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May 27, 2019

NOTICE OF FISCAL YEAR 2019 (the 56th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 56th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Ltd. ("TEL") will be held on Tuesday, June 18, 2019, at 10:00 a.m. Japan standard time, at PALACE HOTEL TOKYO, located at 1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo. Shareholders will also be asked to vote upon the following Agenda:

- 1: Election of Eleven Corporate Directors**
- 2: Election of Two Audit & Supervisory Board Members**
- 3: Payment of Bonuses to Corporate Directors for the 56th Fiscal Year**
- 4: Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors**
- 5: Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries**
- 6: Revision of Amount of Compensation to Outside Directors**

As part of our ongoing effort to improve the quality of communications with our foreign investors and to increase the participation of those investors and to exercise your voting rights at the AGM, **Tokyo Electron Ltd.** has appointed IR Japan, Inc. as our Global Information Agent in connection with the shareholder meeting. We realize that many shareholders do not vote at Japanese Shareholders Meeting due to the volume of meetings and timing concerns. Therefore, we attach special importance to your vote, and hope that you will continue to distinguish yourselves from many institutions, who, unfortunately, do not participate.

Should you have any questions, please contact IR Japan, Inc.'s New York Branch at (1) -212-404-2390 or Tokyo Head Quarters at (81) -3-3519-6721, or e-mail to sec@irjapan.net. The English language proxy material is available on Tokyo Electron's website at "<https://www.tel.com/>", for your reference and convenience.

IT IS IMPORTANT THAT YOU PARTICIPATE AT THE 2019 AGM, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IF YOU ARE UNABLE TO ATTEND THE AGM, PLEASE CONTACT YOUR BROKER OR CUSTODIAN WITH YOUR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.

**NOTE: A shareholder is entitled to vote per unit of shares, with each unit consisting of one hundred (100) shares.*

Sincerely,

Toshiki Kawai
Representative Director, President & CEO
Tokyo Electron Ltd.

This is a summary translation of a notice in Japanese language distributed to Japanese shareholders and provided for the convenience of foreign shareholders. The Japanese version is the official, legal document. Please vote by using the form or Internet websites etc. by 5:30 p.m. on Monday, June 17, 2019 (Japan standard time).

Information Relating to Annual General Meeting of Shareholders

Proposal and information

Items to be reported:

1. Report on the business report, the consolidated financial statements for FY2019 (the 56th FY; from April 1, 2018 to March 31, 2019), and the reports of Accounting Auditors and the Audit & Supervisory Board on the results of audits for consolidated financial statements.
2. Report on the financial statements for FY2019 (the 56th FY; from April 1, 2018 to March 31, 2019).

Proposal 1: Election of Eleven Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 12 Corporate Directors will expire. We believe that the appropriate size of the Board of Directors shall enable high quality, active debate as well as maintain the level of diversity expected from both inside Directors and independent outside Directors. As the optimal composition in line with the current business environment considering the balance of knowledge, experience and skills, we ask you to agree to elect 11 Corporate Directors.

The candidates for Corporate Directors are as follows.

No.	Name	Present position in the Company and responsibilities*
1	<Re-nominated> Mr. Tetsuo Tsuneishi	Representative Director Chairman of the Board
2	<Re-nominated> Mr. Toshiki Kawai	Representative Director President & CEO
3	<Re-nominated> Mr. Sadao Sasaki	Corporate Director Executive Vice President & General Manager
4	<Re-nominated> Mr. Tatsuya Nagakubo	Corporate Director Internal Control, Business Ethics, CSR, Senior Vice President & General Manager
5	<Re-nominated> Mr. Kiyoshi Sunohara	Corporate Director Senior Vice President & General Manager
6	<Newly nominated> Mr. Yoshikazu Nunokawa	Audit & Supervisory Board Member
7	<Newly nominated> Mr. Seisu Ikeda	Senior Vice President & General Manager
8	<Newly nominated> Mr. Yoshinobu Mitano	Senior Vice President & General Manager

No.	Name			Present position in the Company and responsibilities*
9	<Re-nominated>	Mr. Charles Ditmars Lake II	[Outside Director] [Independent Director]	Outside Director
10	<Re-nominated>	Mr. Michio Sasaki	[Outside Director] [Independent Director]	Outside Director
11	<Newly nominated>	Ms. Makiko Eda	[Outside Director] [Independent Director]	

* Present position in the Company and responsibilities are at time of the sending of this notice.

