

CORPORATE GOVERNANCE

Tokyo Electron maintains a management philosophy that puts emphasis on maximizing corporate value and enhancing shareholder satisfaction. To this end, the Company is striving to enhance corporate governance by building an optimal corporate governance structure and managing it effectively. Efforts in this regard are founded on three basic principles.

Tokyo Electron's Basic Principles of Corporate Governance

1. Ensure the transparency and soundness of business operations
2. Facilitate quick decision-making and the efficient execution of business operations
3. Disclose information in a timely and suitable manner

The Corporate Governance Framework

Tokyo Electron uses the statutory auditor system, and has also adopted the executive officer system to separate the business execution function from the board of directors.

The Board of Directors

The board of directors consists of 14 directors, three of whom are external directors. During fiscal 2008, the board of directors met on 12 occasions. In order to ensure that the Company can respond quickly to changing business conditions, and to more clearly define management accountability, the term of office for directors is set at one year.

The board of directors has two committees: the Compensation Committee and the Nomination Committee, whose activities are intended to improve corporate governance. The Compensation Committee proposes the remuneration to be paid to the Chairman & CEO and the President & COO at the board meeting for approval. The Nomination Committee selects candidates for directorships for

submission at the annual shareholders' meeting, as well as candidates for CEO, which it submits at the board meeting for approval. Each of these committees is composed of members of the board of directors, excluding the Chairman & CEO and the President & COO.

The Board of Statutory Auditors

The Company has four statutory auditors, two of whom are outside auditors. The statutory auditors not only attend meetings of the board of directors and other important business meetings, but also they conduct operations audits, accounting audits and risk evaluation, in addition to auditing the performance of duties by directors. During fiscal 2008, the board of statutory auditors met seven times.

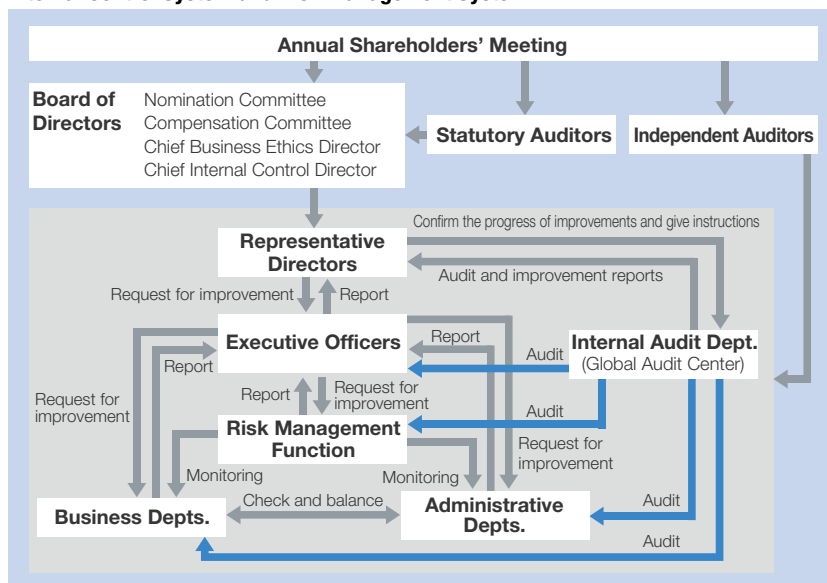
The Executive Officer System

In order to further clarify the roles of the board of directors and executives in charge of business operations, Tokyo Electron adopted the executive officer system in April 2003. This system promotes fast decision-making and the quick establishment and execution of business strategies.

Internal Control and Risk Management System

In order to enhance corporate value and ensure that all business activities are carried out responsibly, in the interests of all stakeholders, Tokyo Electron is taking steps to strengthen its internal control systems, and make them more effective. The Company is implementing specific activities based on the basic policy for internal control systems established in May 2006, which was partially revised in April 2008. It is also making progress in developing a system of internal control over financial reporting which is based on the Financial Instruments and Exchange Law.

