

# Corporate Governance/Internal Control

## ■ Corporate Governance

### Our approach to corporate governance

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.

### ● The corporate governance framework

Tokyo Electron uses the audit & supervisory board system based on the Companies Act of Japan, and furthermore has established its own Nomination Committee\*1 and Compensation Committee\*2 to increase the transparency and objectivity of management. The company has also adopted the executive officer system to facilitate quick decision-making. Moreover, Tokyo Electron has been disclosing the individual remuneration of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

### ● The Board of Directors

The Board of Directors consists of 11 directors, 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.

### ● The Audit & Supervisory Board

Tokyo Electron has five audit & supervisory board members, three of whom are outside audit & supervisory board members. The audit & supervisory board members 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, and audit the performance of duties by directors.

## ■ Internal control/risk management system

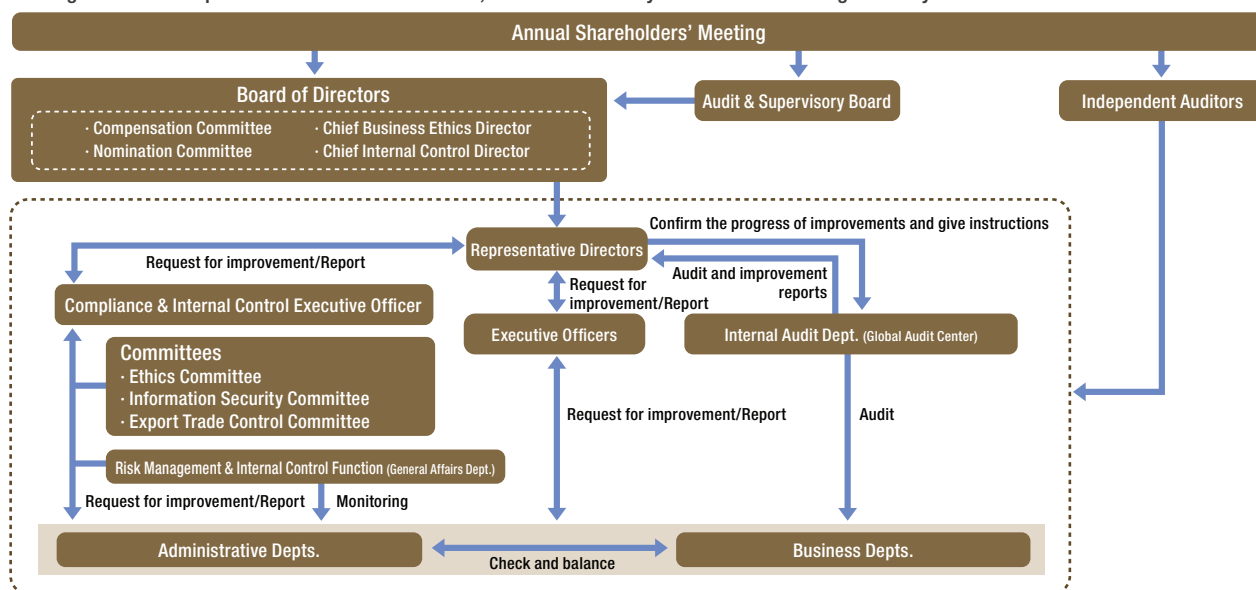
### Our approach to internal control/risk management

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

### ● Risk management system

Tokyo Electron has established a dedicated risk management and internal control function within the General Affairs Department, which evaluates and analyzes risks that could affect the TEL Group, and works to reduce these risks by promoting the

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



Tokyo Electron Group Corporate Governance: <http://www.tel.com/ir/policy/cg/index.htm>

#### Glossary

\*1 **Nomination Committee:** This committee nominates candidates for directors and a candidate for CEO, which it submits at the meeting of the Board of Directors for approval.