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
1	Mr. Tetsuo Tsuneishi (November 24, 1952) <Re-nominated>	<u>April 1976</u> Joined Tokyo Electron Ltd. <u>June 1992</u> Corporate Director, Tokyo Electron Ltd. <u>June 1996</u> Senior Managing Director, Tokyo Electron Ltd. <u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Ltd. <u>June 2015</u> Chairman of the Board, Tokyo Electron Ltd. (Present position) (Position in the Company) Representative Director, Chairman of the Board (Significant concurrent posts) Corporate Director, Tokyo Electron Device Ltd.	14,158
[Reason for selection as Corporate Director nominee] Other than his involvement in the semiconductor manufacturing equipment business of the Company, Mr. Tsuneishi has been involved in management in a wide range of fields from IR, legal and business strategies, and is equipped with ample experience and a proven track record. We believe that with these many years of experiences he can contribute to decision making that leads to improving shareholder value, and therefore nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
2	Mr. Toshiki Kawai (August 26, 1963) <Re-nominated>	<u>April 1986</u> Joined Tokyo Electron Ltd. <u>October 2010</u> Vice President & General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Ltd. Vice President & General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Ltd. <u>April 2012</u> Vice President & General Manager, Surface Preparation Systems Business Unit, Tokyo Electron Ltd. <u>June 2015</u> Senior Executive Vice President & COO, Tokyo Electron Ltd. <u>January 2016</u> President & CEO, Tokyo Electron Ltd. (Present position) (Position in the Company) Representative Director, President & CEO	4,100
[Reason for selection as Corporate Director nominee] Having conducted global sales of semiconductor manufacturing equipment and performing management duties in multiple business units in this business, Mr. Kawai possesses ample experiences and record of achievement. In addition, he has demonstrated strong leadership as CEO in executing management duties. With the expectation of leveraging these experiences and achievement in decision making concerning the Group management policies toward improving shareholder value, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
3	Mr. Sadao Sasaki (September 15, 1960) <Re-nominated>	<u>April 1985</u> Joined Tokyo Electron Ltd. <u>October 2008</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>April 2011</u> President, Tokyo Electron Tohoku Ltd. (currently Tokyo Electron Technology Solutions Ltd.) (Present position) <u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) Senior Vice President & General Manager, Tokyo Electron Ltd. <u>June 2016</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Executive Vice President & General Manager (Significant concurrent posts) President & Representative Director, Tokyo Electron Technology Solutions Ltd.	3,000
[Reason for selection as Corporate Director nominee] Mr. Sasaki has performed marketing duties for semiconductor manufacturing equipment as well as management duties in technological development and device development among other areas in the Company and a Group manufacturing company, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
4	Mr. Tatsuya Nagakubo (October 7, 1963) <Re-nominated>	<u>April 1986</u> Joined Tokyo Electron Ltd. <u>July 2011</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) <u>June 2017</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Internal Control, Business Ethics, CSR, Senior Vice President & General Manager	4,129
[Reason for selection as Corporate Director nominee] Mr. Nagakubo has performed duties in the Company's Administrative Division and through overseas postings, has promoted the global expansion of the Company, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
5	Mr. Kiyoshi Sunohara (September 8, 1958) <Re-nominated>	<u>April 1981</u> Joined Tokyo Electron Ltd. <u>April 1998</u> General Manager, Diffusion and Chemical Vapor Deposition Business Unit, Tokyo Electron Ltd. <u>July 2000</u> General Manager, Business Development & Account Management, North America & Europe, Tokyo Electron Ltd. <u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2007</u> General Manager, Marketing Division, Tokyo Electron Ltd. <u>April 2009</u> General Manager, Post Sales Business Unit, Tokyo Electron Ltd. <u>July 2016</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) <u>June 2017</u> Corporate Director, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Senior Vice President & General Manager	13,196
[Reason for selection as Corporate Director nominee] Mr. Sunohara has promoted global sales of semiconductor manufacturing equipment and contributed to expanding the field services business under his helm, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
6	Mr. Yoshikazu Nunokawa (June 22, 1959) <Newly nominated>	<u>April 1982</u> Joined Tokyo Electron Ltd. <u>October 1997</u> Director, Finance Department, Tokyo Electron Ltd. <u>April 2003</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>November 2005</u> Vice President & General Manager, Tokyo Electron Ltd. <u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron AT Ltd. <u>April 2011</u> Senior Vice President & General Manager, Tokyo Electron Miyagi Ltd. <u>June 2017</u> Audit & Supervisory Board Member, Tokyo Electron Ltd. (Resigning at the conclusion of this AGM) (Position in the Company) Audit & Supervisory Board Member	6,209
[Reason for selection as Corporate Director nominee] Mr. Nunokawa has been involved in a wide range of fields in TEL including sales, finance, and human resources, and is equipped with ample experience of serving as a Vice President & General Manager supervising the Administrative Division of TEL Group companies. He also has served as an Audit & Supervisory Board Member of the Company from June 2017, endeavoring to ensure sound and appropriate decision making on the Company's management. As his participation in the management as executive personnel shall contribute to bolstering the decision making function of the board of directors, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
