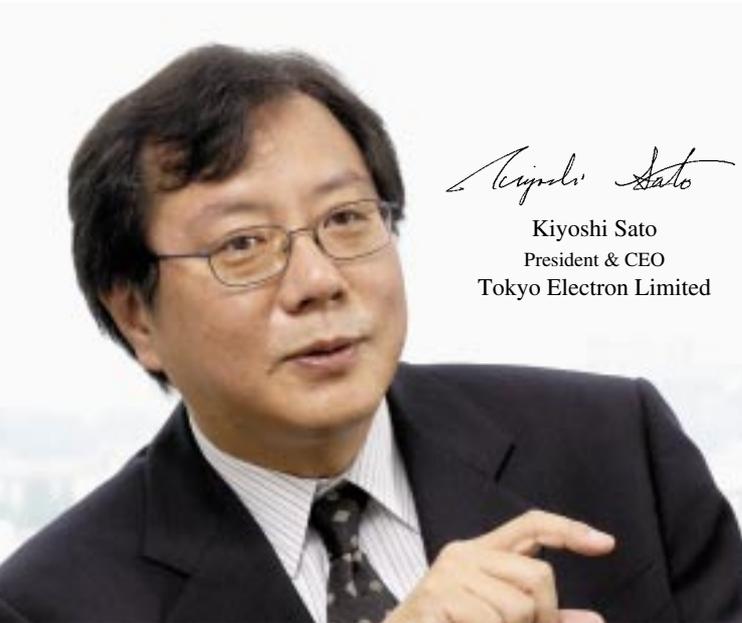


Toward Promoting Corporate Social Responsibility (CSR)

A corporation is a social entity and therefore it has a responsibility to work for the development of environmentally-sound society. I look at it as though from the perspective that TEL has been entrusted into my care by society, and I am to act by encouraging CSR-oriented management.



Kiyoshi Sato

Kiyoshi Sato
President & CEO
Tokyo Electron Limited

Transparency of Management is Critical for Substantial Implementation of CSR

Since the day that TEL was founded, fair and honest management has been at the root of the company. With this in mind, I have been managing the company since my appointment as the president in June 2003.

In order to put fair and honest management into practice, it is important for corporate executives to have a clear vision of this, but at the same time, it is also imperative to have a system where a high level of ethical standards are maintained. At TEL, under the corporate governance scheme, which is fundamental to CSR, we have an Ethics Committee, a Compensation Committee and a Nomination Committee.

The Nomination Committee is an independent body that fulfills the task of nominating the company's next president, as the position is not nominated by the current president. In this way, the selection process of the corporate executive is given increased transparency. I myself was appointed President by this committee. In a nutshell, the most positive effect of this system would seem to be that it does away with any incentive to curry favor with company brass, and allows one to pursue a career by the virtues of his or her convictions.

The Compensation Committee is an independent body that decides the compensation of the President & CEO, while also aiming to increase the transparency of management. This system was introduced five years ago and the compensation for representative directors is disclosed on the invitations to shareholder's meetings.

The Ethics Committee was launched six years ago at the same time that our Code of Ethics was set out. The committee aims to examine the planning and the implementation of business ethics education and enlightenment activities, as well as the practice of business based on the Code of Ethics. We are determined to maintain a corporate culture rooted in the high level of ethics suitable for a global excellent company.

Japanese companies are learning from the Western governance model, and setting up committees as outlined above has become an increasingly popular trend. However, at TEL we have been putting this into practice for several years now.

At TEL, we have developed our operations globally, but it is no simple matter to correctly understand and comply with the different rules in each country and region in which we have operations. However, we take this matter very seriously and are making efforts to formulate a system that ensures that we are in compliance throughout the world. With this system, we are maintaining an environment in which all employees can work while guarding a high level of integrity.

Environment and Safety are Central to CSR for TEL

The main business of our company is the manufacturing of semiconductor production equipment. By providing better products to semiconductor manufacturers, we contribute to higher performance in production and better quality semiconductors. The two main elements of our company's CSR policy are to secure absolute safety in the user's operation of our equipment when used by customers and to minimize the environmental burden in any field in which our company is involved.

