

Corporate Governance

The Tokyo Electron Group continually works to improve its corporate governance practices through various measures to ensure its business is operated in a way that maximizes the Group's corporate value.

Fundamental Policy Concerning Corporate Governance

The Tokyo Electron Group recognizes the importance of enhancing corporate governance in order to maximize its corporate value for all stakeholders. With this recognition, we are committed to complying with corporate ethics and compliance programs. We are also dedicated to improving and reinforcing internal control and risk management systems, and to maintaining transparency and objectivity in our business activities.

The Framework of Corporate Governance

We develop and maintain an optimal and effective corporate governance system guided by the following three basic principles:

- 1) ensuring the transparency and soundness of business management;
- 2) facilitating quick decision-making and the efficient execution of business management; and
- 3) timely and suitable disclosure of information.

Specifically, the Board of Directors comprises 14 directors, including three external directors. The Board has two committees to strengthen corporate governance: 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. We have four statutory auditors, two of whom are from outside the company. Statutory auditors attend important meetings including board meetings, evaluate the performance of operational and financial audits and risk management, and audit the performance of directors. 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

We have our Global Audit Center for internal controls. 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. Results of the evaluation may lead to the Center's provision of support for improvements to relevant departments and sites. In addition, the Center makes regular reports to management on the audit results and meets with statutory auditors periodically for information sharing and reporting.

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

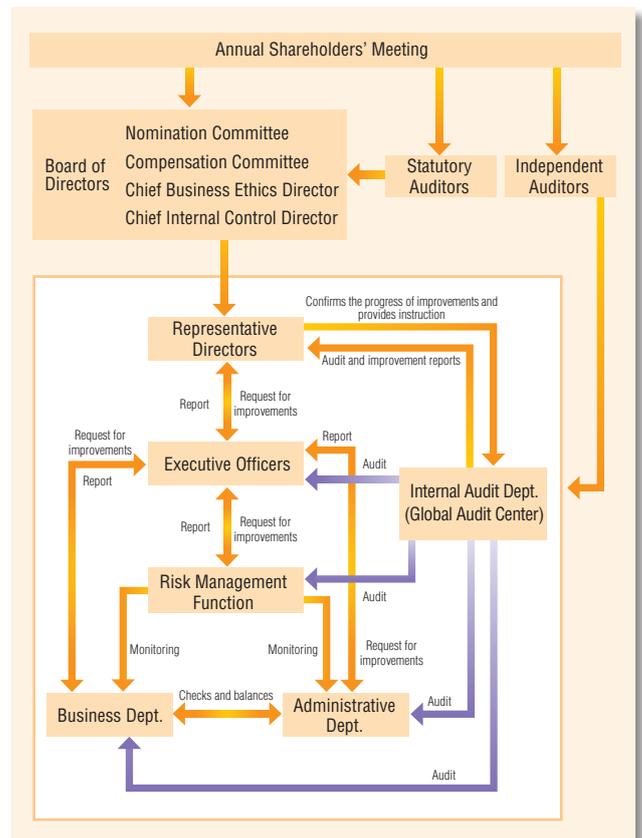
Establishing Even More Effective Internal Control Systems

We are implementing internal control practices in line with our basic policies on internal controls, which were formulated in May 2006 and partly revised in April 2008. In addition, we are working to meet the requirements of an internal control system for financial reporting under the Financial Instruments and Exchange Act. In June 2008, we appointed the Chief Internal Control Director to further solidify our 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

Framework for Corporate Governance, Internal Controls and Risk Management



Compliance

The Tokyo Electron Group conducts fair and trustworthy business activities in strict compliance with corporate ethics, laws and regulations.

Approach to Corporate Ethics and Legal Compliance

Trust is and will always be the lifeline of the Tokyo Electron Group. The fundamental requirements for maintaining trust are rigorous conformity to our ethical standards and compliance with the law, by our employees as individuals, and by each of our organizations. We give first priority to compliance with high ethical standards and laws in conducting our business operations.

Establishing Ethical Standards

We believe that common standards must be applied throughout our divisions in order to create the globally excellent company that we envision. In 1998, we established a Code of Ethics, which concretely describes our basic views. At the same time, we established the Ethics Committee as an organization for actual operations.

In June 2007, in response to the results of a survey conducted on our Code of Ethics and compliance measures in the Group in 2005, we revised our Code of Ethics, including adding items and modifying expressions, to make them easier to understand and more consistent with the current business environment and sense of ethics.

The Code of Ethics of Tokyo Electron Group

Introduction

I. Principles

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

II. Honest and Fair Business Activities

II-1 Technology, Safety and the Environment

4. Ensuring Safety and Pursuing Quality
5. Promoting Environmental Preservation Activities
6. Ethics in Manufacturing

II-2 Fair Trade

7. Implementing Fair and Open Competition
8. Fair Business with Suppliers
9. Handling of Confidential Information
10. Strict Export/Import Controls
11. Reasonable Exchanges of Gifts and Entertainment within the Bounds of Common Sense

II-3 Relationship between the Company and Individuals

12. Prohibition of Conduct Causing Conflicts of Interests
13. Prohibition of Improper Use of Company Assets
14. Prohibition of Conduct of Harassment

III. Being a Good Corporate Citizen

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

Implementation of the Code of Ethics¹

To facilitate in-depth understanding of the Code of Ethics, we also revised the booklet describing the Code of Ethics and the provisions thereof in a question-and answer format, and we distributed the booklet to each of the directors and employees of the Group.

Measures to Strengthen the Compliance System

We established our Compliance Regulations in 2004 (and revised some provisions in 2008). The Regulations, which provide for basic matters concerning compliance, are designed to help those engaged in the business operations of the Tokyo Electron Group to understand fully the relevant laws, regulations and international rules as well as in-house rules, and act accordingly at all times.

We also have a hotline (internal reporting system) for employees and others to report questionable actions in light of the Code of Ethics, applicable laws, regulations and other relevant rules.

Reported concerns are handled by the director in charge of ethical matters and the chairman of the Ethics Committee (on the matters regarding the Code of Ethics) or by the Director of the General Affairs Department in a fair and sincere manner with due whistleblower protection.

We provide compliance-related information on the Company intranet and give employees web-based education to ensure that they all understand our compliance policies and are more aware of their importance, thereby further strengthening our compliance system.

Protection of Personal Information

Leakage of personal information has become a major social concern in recent years and companies are required to manage the personal information they hold in an appropriate manner.

In Japan, following the enforcement of the Act on the Protection of Personal Information in April 2005, the Tokyo Electron Group formulated its basic policies, rules, and guidelines for the protection of personal information and developed related manuals and other documents. We provide web-based training programs to educate employees on the implementation of such policies and rules and raise their awareness of these policies and rules by providing relevant information via the intranet. Furthermore, in Japan we investigated personal information stored on PCs leased to employees to understand the current status of how personal information is being treated.

We also take a range of measures to ensure proper management of personal information such as with the installation of exclusive servers that store personal information only; by controlling access to PCs for employees' individual use with IC cards; periodical changes of passwords; introduction of encryption; and use of auxiliary storage devices with password-based access control.

¹ The "Implementation" section provides specific matters and procedures.