8	Mr. Yoshinobu Mitano (July 4, 1961) <Newly nominated>	<u>April 1985</u> Joined Tokyo Electron Ltd. <u>April 2003</u> Vice President, Etching Systems Department, Tokyo Electron Ltd. <u>October 2010</u> General Manager, 3DI Division, Tokyo Electron Ltd. <u>July 2012</u> Vice President & General Manager, Tokyo Electron Ltd. <u>February 2013</u> Deputy General Manager, Etching Systems Business Unit, Tokyo Electron Ltd. <u>June 2015</u> General Manager, Etching Systems Business Unit, Tokyo Electron Ltd. <u>June 2017</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) <u>July 2018</u> General Manager, Semiconductor Production Equipment Business Division, Tokyo Electron Ltd. (Present position) (Position in the Company) Senior Vice President & General Manager	2,500
[Reason for selection as Corporate Director nominee] Mr. Mitano has been involved in sales, marketing, and management duties in the principle business unit under the semiconductor production equipment business of the Company, making large contribution to the division's growth so far, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we newly nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
9	<p>Mr. Charles Ditmars Lake II (January 8, 1962)</p> <p><Re-nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>August 1992</u> Director for Japan Affairs, Office of the U.S. Trade Representative (USTR)</p> <p><u>July 1993</u> Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, Office of the U.S. Trade Representative</p> <p><u>January 1995</u> Attorney-at-Law, Dewey Ballantine LLP</p> <p><u>June 1999</u> Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus</p> <p><u>July 2001</u> Deputy President, Japan Branch, American Family Life Assurance Company of Columbus</p> <p><u>January 2003</u> President and Representative in Japan, American Family Life Assurance Company of Columbus</p> <p><u>April 2005</u> Vice Chairman and Representative in Japan, American Family Life Assurance Company of Columbus</p> <p><u>July 2008</u> Chairman and Representative in Japan, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)</p> <p><u>January 2014</u> President, Aflac International, Incorporated (Present position)</p> <p><u>June 2016</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>April 2018</u> Chairman and Representative Director, Aflac Life Insurance Japan Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Chairman and Representative Director, Aflac Life Insurance Japan Ltd. President, Aflac International, Incorporated Outside Director, Japan Post Holdings Co., Ltd.</p>	0
<p>[Reason for selection as Outside Director nominee] Serving as Chairman and Representative Director of Aflac Life Insurance Japan Ltd., and also as president of Aflac International, Incorporated, Mr. Charles Ditmars Lake II has a wealth of experience and knowledge as a bridge of both corporate managements in Japan and U.S. We nominate him as an outside director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the viewpoint of ensuring objectively the effectiveness of decision making at the board of directors by utilizing his experience and knowledge. Note that he has served for 3 years as an outside director of the Company as of the end of this General Meeting.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
10	Mr. Michio Sasaki (March 7, 1957) <Re-nominated> [Outside Director] [Independent Director]	<u>March 1982</u> Joined Lead Electric Co., Ltd. (currently KEYENCE CORPORATION) <u>June 1999</u> Director and General Manager, APSULT (Application Sensor) Business Department and Business Promotion Department, KEYENCE CORPORATION <u>December 2000</u> President and Director, KEYENCE CORPORATION <u>December 2010</u> Director and Special Advisor, KEYENCE CORPORATION <u>May 2017</u> Director, iROHA INC. Outside Director, ZUIKO CO., LTD. (Present position) <u>June 2018</u> Corporate Director, Tokyo Electron Ltd. (Present position) <u>November 2018</u> Outside Director, SHIFT, Inc. (Present position) (Position in the Company) Corporate Director (Significant concurrent posts) Outside Director, ZUIKO CO., LTD. Outside Director, SHIFT, Inc.	0
[Reason for selection as Outside Director nominee] Having served as President and Representative Director KEYENCE CORPORATION, Mr. Sasaki achieved substantial improvements of corporate value and high profitability, engaged in the global management of the company for many years, and possesses ample experience and insight as a corporate manager. To receive advice and opinions on overall management of the Company from the perspective of ensuring objectivity and validity of decisions made by the Company's board of directors by utilizing his experience and knowhow, we nominate him as an outside director. Note that he has served for 1 year as an outside director of the Company as of the end of this General Meeting.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
11	<p>Ms. Makiko Eda (August 2, 1965)</p> <p><Newly nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>September 2000</u> Joined Intel Japan, K.K.</p> <p><u>July 2005</u> General Manager, Marketing Headquarters, Intel Japan, K.K.</p> <p><u>August 2010</u> Director, Intel Semiconductor Limited</p> <p><u>October 2013</u> President and Representative Director, Intel Japan, K.K. and Vice President, Intel Corporation (Retired in March 2018)</p> <p><u>April 2018</u> Chief Representative Officer, World Economic Forum Japan (Present position)</p> <p>(Significant concurrent posts) Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation</p>	0
<p>[Reason for selection as Outside Director nominee] Having been involved in marketing in the Asia-Pacific region for Intel Corporation, a major U.S. semiconductor manufacturer, Ms. Eda possesses deep insight into the future and needs regarding the semiconductors business. She also served as a President and Representative Director at the Japanese subsidiary of Intel Corporation and has ample experience and extensive insight as a corporate manager. In addition, she serves as Chief Representative Officer of the World Economic Forum Japan, continuing to exchange multifaceted and wide-ranging opinion on global issues with leaders from various fields. To receive advice and opinions on overall management of the Company from the perspective of ensuring objectivity and validity of decisions made by the Company's board of directors by utilizing her experience in the semiconductor industry as well as knowledge based on global and multifaceted perspective, we newly nominate her as an outside director.</p>			