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



Internal Control Director

Tokyo Electron considers the improvement of internal control systems and the management structure to be of great importance. Starting in June 2008, the Company will appoint an Internal Control Director who will work to strengthen internal control based on the basic policy for internal control decided by the Board of Directors.

Internal Audit Department (Global Audit Center)

The Global Audit Center oversees the internal auditing activities of Tokyo Electron and its corporate group. The Center is responsible for auditing the business activities of domestic and overseas bases of the Group, as well as their compliance and systems, and evaluating the effectiveness of internal control systems. When necessary, the Global Audit Center also provides guidance to operating divisions. The Center reports the results of its audits to Company management on a

regular basis, and organizes meetings to report its findings and exchange information with the statutory auditors.

Risk Management Function

The General Affairs Department is responsible for crisis management, including measures involving business risk and operational risk, as well as for establishing the necessary internal regulations for managing each risk category and activities for training and raising employees' awareness of risk management. These internal regulations include compliance standards, risk management regulations, crisis management regulations, rules governing the handling of personal information, standards for managing documents, rules to prevent insider trading and guidelines for the timely disclosure of information.

Coordination Between Statutory Auditors and Internal Audit Department

The Global Audit Center, which is responsible for internal auditing activities, makes regular reports to Company management on the results of its audits, and holds periodic meetings (34 times a year) to report its findings and exchange information with the statutory auditors.

Coordination Between Statutory Auditors and Independent Auditors

Tokyo Electron has engaged KPMG AZSA & Co. as its independent auditor. The Company provides the independent auditor with all required information and data to ensure that it can conduct its audits promptly and correctly.

The statutory auditors receive audit plans for the fiscal year from KPMG AZSA & Co., as well as explanations regarding auditing methods and particular areas of focus, among other matters. They also receive opinions for the audits of the financial statements.

Compliance Framework

Trust is the cornerstone of Tokyo Electron's business foundation. The fundamental requirements for maintaining trust are rigorous conformity to ethical standards and compliance with the law, by individual employees and by each of our organizations. The Group maintains high standards of ethics and a clear awareness of compliance, placing the utmost priority on compliance with laws, regulations and international business standards in all of its corporate activities.

Ethical Standards, Ethics Committee and Chief Business Ethics Director

Recognizing the need to establish uniform standards to govern all of its global business activities, in 1998, the Company formulated the "Tokyo Electron Code of Ethics," which concretely describes the Company's basic views on ethics. The same year, the Company established the Ethics Committee, which is responsible for promoting business ethics awareness, and appointed a Chief Business Ethics Director to supervise these efforts.

In June 2007, the Tokyo Electron Code of Ethics was rewritten to make it easier to understand, and to reflect the changing ethical norms of the current era. To ensure full awareness of the Code, it was compiled into a booklet, which the Company distributed to all Group employees, including those overseas.

Compliance Regulations

Compliance regulations are intended to ensure that all individuals who take part in business activities for the Group clearly understand the pertinent laws, regulations, international standards and internal company rules, and continuously apply these rules in all of their activities.

Compliance Education for Employees

Information on compliance issues is available to employees via the Company intranet. The Company also conducts web-based training programs for employees, and takes other steps to promote broad awareness of compliance.

Internal Reporting System: Hotline

In the event that an employee becomes aware of any activity which may violate laws, regulations or principles of business ethics, the Company operates an internal reporting system (Hotline) that employees may use to report their concerns. Strict confidentiality is maintained to protect the whistleblower, and ensure that they are not subject to any disadvantage or repercussions.

Protection of Personal Information

Following the full introduction of Japan's personal information protection law, the Company formulated a basic directive and regulations to protect personal information. The Company conducts training programs to educate employees on how to handle such information, and to ensure that the rules and policies are widely understood.

