenses, whether or not arising out of third-party claims, including legal, accounting and other costs and expenses of professionals incurred in connection with investigating, defending, settling or otherwise satisfying any and all Actions, assessments, judgments or appeals, only to the extent, however, any of the foregoing shall have legally sufficient causal relation (*sohtoh-inga-kankei*) with the fact and/or event which constitutes the basis of the indemnification claim, and in seeking indemnification therefor, and interest on any of the foregoing to the extent that interest is awarded thereon.

(c) Taking into consideration that the Purchase Price is determined based on the representations, warranties, covenants and undertakings made by the Seller, FilterCo and FilterSub in this Agreement, any payments made as indemnification under Section 9.2 or Section 9.3 shall be considered adjustments to the Purchase Price to the extent permitted under Applicable Law.

(d) The right to indemnification or any other remedy based on representations, warranties, covenants and agreements of the Seller and FilterCo or FilterSub in this Agreement or any other Transaction Document shall not be affected by any investigation conducted by the Buyer at any time, or any knowledge acquired (or capable of being acquired) by the Buyer at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representations, warranties, covenants or agreements. The waiver by the Buyer of any condition based on the accuracy of any representation or warranty of the Seller, FilterCo, or any of the Subsidiaries, or on the performance of or compliance with such covenants or agreements of the Seller, FilterCo, or any of the Subsidiaries, will not affect the right to indemnification or any other remedy based on such representations, warranties, covenants and agreements.

(e) The right to indemnification or any other remedy based on representations, warranties, covenants and agreements of the Buyer and the Buyer Parent in this Agreement or any other Transaction Document shall not be affected by any investigation conducted by FilterCo or the Seller at any time, or any knowledge acquired (or capable of being acquired) by FilterCo or the Seller at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representations, warranties, covenants or agreements.

(f) The waiver by FilterCo or the Seller of any condition based on the accuracy of any representation or warranty of the Buyer or the Buyer Parent or on the performance of or compliance with such covenants or agreements of the Buyer or the Buyer Parent, will not affect the right to indemnification or any other remedy based on such representations, warranties, covenants and agreements.

(g) The Seller will have no indemnification obligations under this Article for any Losses to the extent such Losses are reflected as a liability of FilterCo or FilterSub on the Final Balance Sheet Net Assets and is taken into account in determining the Purchase Price Adjustment under Section 2.6 hereof.

(h) Each Party will use its best efforts to mitigate any Losses in relation to which it may be entitled to seek indemnification under this Agreement.

Section 9.6 Defense of Third-Party Claims.

(a) In the event that an Indemnified Party becomes aware of any Action (including appeals) in respect of such item (or items) by any Person other than the Indemnified Party (a "Third-Party Claim"), the Indemnified Party shall promptly notify the Indemnifying Party of such Third-Party Claim; provided, however, that the failure to give a prompt notice shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party has been actually prejudiced as a result of such failure. The notice of any Third-Party Claim shall include, based on information then available to the Indemnified Party, a summary in reasonable detail of the basis for the claim and a reasonable estimate of the Losses. The Indemnifying Party shall have the right in its discretion and at its expense to assume and control the defense or settlement of such Third-Party Claim through counsel of its choice (such counsel to be reasonably acceptable to the Indemnified Party) if it gives notice of its intention to do so to the Indemnified Party within twenty (20) Business Days of the receipt of such notice from

the Indemnified Party; provided, however, that the Indemnifying Party shall not have the right to assume the defense of the Third-Party Claim if (i) any such claim seeks, in addition to or in lieu of monetary losses, any injunctive or other equitable relief, (ii) involves criminal allegations, (iii) if such Third-Party Claim is a claim for indemnification under Section 9.2 and such claim would cause the aggregate Losses that would otherwise be paid by the Indemnifying Party under this Article IX to exceed the Indemnification Cap, (iv) relates to Taxes of FilterCo or FilterSub, or (v) there is an actual conflict of interest that would make it inappropriate (in the reasonable judgment of the Indemnified Party after consultation with outside counsel) for the same counsel to represent both the Indemnified Party and the Indemnifying Party; provided further that in the event that the Indemnifying Party is not permitted to assume the defense of the Third-Party Claim, the Indemnified Party shall conduct the defense in a commercially reasonable manner. In the event that the Indemnifying Party assumes the defense of such Third-Party Claim, it will conduct the defense actively, diligently and at its own expense. The Indemnified Party shall cooperate with the Indemnifying Party in such defense and shall make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as reasonably requested by the Indemnifying Party. Except with the written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed), the Indemnifying Party will not, in the defense of a Third-Party Claim, consent to the entry of any judgment or enter into any settlement.

