

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 13 directors, two of whom are external directors. During fiscal 2009, the board of directors met on 11 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 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.

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 conduct operations audits and accounting audits, and evaluate risk management, in addition to auditing the performance of duties by directors. During fiscal 2009, the board of statutory auditors met six 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.

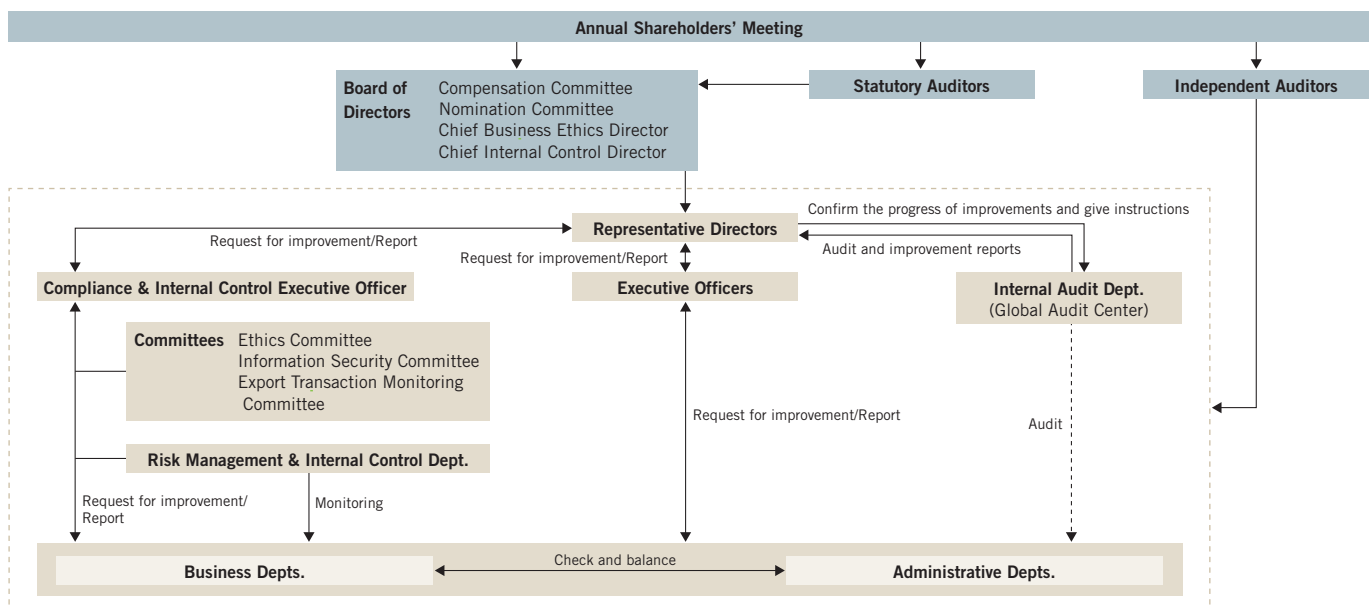
Internal Control and Risk Management System

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 practical measures in line with the basic policy for internal control systems established in May 2006, which was partially revised in April 2008. It is also developing a system of internal control over financial reporting based on the Financial Instruments and Exchange Law.

Chief Internal Control Director

Tokyo Electron considers the improvement of internal control systems and the management structure to be of great importance. In June 2008, the Company appointed a Chief Internal Control Director

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



who is working to strengthen internal control based on the basic policies for internal control decided by the Board of Directors.

Compliance & Internal Control Executive Officer and Section for Risk Management

To structure its internal control and risk management systems more effectively and improve them further, Tokyo Electron appointed a Compliance & Internal Control Executive Officer in April 2009, at the same time establishing the Risk Management & Internal Control Department.

The Risk Management & Internal Control Department evaluates and analyzes the various risks which could affect the Group, and manages major risks from a Group-wide perspective.

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 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.

Coordination Between Statutory Auditors and Internal Audit Department

The statutory auditors coordinate with the department responsible for internal auditing activities primarily by attending the Global Audit Center's report meetings, which are held 22 times per year.

Coordination Between Statutory Auditors and Independent Auditors

The statutory auditors receive audit plans for the fiscal year from the independent auditors, as well as explanations regarding auditing methods and particular areas of focus, among other matters. The independent auditors audit the year-end financial statements and review the quarterly financial statements, and report the results of their audits to the statutory auditors.

The Company provides KPMG AZSA & Co., its independent auditor, with all necessary information and data to ensure that it can conduct its audits during the fiscal year promptly and correctly.

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, Chief Business Ethics Director and Ethics Committee

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 appointed a Chief Business Ethics Director and established the Ethics Committee, which is responsible for promoting business ethics awareness throughout the Company.

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 distributes to all Group employees, including those overseas.

Compliance & Internal Control Executive Officer

In April 2009, Tokyo Electron appointed a Compliance & Internal Control Executive Officer to raise awareness of compliance across the Group, and further improve its implementation.

Compliance Regulations

Tokyo Electron has drawn up compliance regulations setting out basic compliance-related requirements in line with its code of ethics.

The 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 throughout the Company.

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.

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.

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 believes 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 Tokyo Stock Exchange's listing regulations pertaining to marketable securities.

Furthermore, even when the information is not subject to the listing regulations pertaining to marketable securities, 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 marketable securities listing regulations (material information), Tokyo Electron will release 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, 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.