

# Management Report

## Corporate Governance

The TEL Group is strengthening its corporate governance as well as improving and reinforcing internal control systems and risk management structures 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.

#### 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

### Corporate Governance Framework

Tokyo Electron uses the statutory auditor system based on the Company Law, and has also established its own Nomination Committee<sup>1</sup> and Compensation Committee<sup>2</sup> inside the Board of Directors in order to increase the transparency and objectivity of management. Tokyo Electron has also adopted the executive officer system to separate the business execution function from the Board of Directors. In addition, the Company 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: nominates candidates for directorships and CEO and submits these nominations to the Board of Directors

<sup>2</sup> Compensation Committee: prepares a draft remuneration plan for the Chairman and the President and CEO and submits the draft to the Board of Directors

### Board of Directors

The Board of Directors consists of 12 members, two of whom are external directors. 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. During fiscal 2010, the Board of Directors met on 12 Occasions.

### 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, 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 2010, the board of statutory auditors met seven 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 basic policy for internal control systems in the Tokyo Electron Group decided by the Board of Directors. Tokyo Electron has also appointed a Chief Internal Control Director and a Compliance & Internal Control Executive Officer. Under them the Company 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 was established as an internal audit organization that 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.

