

Corporate Governance

Against a backdrop of ongoing business globalization, Tokyo Electron Group maintains a management philosophy that puts emphasis on improving corporate value for all its stakeholders. To this end, the Company considers it important to strengthen corporate governance. The TEL Group is building a highly effective, optimized corporate governance structure, and upgrading and strengthening its internal control system and risk management system

Corporate governance

Tokyo Electron 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 remunerations of representative directors since 1999 in recognition of the importance of managerial transparency for shareholders.

The executive compensation program for corporate directors and audit & supervisory board members was adopted with the intention of tying compensation more closely to financial results and shareholder value, raising corporate competitiveness, and enhancing management transparency. The compensation for

corporate directors consists of a monthly fixed remuneration and a performance linked compensation, and the compensation for audit & supervisory board members consists only of a monthly fixed remuneration, to maintain independence from management. Retirement allowance systems, which constituted a significant part of fixed compensation for corporate directors and audit & supervisory board members with a strong monthly fixed remuneration, have been abolished since the 43rd Annual Shareholders' Meeting (Fiscal Year of 2006, March).

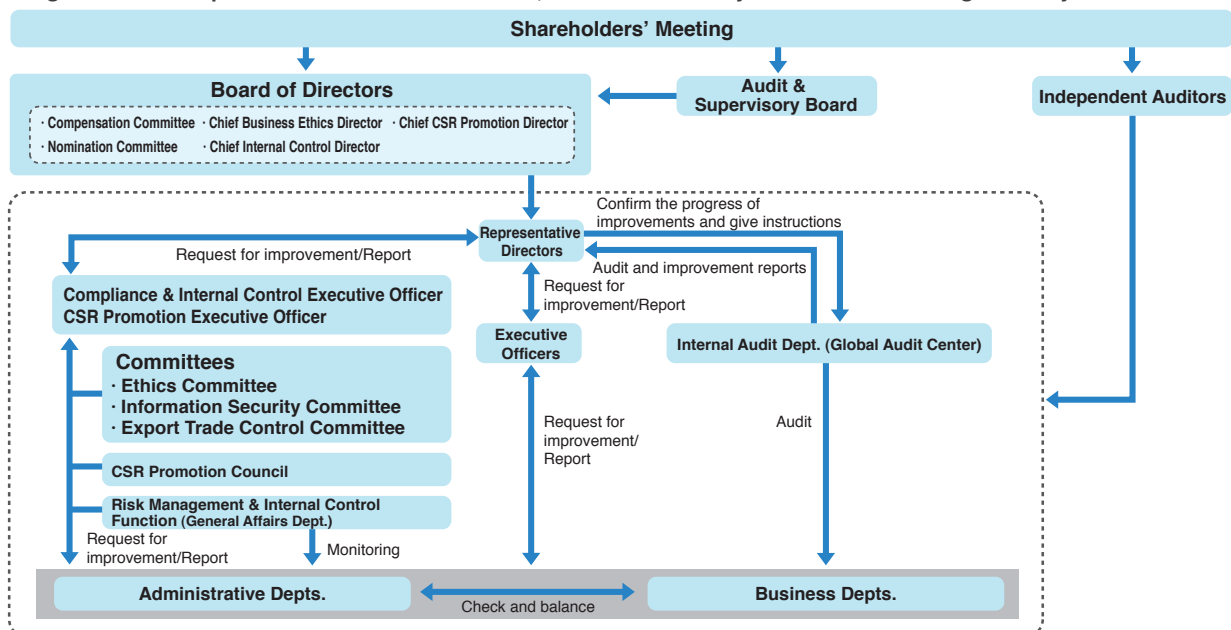
The Board of Directors

The Board of Directors consists of nine directors, two of whom are outside directors. Directors serve one year terms in order to ensure that Tokyo Electron can respond quickly to changing business conditions, and to more clearly define management accountability.

The Audit & Supervisory Board

Tokyo Electron has four 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, evaluate risk management, and audit the performance of duties by directors.

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



| 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.



Approach to CSR

The Tokyo Electron Group believes that achieving sound and continuous growth as a business enterprise is our primary responsibility for contributing to social development through the provision of leading-edge products, technologies, and services. To achieve this, not only must we provide high-quality products and services, but we must be a company that is esteemed from the perspectives of good-faith and fair corporate activities, pursuit of safety and environmental preservation, respect for human rights and ethics, crisis management, corporate governance, and compliance. The Tokyo Electron Group will continue to carry out initiatives based on its CSR Policy and in response to the opinions of our many stakeholders.

Main initiatives for fiscal 2014

In 2013, we established a specialized CSR department and appointed a CSR Promotion Director to the company in order to create a structure of governance that directly connects CSR to management. Briefings were held in Japan as well as key locations in Asia and the West to promote CSR and establish a company-wide CSR foundation. At the newly established CSR promotion meeting consisting of the seven CSR promotion departments and related directors, we identified CSR objectives for individual departments, established benchmarks to measure progress, and then began targeted measures to achieve our goals.