(b) In the event that the Indemnifying Party is not entitled to assume the defense of the Indemnified Party, or if the Indemnifying Party fails or elects not to assume the defense of the Indemnified Party, against such Third-Party Claim pursuant to Section 9.6(a), the Indemnified Party shall have the right, at its own expense (which expenses the Indemnified Party can recover if it is otherwise entitled to indemnification with respect to such Third-Party Claim), to defend or prosecute such Third-Party Claim in any manner as it may reasonably deem appropriate after giving written notice thereof to the Indemnifying Party, and the Indemnifying Party shall have the right, at its own expense, to defend or prosecute such Third-Party Claim. Except with the written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed), the Indemnified Party will not, in the defense of a Third-Party Claim, consent to the entry of any judgment or enter into any settlement. In such case, the Indemnified Party shall conduct the defense of the Third-Party Claim actively and diligently, and the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnified Party's Expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as are reasonably requested by the Buyer. If any Indemnifying Party does not elect to assume the defense of a Third-Party Claim, which it has the right to assume hereunder, the Indemnified Party shall have no obligation to do so.

(c) Any Losses for which it is finally determined in accordance with this Agreement that the Indemnified Party is entitled to indemnification shall be promptly paid by the Indemnifying Party to the Indemnified Party in cash by wire transfer of immediately available funds.

ARTICLE X
TERMINATION AND ABANDONMENT

Section 10.1 Methods of Termination. This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Closing:

(a) by mutual consent of the Parties;

(b) by any of the Parties at any time after the date that is twelve (12) months following the date of execution of this Agreement (the "Termination Date"), if the Closing shall not have occurred and the Party seeking termination is not in material violation or breach of its respective representations, warranties, covenants or obligations contained in this Agreement;

(c) by the Buyer by a written notice to the Seller, upon a breach of any representation, warranty, covenant or agreement on the part of the Seller, FilterCo or FilterSub set forth in this Agreement, or if any representation or warranty of the Seller, FilterCo or FilterSub shall have become untrue or inaccurate, in each case, such that if not cured on or prior to the Closing Date, the conditions set forth in Article VII would not be satisfied; provided, that if such inaccuracy or breach in the Seller's, FilterCo's, or FilterSub's representations and warranties or the breach by the Seller, FilterCo, or FilterSub is curable, through the exercise of best efforts, within thirty (30) days after receipt of written notice from the Buyer of such breach hereunder, then the Buyer may not terminate this Agreement under this Section 10.1(c) prior to the end of such thirty (30)-day period, provided, that the Seller, FilterCo, or FilterSub, as applicable, continues to exercise best efforts to cure such inaccuracy or breach through such thirty (30)-day period (it being understood that the Buyer may not terminate this Agreement pursuant to this Section 10.1(c) if the Buyer shall have materially breached this Agreement or if such inaccuracy or breach by the Seller, FilterCo, or FilterSub, as applicable, is cured prior to the end of such thirty (30)-day period); or

(d) by the Seller by a written notice to the Buyer, upon a breach of any representation, warranty, covenant or agreement on the part of the Buyer set forth in this Agreement, or if any representation or warranty of the Buyer shall have become untrue or inaccurate, in each case, such that if not cured on or prior to the Closing Date, the conditions set forth in Article VIII would not be satisfied; provided, that if such inaccuracy or breach in the Buyer's representations and warranties or breach by the Buyer is curable, through the exercise of best efforts, within thirty (30) days after receipt of written notice from the Seller of such breach hereunder, then the Seller may not terminate this Agreement under this Section 10.1(d) prior to the end of such thirty (30)-day period, provided that the Buyer continues to exercise best efforts to cure such inaccuracy or breach through such thirty (30)-day period (it being understood that the Seller may not terminate this Agreement pursuant to this Section 10.1(d) if the Seller, FilterCo, or FilterSub shall have materially breached this Agreement or if such inaccuracy or breach by the Buyer is cured prior to the end of such thirty (30)-day period).

