Corporate Governance

The Tokyo Electron 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

In order to maximize corporate value and enhance shareholder satisfaction, the Tokyo Electron Group is endeavoring to establish and operate optimal and highly effective structures of governance based on its three basic principles: **1) Ensure the transparency and soundness of business operations; 2) Facilitate quick decision-making and the efficient execution of business operations; and 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 furthermore has established its own Nomination Committee[*1] and Compensation Committee[*2] to raise the transparency and objectivity of management. The company has also adopted the executive officer system to streamline the decision-making process. Moreover, Tokyo Electron has been disclosing the individual remuneration of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

[*1] Nomination Committee: This committee nominates candidates for directors and a candidate for CEO, which it submits at the Board meeting for approval.
[*2] 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 14 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.

● 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 Top Management Conference 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.

● Internal control and risk management systems

To more effectively strengthen the internal control and risk management systems of the Tokyo Electron Group, we are implementing practical measures in line with the Fundamental Policies Concerning Internal Controls within the Tokyo Electron Group. We have also established the Risk Management & Internal Control Department, which evaluates and analyzes risks that could affect the Group. Important risks are mitigated, and the status of risk management activities is reported regularly to the Board of Directors.

● Risk management initiatives

❶ Information security

Tokyo Electron has a framework in place to prevent any IT system-related incidents from occurring under the TEL Group Information Security Policy. We have also established the Regulation for Management of Technical and Business Information common to the Group in order to ensure management of confidential information and the safe and effective utilization of information assets.

❷ Export trade control

We are working to reinforce our export compliance system by setting up an organization responsible for export trade control throughout the Group and by defining Security Trade Regulations. We also regularly organize meetings to explain export control and provide web-based training for Group employees.

❸ Business continuity management (BCM)

In order to fulfill our social responsibility by ensuring business continuity at the time of an emergency, such as an earthquake or other major disaster or during an outbreak of an infectious disease, we have formulated a Business Continuity Plan (BCP) and review it as necessary. In May 2012, we executed a BCP drill based on scenarios concerning a major earthquake hitting Tokyo.

● Audits by the internal audit department

The Global Audit Center, which is the internal audit department of the Group, is responsible for auditing the business activities of the Group's domestic and overseas bases, 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.

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