In January 2014, a visiting lecturer gave a seminar on the EICC® Code of Conduct published by EICC®, a CSR promotional organization for the electronics industry. About 130 people affiliated with CSR promotion attended the lecture via video conferencing with the head office and locations in Japan and overseas.

CSR Promotion Framework



EICC® internal seminar

TEL Group CSR Policy

1. Corporate Activities

The Tokyo Electron Group will provide safe and high-quality products and services to customers around the world and contribute to the realization of an enriched society.

2. Business Ethics

The Tokyo Electron Group acts in compliance with the laws and regulations of each country, international regulations, and in accordance with strict business ethics. We do not engage in any conduct that impedes fair and open market competition.

3. Respect for Individuals

The Tokyo Electron Group respects the character and individuality of each person. We recognize the diversity of employees, share a sense of mission, and promote the development of workplaces with vitality.

4. Environment

The Tokyo Electron Group seeks to achieve harmony with the global environment. We strive to reduce our own impact on the environment and contribute to reducing the environmental impact of customers by developing and providing eco-friendly products.

5. Communication with Stakeholders

The Tokyo Electron Group discloses information relating to the Group in a fair, impartial, and timely manner, strives to engage in two-way communications, and works to meet the expectations of stakeholders appropriately.

6. Social Contribution

The Tokyo Electron Group engages in social contribution activities worldwide as a good corporate citizen to contribute to the development of local communities and society.

† Glossary | * EICC®: Electronic Industry Citizenship Coalition®, an organization that sets forth a code of conduct for labor, safety and the environment for supply chains within the electronics industry.
 "EICC" and "Electronic Industry Citizenship Coalition" are registered trademarks of Electronic Industry Citizenship Coalition Incorporated.

Internal control/risk management

In order to enhance the TEL Group's corporate value, and also accept responsibility for our behavior towards all stakeholders, we are making efforts to strengthen viable internal control. We are implementing practical measures in line with the Fundamental Policies concerning Internal Controls within the Tokyo Electron Group set down by the Company's Board of Directors. In addition, we are conducting actions for internal control over financial reporting based on the Financial Instruments and Exchange Law.

Risk management system

To more effectively strengthen the internal control and risk management systems of the entire TEL Group, under a Compliance & Internal Control Executive Officer, we have established a dedicated risk management and internal control function within the General Affairs Department. This function evaluates and analyzes risks that could affect the TEL Group, and works to reduce these major risks by promoting the necessary measures. The status of risk management activities is reported regularly to the Board of Directors.

In addition, the Information Security Committee and Export Trade Control Committee were established, in order to better enhance confidential information management and the export-related compliance system.

Internal audit department

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

Business continuity management

The TEL Group made an overall review of its Business Continuity Plan (BCP) from fiscal 2013. Tokyo Electron's Head Office redeveloped its BCP in fiscal 2013 to respond to large-scale earthquakes. From fiscal 2014, the BCP is being built at the plant and office-level by reviewing measures for a fast recovery in a time of disaster, and alternate production.

In addition, the TEL Group carries out an annual BCP drill involving an earthquake scenario. Emergency supplies such as food and drinkable water, and first-aid outfits for times of disaster, are made available at all times, and thorough measures involving a disaster scenario are carried out for the key systems across the entire Group.



A BCP drill

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 to ensure appropriate management and safe and effective utilization of information assets.

In order to strengthen management of technical and business information across the Group, suitable operation rules are reviewed, and we regularly hold web-based education for all executives and employees of Group companies in Japan. These measures will be spread in the same way to overseas Group companies. Contracts related to information security will also be suitably reviewed, and with the goal of becoming familiarized with the contracts and comply thoroughly, we obtain consent for contract compliance – every year from all executives and employees of TEL Group companies including overseas.

In addition, a report system is established for accidents that lead to information leaks and problems (incidents) with that risk. Contents of the reports include prompt responses to each problem, and through analysis they are reflected in company-wide efforts and measures. In addition to these, information security related efforts such as information system security measures and operational management self-assessment within the TEL Group are being carried out.

Business ethics and 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.

Business ethics

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.

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. Also, 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.

Compliance education

Through the TEL Group's e-learning system, we provide a common web based training program covering the basics of compliance, internal control, export-related compliance, and other topics, which all executives and employees are required to complete, as well as a web based training program on insider trading and other subjects suited to one's position and job role.

In fiscal 2014, with the goal of greater understanding for new compliance problems (such as the use of social media, and anti-corruption), web-based, test-format education on business ethics and compliance was carried out for all Group executives and employees in Japan. It was also spread to overseas Group companies. All employees involved with Group companies in Japan completed the lessons, and of the overseas Group company employees, more than 80% are finished (as of May 2014). These efforts will be continued in fiscal 2015.

Internal reporting system

In the event that an employee becomes aware of any activity which may violate a law, regulation or principle 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.