Section 10.2 Procedure Upon Termination. In the event of termination and abandonment by the Seller, FilterCo, FilterSub or the Buyer, or all of them, pursuant to this Article X, written notice thereof shall forthwith be given to the other Parties, and this Agreement shall terminate and be abandoned without further action by any of the Parties. If this Agreement is terminated as provided herein, none of the Parties shall have any Liability or further obligation to perform its respective obligations under this Agreement, except as provided in Section 6.10, with respect to confidentiality, and Section 6.11, with respect to expenses (each of which shall

survive the termination of this Agreement); provided, however, that nothing in this Section 10.2 shall limit legal or equitable rights and remedies which any Party may have by reason of any breach or violation of this Agreement by any other Party.

ARTICLE XI

TAX MATTERS

Section 11.1 Transfer Taxes. The Buyer Parent and the Seller shall each be responsible for 50% of any Transfer Taxes. The Parties shall cooperate, to the extent reasonably requested and as permitted by Applicable Law, in minimizing any such Transfer Taxes. The Party required by Applicable Law to file a Tax Return with respect to such Transfer Taxes and make payment thereon shall do so within the time period prescribed by Applicable Law, and if the Seller, FilterCo or FilterSub is the non-filing party, then the Seller, FilterCo or FilterSub, as applicable, shall promptly remit to the Buyer the amount of any Transfer Taxes so payable by the Buyer upon receipt of notice that such Transfer Taxes are payable by the Buyer. In the event that the Buyer shall make a payment for which it is entitled to reimbursement under this Section 11.1, the Seller, FilterCo or FilterSub, as applicable, shall make such reimbursement promptly, but in no event later than thirty (30) days after the presentation of a statement setting forth the amount of reimbursement to which the Buyer is entitled.

Section 11.2 Provision of Information Regarding Taxes. The Parties agree to furnish or cause to be furnished to one another, upon request, as promptly as practicable, such information and assistance relating to the Filter Business, the Transferred Assets, the Assumed Contracts, Licensed Patents or Licensed Non-Patent IP as are reasonably necessary for the filing of all Tax Returns, the preparation for any audit by any Taxing authority, and the prosecution or defense of any claim or proceeding relating to any Tax Return. In the event any Taxing authority informs any of the Parties of any notice of proposed audit, claim, assessment or other dispute concerning an amount of Taxes related to the Filter Business, the Transferred Assets, the Assumed Contracts, Licensed Patents or Licensed Non-Patent IP with respect to which the other Party may incur Liability hereunder, the Party so informed shall promptly notify the other Party of such matter; provided that failure to promptly notify shall not reduce the other Party's indemnity obligation hereunder, except to the extent such Party's ability to defend against such matter is actually prejudiced thereby; and provided further that resolution of such audit, claim, assessment or other dispute shall be governed by Section 9.6.

Section 11.3 Allocation of Consideration in Contribution. The allocation of the consideration paid in connection with the Contribution to FilterCo and FilterSub, and within each of FilterCo and FilterSub, shall be determined by mutual agreement of the Seller and the Buyer (a) with respect to the aggregate Transferred Assets listed in the Singapore Business Transfer Agreement, on or prior to July 15th, 2014 and (b) with respect to the asset-by-asset allocation of all Transferred Assets (including allocation of individual Transferred Assets listed in the Singapore Business Transfer Agreement), within sixty (60) days following the Closing Date. The Parties shall negotiate in good faith to agree on the allocation pursuant to this Section 11.3. If the Parties are able to reach agreement on the allocation, then the allocation shall be conclusive and binding upon the Parties for all purposes, and the Parties agree that all Tax Returns and all financial statements shall be prepared in a manner consistent with (and the Parties shall not otherwise take a position on a Tax Return that is inconsistent with) such allocation unless required by the IRS or any other applicable Tax authority. If the Parties are unable to

resolve any differences within sixty (60) days after the Closing Date, then the Parties shall make their own determinations with respect to the proper reporting of the allocation.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.1 Amendment and Modification. This Agreement may only be amended, modified and supplemented by written agreement of each of the Parties.