Whether we succeed in our environmental and safety efforts depends greatly on the ingenuity and the efforts of equipment developers. Our developers integrate precise performance requirement demands from customers into design on a daily basis. In the competitive world of today, it is not easy to "pack" the environment and safety into equipment design; however, we are aiming to achieve both through the investment of human resources and capital.

We Demonstrate Leadership in the Semiconductor Production Equipment Industry

The semiconductor industry is a younger industry, encumbered by fewer rules and conventions when compared with other industries. For that reason, it is imperative that each company actively works in order to solve various problems in the social and



My Eco-life

"I love fishing and go often go to the Okutama area or Aki River on holidays, and the river pollution always bothers me. I will do my utmost to keep our rivers clean and strive to protect the environment so that we can eat the caught fish safely."



the environmental sectors.

For example, the semiconductor manufacturing process requires the use of many chemical products; therefore, every time a new manufacturing process is invented, new chemical products are used. In some of these cases, although not legally banned, some chemical products are not suitable from the perspective of the environment or safety; this makes for difficult decisions on whether or not to use them. In these situations, our company holds safety in the highest regard. We think that a substance should not be used until a safe means of using it is established.

TEL is one of the largest semiconductor production equipment

manufacturers in the world; consequently, we have an obligation to demonstrate leadership, not only in the industry, but also in society both in our decisions and in actions. While placing an emphasis on the pillars of our CSR policy, the environment and safety, we will forge stronger ties with customers, suppliers and all stakeholders in an effort to steadily implement solid measures.

In this document, we report on our approach to the environment and safety and the actual activities at the heart of TEL. Your voices are extremely important in making managerial decisions and I ask for your frank comments.

TEL's Credo on Environmental Preservation

< TEL's Credo on Environmental Prevention >

The Tokyo Electron Group believes that preserving and continuously improving the global environment is one of the most important objectives for mankind, as well as our business. Based on this credo, we are determined to expand our business by maintaining harmony with the global environment, and thus win the trust of our many customers, shareholders, employees and society in general.

< TEL's Principles on Environmental Preservation include: >

1. **Continuous Improvement**
TEL recognizes that the products we manufacture affect the environment, and therefore, we, with our customers and suppliers, shall continually strive to minimize the environmental impact of our processes and operations.
2. **Knowledge**
TEL continually strives to enhance its understanding of the impact that TEL's operations have on the environment, and the responsibility that this entails. In addition, TEL aims to gain a quantitative grasp of environmental factors, and the impacts resulting from our activities and operations.
3. **Performance Criteria**
As well as strictly observing mandatory environmental laws, treaties and agreements, TEL strives to enhance its own environmental management system and improve global environmental preservation programs by the proactive establishment of its own aggressive environmental performance criteria.
4. **Disclosure**
TEL shares information about its environmental concepts and principles, as well as the progress of our ongoing contributions toward environmental protection with employees and the general public.
5. **Partnership**
TEL actively participates in environmental protection activities practiced by our customers, suppliers and local communities.

September 25, 1998

TEL's Safety and Health Credo

< TEL's Safety and Health Credo >

Safety and health training are required for all employees and board members at TEL. Our profit delivery date requirements, and time limitations must not be met at the sacrifice of human life and the safety of our facilities and equipment.

< TEL's Principles on Safety and Health Preservation include: >

1. **Continuous Improvement**
TEL is conscious that the factors that affect the safety and health of customers and our employees exist at the stage of manufacturing, transportation, installation, use, maintenance and service of our products, and based on this awareness, we shall continually strive to eliminate factors that impede the safety and health of our products.
2. **Knowledge**
TEL continually strives to enhance our understanding of safety and health and improve these conditions for all people working in our sites. In addition, TEL aims to gain qualitative and quantitative grasps of safety and health factors on TEL Group activities and operations.
3. **Performance Criteria**
As well as strictly observing mandatory safety and health laws, treaties and agreements, TEL strives to enhance its own safety and health management system and improve global safety and health programs by the proactive establishment of aggressive safety and health performance criteria.
4. **Disclosure**
TEL shares information about its safety and health credo, policies and the progress of our safety and health activities with all board members and employees, and publish the general public our progress as the need arises.
5. **Partnership**
TEL actively participates in safety and health activities practiced by our customers, suppliers and communities.

November 27, 1998