\*2 **Compensation Committee:** This committee develops proposals on the executive compensation program and the compensation to be paid to representative directors, which it submits at the meeting of the Board of Directors for approval.

necessary measures. The status of risk management activities is reported regularly to the Board of Directors.

### ● Information security

Under the TEL Group Information Security Policy and the Regulation for Management of Technical and Business Information, Tokyo Electron has put in place a framework for preventing information leaks and ensures the safe and effective utilization of information assets. In fiscal 2013, based on the results of past assessments, we made an inventory of electronically stored information to enhance the management of confidential data. We will continue this initiative.

### ● Business continuity management

Following an overall review of our Business Continuity Plan (BCP), Tokyo Electron's Head Office redeveloped its BCP in fiscal 2013 to respond to large-scale earthquakes. In fiscal 2014, the BCP will be reviewed at the level of plant and office.

Meanwhile, the TEL Group carries out an annual BCP drill involving an earthquake scenario.

### ● Internal audit department

The Global Audit Center, which is the internal audit department of the TEL 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. As necessary, the Global Audit Center also provides guidance to operating divisions.

## ■ Compliance

### Our approach to compliance

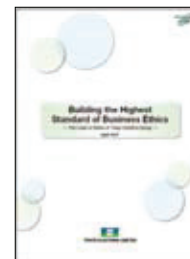
Stakeholder trust is the cornerstone of business activities. In order to maintain trust, it is necessary to continuously act in rigorous conformity to business ethics and compliance. In line with the Fundamental Policies concerning Internal Controls within the TEL Group, all Group executives and employees are required to maintain high standards of ethics and to act with a clear awareness of compliance.

### ● Code of Ethics, Chief Business Ethics Director and Ethics Committee

In 1998, Tokyo Electron formulated The Code of Ethics of the Tokyo Electron Group to establish uniform standards to govern all of its global business activities. In the same year, the company appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the TEL Group. The Ethics Committee comprises the Chief Business Ethics Director, the Ethics Committee Chairman, and presidents of major Group companies in and outside Japan. The members


meet semiannually, report on ethics-related issues faced by each company, and discuss measures to further improve ethical behavior and compliance.

The Code and its Q&A section are published in Japanese, English, Korean and Chinese, and the company distributes it to all Group executives and employees, including those overseas. Moreover, the Code is appropriately reviewed and revised in response to changes in environmental and social demands.



The Code of Ethics booklet

### The Code of Ethics of the Tokyo Electron Group:

 [http://www.tel.com/environment/corp\\_governance/compliance/ethical.htm](http://www.tel.com/environment/corp_governance/compliance/ethical.htm)

### ● Compliance system

Tokyo Electron has appointed a Compliance & Internal Control Executive Officer from among the executive officers to raise awareness of compliance across the TEL Group and further improve its implementation.

### ● Initiatives on compliance

Tokyo Electron has drawn up the Compliance Regulations setting out basic compliance-related requirements in line with the Code. The Compliance Regulations are intended to ensure that all individuals who take part in the business activities for the TEL Group clearly understand the pertinent laws, international standards and internal company rules, and consistently apply these rules in all of their activities.

### ● Internal reporting system

In the event that an employee becomes aware of any activity which may violate a law, regulation or principles of business ethics, the TEL Group operates an internal reporting system that employees may use to report their concerns. The entire Group has established an ethics hotline and a compliance hotline, and this reporting system is also in place at each overseas base. In all cases, this system ensures that strict confidentiality is maintained to protect the whistleblowers and ensure that they are not subject to any disadvantage or repercussions.

### ● Compliance education

Through the TEL Group's e-learning system, we provide a common training program covering the basics of compliance, internal control, export-related compliance, information security and other topics, which all executives and employees are required to complete, as well as a training program on insider trading and other subjects aimed at different levels of personnel. We also make information on compliance issues available to employees on a dedicated site on our Intranet and take other steps to promote broad awareness of compliance throughout the Group.