Section 12.2 Extension; Waiver. At any time prior to the Closing, a Party may (a) extend the time for the performance of any of the obligations or acts of any other Party, (b) waive any inaccuracies in the representations and warranties of any other Party contained herein or in any document delivered pursuant hereto, (c) waive compliance with any of the agreements of any other Party contained herein or (d) waive any condition to its obligations hereunder. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in a written instrument signed by such Party. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any Party, and no course of dealing among the Parties, shall constitute a waiver of any such right, power or remedy.

Section 12.3 Notices. All notices, requests, consents, waivers and other communications hereunder shall be in writing and shall be deemed given: (a) when delivered if delivered personally (including by courier); (b) on the third day after mailing, if mailed, postage prepaid, by registered or certified mail (return receipt requested); (c) on the day after mailing if sent by an internationally recognized overnight delivery service that maintains records of the time, place, and recipient of delivery; or (d) upon receipt of a confirmed transmission during the normal business hours of the recipient (or the next Business Day if it is not received during the normal business hours of the recipient), if sent by telex, telecopy or facsimile transmission or e-mail, in each case to the other Parties at the following addresses, facsimile numbers or e-mail addresses or to such other addresses as may be furnished in writing by one Party to the others:

- (a) if to FilterCo or FilterSub prior to the Closing, or the Seller or PIDSG to:

Panasonic Corporation, Circuit Components Business Division of Automotive & Industrial Systems
Company
401 Sadamasa-cho, Fukui City, Fukui 910-8502, Japan
Attention: Shigeru Ono,
Director of Circuit Components Business Division
Facsimile: N/A
E-mail: ono.shigeru@jp.panasonic.com

with a copy (which shall not constitute notice) to:

Panasonic Corporation, Professional Business Support Sector, Corporate Planning Center of Automotive &
Industrial Systems Company
1006 Kadoma, Kadoma City, Osaka 571-8506, Japan

Attention: Hiroyuki Aota,
Director of Corporate Planning Center
Facsimile: N/A
E-mail: aota.hiroyuki@jp.panasonic.com

(b) if to the Buyer or Buyer Parent (or FilterCo or FilterSub after the Closing):

Skyworks Solutions, Inc.

20 Sylvan Road

Woburn, MA 01801

Attention: Mark Tremallo

Facsimile: (781) 376-3310

E-mail: Mark.Tremallo@skyworks.com

with a copy (which shall not constitute notice) to:

O'Melveny & Myers LLP

610 Newport Centre Drive, 17th Floor

Newport Beach, CA 92660

Attention: Mark Peterson, Esq.

Facsimile: 1-949-823-6994

E-mail: mpeterson@omm.com

Section 12.4 Binding Nature; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, transferred or delegated by any of the Parties without prior written consent of all of the other Parties, and any attempt to make any such assignment, transfer or delegation without such consent shall be null and void.

Section 12.5 Buyer Parent's Obligation. The Buyer Parent shall ensure and cause the Buyer to perform and comply with any and all obligations, duties, covenants, commitments, agreements and arrangements of the Buyer set forth in this Agreement and Buyer Transaction Documents. The Parties acknowledge and agree that any breach of any obligations, duties, covenants, commitments, agreements or arrangements of the Buyer is deemed as the breach of the Buyer Parent.

Section 12.6 Disclosure Schedules.

(a) The disclosures in the Disclosure Schedule have been arranged for the purpose of convenience in separately numbered Sections corresponding to Sections in Article III and Article IV; however, each Section of the Disclosure Schedule is deemed to incorporate by reference all information disclosed in any other Section of the Disclosure Schedules to which its relevance is reasonably apparent.

