

## Corporate Governance

The TEL Group is strengthening its corporate governance as well as improving and reinforcing its internal control system and risk management system with the aim of maximizing its corporate value.

### Corporate Governance Policies

The TEL Group is striving to strengthen its corporate governance through a variety of measures in order to maximize corporate value and enhance shareholder satisfaction. We are endeavoring to establish and operate optimal and highly effective structures of governance that are based on our three basic principles for reinforcing 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

### Corporate Governance Framework

Tokyo Electron uses the statutory auditor system based on the Companies Act of Japan, and has established its own Nomination Committee<sup>1</sup> and Compensation Committee<sup>2</sup> in order to increase the transparency and objectivity of management. Tokyo Electron has also adopted the executive officer system to streamline the decision-making process. In addition, Tokyo Electron has been disclosing the individual remunerations of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

<sup>1</sup> Nomination Committee: This committee nominates candidates for directors to be selected at the annual shareholders' meeting, and nominates a candidate for CEO to be selected by the Board, which it submits at the Board meeting for approval.

<sup>2</sup> Compensation Committee: This committee proposes the remuneration to be paid to representative directors at the Board meeting for approval.

### Board of Directors

The Board of Directors consists of 15 members, two of whom are outside directors. In order to ensure that Tokyo Electron 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. During fiscal 2011, the Board of Directors met on 11 occasions.

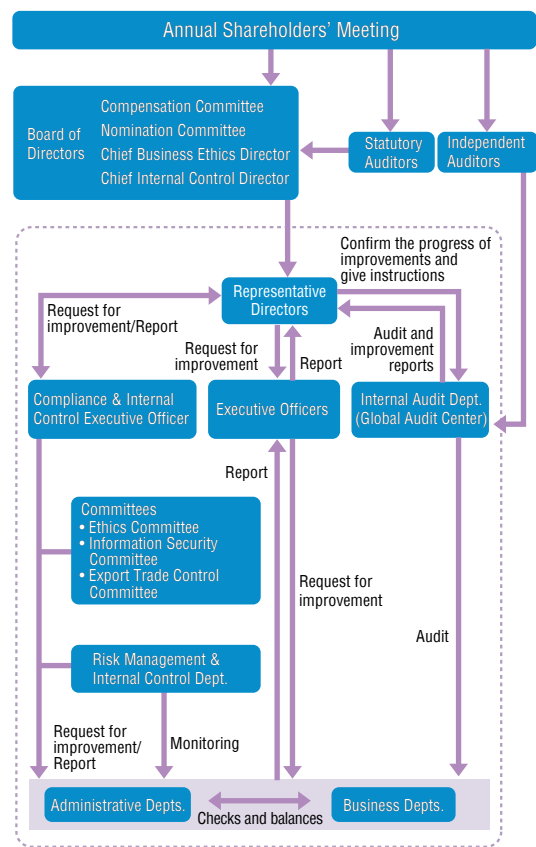
### Board of Statutory Auditors

Tokyo Electron has four statutory auditors, two of whom are outside auditors. The statutory auditors not only attend meetings of the Board of Directors, the Management Meeting and other important business meetings, but also conduct operations audits and accounting audits, and evaluate risk management, in addition to auditing the performance of duties by directors. During fiscal 2011, the board of statutory auditors met six times.

### Internal Control and Risk Management Systems

To strengthen the internal control and risk management systems of the TEL Group more effectively, Tokyo Electron is implementing practical measures in line with the Fundamental Policies Concerning Internal Controls within the TEL Group.

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



Tokyo Electron has also appointed a Chief Internal Control Director and a Compliance & Internal Control Executive Officer. Under them, Tokyo Electron has established the Risk Management & Internal Control Department, which evaluates and analyzes risks that could affect the TEL Group and works to reduce risks by promoting the necessary measures.

In addition, the Global Audit Center, as an internal audit organization, oversees the internal auditing activities of the entire group's domestic and overseas bases, as well as their compliance and systems. When necessary, the Global Audit Center also provides guidance to operating divisions.