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3-1 Akasaka 5-chome, Minato-ku
Tokyo 107-6325, Japan
Tel:+81-3-5561-7000

(Notes)

1. The candidates have no special interests in the Company.

2. The candidates for outside Directors are described below.

(1) Charles Ditmars Lake II, Michio Sasaki and Makiko Eda are candidates for outside Directors.

(2) As Charles Ditmars Lake II and Michio Sasaki meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 20 to 21) established based on the requirements for Independent Standards set forth by Tokyo Stock Exchange Inc., TEL has notified the Tokyo Stock Exchange Inc. that they have been appointed as independent Directors.

Makiko Eda has worked for Intel Corporation, a major business partner of the Company (specified associated company). However, she retired from Intel Corporation in March 2018. Therefore, she meets the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" of the Company, and the Company determined that there would be no conflict of interest with general shareholders, as an outside Director of the Company. Based on the above, TEL intends to notify the Tokyo Stock Exchange Inc. that she has been appointed as independent Director.

(3) At the 52nd Annual General Meeting of Shareholders held on June 19, 2015, the Company revised its Articles of Incorporation so that TEL can conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Directors who do not execute business and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded such contract with Charles Ditmars Lake II and Michio Sasaki, and will continue the contract if their reappointment is approved. For Makiko Eda, the Company will conclude the contract if her appointment is approved and assumes her office as outside Director. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the outside Directors perform their duties in good faith without gross negligence.