(b) In the event of any inconsistency between the statements in the body of this Agreement and those in the Disclosure Schedule (other than an exception expressly set forth as such in the Disclosure Schedule with respect to a specifically identified representations and warranty), the statements in the body of this Agreement prevail.

Section 12.7 Governing Law. This Agreement is governed by the Laws of Japan, without regard to conflict of laws principles.

Section 12.8 Severability. Any provision of this Agreement that is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction.

Section 12.9 Dispute Resolution Process.

(a) The Parties intend that all disputes between the Parties arising out of this Agreement or any other Transaction Documents (except as set forth in the License Agreement) shall be settled by the Parties amicably through good faith discussions upon the written request of either Party.

(b) Any dispute, controversy or claim (each, a "Dispute") arising out of or relating to or in connection with the Transactions (except as set forth in the License Agreement), including any question regarding the existence, interpretation, breach, termination, validity or invalidity thereof, shall be referred to arbitration upon the demand of any Party to the dispute with written notice (the "Arbitration Notice") to the other Parties to such dispute. The Dispute shall be settled by arbitration in Singapore by the Singapore International Arbitration Centre (the "SIAC") in accordance with the Arbitration Rules of the Singapore International Arbitration Centre (the "SIAC Rules") for the time being in force, which rules are deemed to be incorporated by reference in this clause. There shall be three arbitrators. Each Party shall nominate one arbitrator for confirmation, with the third arbitrator to be jointly nominated by the two co-arbitrators within thirty (30) days of the confirmation of the second arbitrator. If the two co-arbitrators do not nominate the third arbitrator within that period, the third arbitrator shall be appointed by the SIAC Chairman. The third arbitrator may not be of the same nationality as any of the Parties to the arbitration. The arbitral proceedings shall be conducted in English.

To the extent that the SIAC Rules are in conflict with the provisions of this Section 12.9(b), including the provisions concerning the appointment of the arbitrators, the provisions of this Section shall prevail. The award of the arbitral tribunal shall be final and binding upon the Parties thereto, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Notwithstanding the foregoing or anything else to the contrary, any Party shall be entitled to seek and obtain temporary or preliminary injunctive relief, any other interim measure, or specific performance from any court of competent jurisdiction pending the conclusion of the arbitration.

Section 12.10 Entire Agreement. This Agreement (including the Disclosure Schedules and the exhibits and instruments referred to herein), the Transaction Documents and the Non-Disclosure Agreement contain the complete agreement between the Parties and supersede any prior understandings, agreements or representations by or between the Parties, written or oral, which may have related to the subject matter hereof in any way.

Section 12.11 No Third-Party Beneficiaries. This Agreement is intended and agreed to be solely for the benefit of the Parties, and no third party shall accrue any benefit, claim or right of any kind whatsoever pursuant to, under, by or through this Agreement, except as otherwise contemplated by Section 12.4.

Section 12.12 Specific Performance. Each Party acknowledges and agrees that the other Parties would be irreparably damaged in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and money damages may not be an adequate remedy for any such failure to perform or breach. Accordingly, each Party agrees that, in addition to any other remedy to which such Party may be entitled at Law or in equity or under this Agreement, each shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof, and each Party expressly waives the defense that a remedy in damages will be adequate.

Section 12.13 Counterparts. This Agreement may be executed in several counterparts, including counterparts delivered by means of facsimile, scanned pages, or other electronic transmission, each of which will be deemed an original, but all of which together will constitute but one and the same Agreement.

Section 12.14 Further Actions. Each Party upon the request of the other, will execute and deliver, or cause to be executed and delivered, such further instruments (including instruments of conveyance, assignment, and transfer), and will take such further actions, as the other reasonably may request in order to carry out the purposes and intent of the Agreement.

Section 12.15 Interpretation.

(a) All references herein to any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.

(b) The headings contained in this Agreement, any Exhibit or Schedule and in the table of contents to this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement.

(c) Whenever the words “include”, “includes”, “including” or “among other things” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”.

(d) Unless the context clearly requires otherwise, “or” shall be inclusive and not exclusive.

(e) All references to “dollars” and “US\$” are to the currency of the United States of America.