Remuneration for Directors, Executive Officers and Statutory Auditors

The Company and its subsidiaries (excluding listed companies) have introduced incentive systems, such as business results-based remuneration, and stock options linked to share prices. Effective from fiscal 2006, the Company revised its executive remuneration system to link remuneration more closely to financial performance and shareholder value and also improve management transparency and its competitive strength.

New Remuneration System for Executives

1. The remuneration for Company directors and executive officers is composed of two elements: a fixed monthly salary, and an annual bonus which is linked to earnings performance.
2. The total amount of performance-linked remuneration (annual bonuses) for directors and executive officers of the Group is set at a maximum of 3% of consolidated net income. This remuneration is split between cash bonuses and stock-based

remuneration (stock options), at a ratio of roughly two to one. The stock-based remuneration takes the form of new stock warrant contracts with an exercise price of one yen per share. This is because current securities and exchange regulations make it difficult to introduce and implement direct share issuance, or the sort of transfer-restricted shares that are used in countries such as the United States. The restricted period on exercising stock options is set at three years.

3. The earnings-linked remuneration (annual bonuses) of external directors does not include stock options.
4. In order to ensure that statutory auditors maintain full independence from management pressures, the compensation of statutory auditors consists of a fixed monthly salary only.
5. Retirement allowances for directors, statutory auditors and executive officers were abolished at the end of fiscal 2005, as part of the revisions to Tokyo Electron's remuneration system for executives.

Remuneration linked to corporate performance comprises a relatively large share of executives' total remuneration. Tokyo Electron thinks that this will give executives a strong incentive to improve the Company's earnings performance and elevate the share price, since they share in both the benefits and the risks experienced by shareholders.

Disclosure of the Individual Compensation of Representative Directors

In order to increase transparency and reflect shareholders' interests, Tokyo Electron discloses the remuneration paid to each representative director (Chairman & CEO and President & COO), as well as the aggregate remuneration paid to directors and statutory auditors, in its business report, which is sent to shareholders along with the Notice of Annual General Meeting of Shareholders.

Disclosure Policy

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

Information Disclosure Standards

Tokyo Electron complies fully with the Financial Instruments and Exchange Law, and the rules on timely disclosure established by the Tokyo Stock Exchange.

Furthermore, even when the information is not subject to regulations on timely disclosure, the Company discloses the information proactively, in a fair, prompt and accurate manner if the information is deemed useful in providing stakeholders with an accurate understanding of the Company.

Disclosure Practices

If it is subject to the rules on timely disclosure (material information), Tokyo Electron will release the information simultaneously in a press release, and via the Tokyo Stock Exchange's "Timely Disclosure Network" (TDnet), and will post the information on its website as soon as possible, following the official announcement.

Even when it does not fall into the category of "material information," the Company will voluntarily disclose information which may be of interest to stakeholders, in a fair, accurate, and easy-to-understand manner, either on its website or in printed form, through various means of communication.

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

To ensure that foreign investors have fair and equal access to the information, in principle, the Company strives to disclose all information simultaneously in Japanese and English. However, due to the time required for translation, there may be cases where the posting of English information to the website is delayed slightly.

IR Spokespersons

To ensure that information is accurate and disclosure is fair, the Company's major investor relations activities will be undertaken by official IR spokespersons—either the CEO, the COO, the IR director, or representatives of the IR department. In principle, information on the Company shall not be provided to the press, or to persons connected with the securities market, by any executive or employee of Tokyo Electron acting alone other than official IR spokespersons. When necessary, IR spokespersons may formally appoint other executives or employees to speak on their behalf.

Shareholder Measures

Tokyo Electron mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting, as one of its measures to vitalize these meetings and to promote smooth and efficient voting. It also sets the date of the Company's meeting to avoid days on which many such meetings are concentrated. In addition, shareholders are free to cast their votes via the Internet. Moreover, Tokyo Electron participates in the web-based voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ). To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries notices, resolutions and presentation materials of shareholders' meetings. An English version of the Notice of Annual General Meeting of Shareholders is also provided.