World Headquarters
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Proposal 2: Election of Two Audit & Supervisory Board Members

At the conclusion of the Annual General Meeting of Shareholders, the term of office for Audit & Supervisory Board Member Yoshiteru Harada will expire, and Yoshikazu Nunokawa will resign. Therefore, we ask you to agree to elect two Audit & Supervisory Board Members.

The candidates for Audit & Supervisory Board Members are as follows.

No.	Name	Present position in the Company*
1	<Re-nominated> Mr. Yoshiteru Harada	Audit & Supervisory Board Member
2	<Newly nominated> Mr. Kazushi Tahara	Corporate Consultant

(Reference) Audit & Supervisory Board Members who remain in office

Name	Present position in the Company*
Mr. Takatoshi Yamamoto [Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	Audit & Supervisory Board Member
Mr. Ryuji Sakai [Outside Audit & Supervisory Board Member]	Audit & Supervisory Board Member
Mr. Kyosuke Wagai [Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	Audit & Supervisory Board Member

* Present position in the Company are at time of the sending of this notice.

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
1	Mr. Yoshiteru Harada (April 12, 1958) <Re-nominated>	<u>April 1983</u> Joined Tokyo Electron Ltd. <u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd. <u>April 2005</u> Vice President & General Manager, Administration, Tokyo Electron Ltd. <u>April 2009</u> Senior Vice President & General Manager, Tokyo Electron Kyushu Ltd. <u>July 2010</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2011</u> Corporate Director, Tokyo Electron Ltd. <u>June 2015</u> Audit & Supervisory Board Member, Tokyo Electron Ltd. (Present position) (Position in the Company) Audit & Supervisory Board Member	2,000
<p>[Reason for selection as Audit & Supervisory Board Member nominee] As a Vice President & General Manager, Mr. Harada led the Group's Administrative Division and has ample experience in operations and management and also has a considerable degree of knowledge in finance and accounting. Since assuming the position of Audit & Supervisory Board Member of TEL, he has served as the chairperson of the Audit & Supervisory Board and provided appropriate advice, contributing to improving the efficiency of audit of the Audit & Supervisory Board as a whole. We nominate him as an Audit & Supervisory Board Member, since we believe that he can continue to appropriately execute his duties as an Audit & Supervisory Board Member with these experiences and expertise.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
2	Mr. Kazushi Tahara (January 3, 1958) <Newly nominated>	<u>April 1984</u> Joined TEL-Varian Ltd. <u>April 2002</u> Vice President, Systems Development for Etching Department, Tokyo Electron AT Ltd. <u>April 2004</u> Vice President, Test System Software Engineering, Etching & Single Wafer Deposition Software Engineering, Tokyo Electron AT Ltd. Vice President, Etching & Single Wafer Deposition Software Engineering Department, Tokyo Electron AT Ltd. <u>July 2006</u> Vice President & General Manager, Tokyo Electron Software Technologies Ltd. <u>June 2007</u> President, Tokyo Electron Software Technologies Ltd. <u>April 2013</u> Vice President & General Manager, Tokyo Electron Ltd. Deputy General Manager, System Development Division, Tokyo Electron Ltd. <u>July 2013</u> General Manager, System Development Division, Tokyo Electron Ltd. <u>July 2018</u> Corporate Consultant, Tokyo Electron Ltd. (Retiring at the conclusion of this AGM) (Position in the Company) Corporate Consultant	1,830
[Reason for selection as Audit & Supervisory Board Member nominee] Having served in various managerial positions including Vice President & General Manager of the Technology Development Division and the Production Division, he has abundant experience and knowledge related to technology and management. Since we believe that he can conduct highly effective audit of the overall management and in the field of technology of the Group as an Audit & Supervisory Board Member, we newly nominate him as an Audit & Supervisory Board Member.			

(Notes)

1. The candidates have no special interests in the Company.
2. The Audit & Supervisory Board has consented to this proposal.
3. At the 52nd Annual General Meeting of Shareholders held on June 19, 2015, the Company revised its Articles of Incorporation so that TEL can conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Directors who do not execute business and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded such contract with Yoshiteru Harada, and will continue the contract if his reappointment is approved. For Kazushi Tahara, the Company will conclude the contract if his appointment is approved and assumes his office as Audit & Supervisory Board Member. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the Audit & Supervisory Board Members perform their duties in good faith without gross negligence.