(f) All references to “JPY” and “yen” are to the currency of the Japan.

(g) All references to “SGD” are to the currency of the Republic of Singapore.

(h) All references to “domestic” mean within Japan.

(i) All references to “foreign” mean outside of Japan.

(j) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(k) Unless otherwise provided therein, any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning as defined in this Agreement.

(l) All accounting terms shall be construed in accordance with JGAAP or SGAAP, as applicable, unless otherwise indicated. To the extent that the definition of an accounting term that is defined in this Agreement is inconsistent with the meaning of such term under JGAAP or SGAAP, as applicable, the definition set forth in this Agreement will control.

(m) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(n) To the extent that any provision of this Agreement and any of the other Transaction Documents conflict, the provisions of this Agreement shall govern.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Stock Purchase Agreement as of the date first written above.

“BUYER PARENT”

SKYWORKS SOLUTIONS, INC.

By: /s/ Mark Tremallo
Name: Mark Tremallo
Title: Vice President and General Counsel

“BUYER”

SKYWORKS LUXEMBOURG S.A.R.L.

By: /s/ Mark Tremallo
Name: Mark Tremallo
Title: Director

“PIDSJ”

PANASONIC ASIA PACIFIC PTE., LTD.

By: /s/ Junichiro Kitagawa
Name: Junichiro Kitagawa
Title: Managing Director

“SELLER”

**PANASONIC CORPORATION,
AUTOMOTIVE & INDUSTRIAL SYSTEMS
COMPANY**

By: /s/ Shigeru Ono
Name: Shigeru Ono
Title: Director of Circuit Components Business Division

“FILTERCO”

**SKYWORKS PANASONIC FILTERSOLUTIONS
JAPAN CO., LTD.**

By: /s/ Masahiro Shiba
Name: Masahiro Shiba
Title: Representative Director

“FILTERSUB”

**SKYWORKS PANASONIC FILTER SOLUTIONS
SINGAPORE PTE. LTD.**

By: /s/ Satoru Shinguryo
Name: Satoru Shinguryo
Title: Director

List of Omitted Schedules and Exhibits

Pursuant to Item 601(b)(2) of Regulation S-K, the following exhibits and schedules to the Stock Purchase Agreement have been omitted from this Exhibit 2.1:

- Schedule 1.1(A) Transferred Assets, Assumed Contracts, Excluded Assets, Assumed Liabilities, and Excluded Liabilities
- Schedule 1.1(B) Key Employees
- Schedule 1.1(C) Knowledge of the Seller
- Schedule 1.1(D) Seconded Employees and Current Seconded Employees
- Schedule 1.1(E) Transferred Employees
- Schedule 2.6(b) Balance Sheet Net Assets Calculation
- Schedule 6.13 Certain Employee Matters
- Schedule 6.19 Supply Contracts; Customer Support; Business Process; Equipment
- Schedule 7.1(b) Required Approvals
- Schedule 7.1(c) Required Third-Party Consents
- Exhibit A Kaisha Bunkatsu Documents
- Exhibit B Singapore Business Transfer Agreement
- Exhibit C JV Agreement
- Exhibit D License Agreement
- Exhibit E Material Terms of Transition Services Agreement
- Exhibit F Real Property Lease Agreements
- Exhibit G Option Agreement
- Exhibit H Secondment Agreements
- Exhibit I [Reserved]
- Exhibit J FilterCo and FilterSub Articles of Incorporation

Any omitted exhibit, schedule or similar attachment will be furnished supplementally to the SEC upon request.

SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction Of Incorporation
Skyworks Global Pte. Ltd.	Singapore
Skyworks International Investments, LLC	Delaware
Skyworks Ireland Limited	Ireland
Skyworks Luxembourg S.A.R.L	Luxembourg
Skyworks Semiconductor	France
Skyworks Solutions Commercial Co., Ltd. (Shenzhen)	Shenzhen
Skyworks Solutions Commercial Co., Ltd. (Shenzhen) - Beijing Branch	Beijing
Skyworks Solutions Commercial Co., Ltd. (Shenzhen) - Shanghai Branch	Shanghai
Skyworks Solutions Company, Limited	Japan
Skyworks Solutions de Mexico, S de R.L. de C.V.	Mexico
Skyworks Solutions (Hong Kong) Limited	Hong Kong
Skyworks Solutions Korea Limited	Korea
Skyworks Solutions Limited	United Kingdom
Skyworks Solutions Mauritius, Limited	Mauritius
Skyworks Solutions Oy	Finland
Skyworks Solutions Worldwide, Inc.	Delaware
Skyworks Solutions Worldwide, Inc., Taiwan Branch	Taiwan
Skyworks Solutions Worldwide, Inc., Malaysia Branch	Malaysia
Advanced Analogic Technologies Incorporated	Delaware
Advanced Analogic Technologies Holdings, Inc.	British Virgin Islands
Advanced Analogic Technologies (China), Inc.	Peoples Republic of China
Axiom Microdevices, Inc.	Delaware
ICWave, LLC	Massachusetts
Isolink, Inc.	California
SiGe Semiconductor, Inc.	Delaware
SiGe Semiconductor Inc.	Canada
SiGe Semiconductor (U.S.), Corp.	Delaware
SiGe Semiconductor (Europe) Limited	United Kingdom
SiGe Semiconductor (Hong Kong) Limited	Hong Kong
Trans-Tech, Inc.	Maryland
Skyworks Panasonic Filter Solutions Japan Co., Ltd. (66% owned joint venture)	Japan
Skyworks Panasonic Filter Solutions Singapore Pte Ltd. (wholly-owned by Skyworks Panasonic Filter Solutions Japan Co., Ltd.)	Singapore

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Skyworks Solutions, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-48394 and No. 333-85024) on Form S-8 of Alpha Industries, Inc. and in the registration statements (Nos. 333-91524, 333-100312, 333-100313, 333-122333, 333-131628, 333-131629, 333-132880, 333-134375, 333-150780, 333-150782, 333-162960, 333-176282, 333-176285, 333-176286, 333-179117 and 333-191311) on Form S-8 of Skyworks Solutions, Inc. of our report dated November 25, 2014, with respect to the consolidated balance sheets of Skyworks Solutions, Inc. and subsidiaries as of October 3, 2014 and September 27, 2013, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended October 3, 2014, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of October 3, 2014, which report appears in the October 3, 2014 annual report on Form 10-K of Skyworks Solutions, Inc.

Our report dated November 25, 2014, on the effectiveness of internal control over financial reporting as of October 3, 2014, contains an explanatory paragraph that states management excluded from its assessment of the effectiveness of Skyworks Solutions, Inc. and subsidiaries' internal control over financial reporting as of October 3, 2014, FilterCo's internal control over financial reporting associated with 9.0% of total consolidated assets (of which 2.9% represents goodwill and intangible assets included within the scope of the assessment) included in the consolidated financial statements of Skyworks Solutions, Inc. and subsidiaries as of and for the year ended October 3, 2014. Our audit of internal control over financial reporting of Skyworks Solutions, Inc. and subsidiaries also excluded an evaluation of the internal control over financial reporting of FilterCo.

/s/ KPMG LLP

Boston, Massachusetts
November 25, 2014

CERTIFICATION OF THE CEO PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Aldrich, certify that:

1. I have reviewed this annual report on Form 10-K of Skyworks Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 25, 2014

/s/ David J. Aldrich

David J. Aldrich
Chairman and Chief Executive Officer

CERTIFICATION OF THE CFO PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donald W. Palette, certify that:

1. I have reviewed this annual report on Form 10-K of Skyworks Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 25, 2014

/s/ Donald W. Palette

Donald W. Palette

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Skyworks Solutions, Inc. (the "Company") on Form 10-K for the period ending October 3, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Aldrich, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ David J. Aldrich

David J. Aldrich
Chairman and Chief Executive Officer

November 25, 2014

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Skyworks Solutions, Inc. (the "Company") on Form 10-K for the period ending October 3, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald, W. Palette , Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Donald W. Palette

Donald W. Palette
Executive Vice President and Chief Financial Officer
November 25, 2014