

Corporate Governance

We are strengthening the corporate governance framework to ensure management that prioritizes improvements in corporate value.

Fundamental Policy Concerning Corporate Governance

In order to maximize corporate value and increase shareholder satisfaction, we think it important to enhance our corporate governance and are committed to complying with corporate ethics and compliance program. We are also dedicated to improving and reinforcing internal control and risk management systems, and to maintaining transparency and objectivity in our business activities.

Strengthening the Framework of Corporate Governance

Tokyo Electron Group regards the strengthening of corporate governance as vital to increasing its corporate value for all its stakeholders including shareholders. To this end, we concentrate on three aspects of corporate governance: 1) ensuring the transparency and soundness of business operations; 2) facilitating quick decision-making and the efficient execution of business operations; and 3) building an effective structure for the timely and suitable disclosure of information.

Specifically, the Board of Directors comprises 13 directors, including two external directors. The Board has two committees: the Compensation Committee¹ and the Nomination Committee². The term of office for directors is set at one year to allow prompt and flexible responses to changes in the management environment. The Board of Directors held a total of 14 meetings in FY 2007. We have four statutory auditors, two of whom are from outside the company. We have adopted this auditing system to improve corporate governance. In FY 2007, the auditors held a total of five meetings. In the execution of business, we have introduced the executive officer system to clearly separate the roles of the Board of Directors and of those actually executing business operations. We plan and implement business strategies promptly under this system.

1. **Compensation Committee:** Makes a draft remuneration plan for the Chairman & CEO and the President & COO and presents the draft to the Board of Directors

2. **Nomination Committee:** Selects candidates for directorships for submission to the annual shareholders' meeting and a candidate to be elected as president by the Board of Directors.

Internal Controls and Risk Management

To behave towards all our stakeholders in a responsible manner, we are committed to strengthening an even more effective internal control system. We have our Global Audit Center for internal control. This Center conducts internal audits on business operations, compliance, and systems targeting Tokyo Electron Group's bases both in Japan and overseas, and evaluates the effectiveness of the Group's internal control systems.

In addition, the Center makes regular reports to management on the audit results, and exchanges information with the auditors and submits reports to them to strengthen the internal audit function of the Group.

To implement measures to manage risks including business and operational risks, we have established a department in charge of risk management, which creates and revises in-house rules on risk management and conducts risk-related education and enlightenment activities.

Establishing Even More Effective Internal Control Systems

Following the enforcement of the new Companies Act, Tokyo Electron Group decided its basic policies to ensure appropriate business operations at the meeting of its Board of Directors held on May 12, 2006. In line with the policies, we have been reexamining our business risks and establishing even more effective internal control systems.

Internal control systems

1. Compliance system
2. Risk management system
3. System to ensure the appropriateness of financial reporting
4. System to store and manage information
5. System to ensure the efficiency of business execution
6. System to ensure appropriate business operations of the corporate group
7. System to ensure the effectiveness of internal audits

Furthermore, in order to establish an internal control system for financial reporting, which we will launch in the year ending March 31, 2009 to comply with the Financial Instruments and Exchange Law (so-called Japanese SOX), we are creating rules and manuals, checking our business processes, and preparing the required documentation.