[Reference] Policy for the Election of Corporate Directors and Audit & Supervisory Board Members

(1) Policy for the Election of Executive Directors

In selecting Executive Directors, candidates are expected to have outstanding business execution capabilities backed by experience, insight and a strong track record in management; a high sensitivity towards every type of risk; the capability for accurate analysis and judgment; and the candor to express whatever he or she believes to be right at meetings.

Furthermore, as the Board of Directors engages in constructive debate based on the Directors' diverse background and insight, Executive Directors are selected from Directors well-versed in each division of the Company, including sales/services, manufacturing plants, technology development and the administrative divisions to form a well-balanced Board to the extent possible.

(2) Policy for the Election of Independent Outside Directors and Outside Audit & Supervisory Board Members

Independent Outside Directors and Outside Audit & Supervisory Board Members, by expressing candid opinions from an independent perspective, prevent discussions from becoming one-sided and similar to those put forth by internal Directors and appropriately guide the discussion of the Board of Directors in a direction that will allow the Company to survive global competition.

In light of the above, Independent Outside Directors and Outside Audit & Supervisory Board Members make up a well-balanced composition of talent with knowledge of global business, extensive insight into related industries, diverse human networks, social perspective, objectivity based on capital markets perspective, etc., knowledge of finance and accounting, and knowledge of laws in general.

[Reference] Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members

The board of directors of Tokyo Electron Ltd. ("Tokyo Electron") has established the independence requirement for outside directors and outside audit & supervisory board members (as defined under item 15 and 16, Article 2, of the Companies Act) as follows.

The following persons shall not be considered independent if such person could cause a conflict of interest against the shareholders:

1. A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into 2. below;
 - ※ "A person for whom Tokyo Electron is a Major Business Partner" referred to in this paragraph means a person who, or a person who is a current employee or current executive officer of a company that, has received payments from Tokyo Electron or its subsidiaries for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 100 million yen, or more. If Tokyo Electron cannot reasonably know the amount of payments received in certain fiscal years, the amount in the fiscal year available to Tokyo Electron is used in determining whether a person falls under this 1. The same shall apply hereinafter.
 - ※ "A person who is a Major Business Partner of Tokyo Electron" means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron's consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
2. A person who is a consultant, an accountant, or a lawyer who receives, or who works on a full-time basis at a firm which receives, a Large Amount of Money or Other Property from Tokyo Electron or its subsidiaries, other than compensation for being a director or an audit & supervisory board member;
 - ※ "a Large Amount of Money or Other Property" means an amount of money or other property which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 10 million yen, or more. The same shall apply hereinafter.
3. A person who has recently fallen under either of 1. or 2. above; or
 - ※ "A person who has recently fallen under either of 1. or 2. above" means a person who could be substantially deemed to fall under either of 1. or 2. above. Concretely, it means a person who fell under 1. or 2. above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.
4. A person whose Immediate Family Member (except for those who do not hold an important position) falls under (a) through (d) below, provided that (c) below applies to an outside audit & supervisory board member only:
 - (a) a person who falls under any of (i) through (iii) below;
 - (i) A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into (ii) below;
 - ※ "A person for whom Tokyo Electron is a Major Business Partner" referred to in this paragraph means a person who has received payments from Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 100 million yen, or more.
 - ※ "A person who is a Major Business Partner of Tokyo Electron" means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron's consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
 - (ii) A person who is a consultant, an accountant, or a lawyer who receives a Large Amount of Money or Other Property from Tokyo Electron, other than compensation for being a director or an audit & supervisory board member;
 - (iii) A person who has recently fallen under either of (i) or (ii) above; or
 - ※ "A person who has recently fallen under either of (i) or (ii) above" means a person who

could be substantially deemed to fall under either of (i) or (ii) above. Concretely, it means a person who fell under (i) or (ii) above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.

- (b) an employee or an executive officer of subsidiary of Tokyo Electron;
 - (c) a non-executive director of subsidiary of Tokyo Electron; or
 - (d) a person who has recently fallen under (b) or (c) above or who was an employee or an executive officer, or in the case of an outside audit & supervisory board member, a non-executive officer, of Tokyo Electron.
- ※ Whether an Immediate Family Member holds an important position or not shall be determined according to (e) item 6, paragraph 4, Article 74, of the Ordinance for Enforcement of the Companies Act. For instance, with respect to 1. and 4. (a) (i) above, a director or an employee who is above head of department level of a business partner company, and with respect to 2. above, a certified public accountant who belongs to an auditing firm and a lawyer (including associate lawyer) who belongs to a law firm are considered to hold an important position.
- ※ “Immediate Family Member” means a relative within the second degree of relationship. If a person is no longer a relative within the second degree of relationship as a result of divorce, dissolution of adoption, or death, etc., such a person shall not be considered as “Immediate Family Member”.

<Regarding Proposals 3 to 6>

Proposals 3 to 6 concern executive compensation. Below is an overview of the relation between these proposals and the Tokyo Electron Group's executive compensation system.

Please see page 48 to 50 of this notice for details of the Company's executive compensation system.

TEL Group, aiming to strengthen corporate competitiveness at the global level and increase the transparency of management, adopted an executive compensation system closely linked to performance and shareholder value. The compensation of Corporate Directors comprises fixed basic compensation, annual performance-linked compensation and medium-term performance-linked compensation. For Audit & Supervisory Board Members, in order to maintain independence from management, compensation consists only of fixed basic compensation.

Composition of compensation and their relation to proposals

	Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation
	Cash	Cash bonuses	Stock option (Stock-based compensation)(Note 3)	Performance share (Stock-based compensation)
Corporate Directors (excluding outside Directors)	Approved at the 48th Annual General Meeting of Shareholders (Note 1)	Proposal 3	Proposal 4	Approved at the 55th Annual General Meeting of Shareholders (Note 4)
Outside Directors	Proposal 6	Proposal 3	Not eligible	Not eligible
Audit & Supervisory Board Members	Approved at the 48th Annual General Meeting of Shareholders (Note 2)	Not eligible	Not eligible	Not eligible

(Notes) 1 The limit of fixed basic compensation for Corporate Directors was resolved to be no more than 750 million yen per business year (of which the amount for outside directors is no more than 30 million yen).

2 The limit of fixed basic compensation for Audit & Supervisory Board Members was resolved to be no more than 13 million yen per month (no more than 156 million yen per year).

3 Proposal 5 is brought before the General Meeting of Shareholders with the aim of issuing new share subscription rights as stock option (stock-based compensation) to executive officers and senior employees of TEL, as well as Directors, executive officers, and senior employees of subsidiaries.

4 Medium-term performance-based compensation for Corporate Directors (excluding outside Directors) was resolved to be no more than 480 million yen and no more than 23,800 shares for 3 business years.

5 Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors and Audit & Supervisory Board Members, was abolished in and after the fiscal year ended March 2006.

The amount of annual performance-linked compensation: cash bonuses [Proposal 3]

- We propose payment of cash bonuses of no more than 2,271.5 million yen (of which the amount for outside directors is 55 million yen) for 12 Corporate Directors as of the final day of the 56th fiscal year.
- For Corporate Directors who also serve as executive officers, TEL only pays Corporate Director's bonuses and does not separately pay employee bonuses.

The amount of annual performance-linked compensation: stock option (stock-based compensation) [Proposal 4 & Proposal 5]

- Since stock options involves the issuance of share subscription rights, it will be brought before the General Meeting of Shareholders as Proposal 4 and Proposal 5 in accordance with the provisions of the Companies Act.
- If Proposal 1 is resolved as originally proposed, we propose in Proposal 4 to grant share subscription rights as stock option (the stock-based compensation) of a total of not more than 1,638.3 million yen and a total of not more than 115,800 shares the to 7 eligible Corporate Directors excluding outside Directors.
- We propose in Proposal 5 to grant share subscription rights as stock option (the stock-based compensation) of a total of not more than 244,600 shares to TEL executive officers and senior employees, as well as subsidiary Directors, executive officers and senior employees.
- The annual performance-linked compensation system for TEL Corporate Directors is designed so that the ratio of cash bonuses to stock option is generally 1:1. For TEL executive officers and senior employees, as well as subsidiary Directors, executive officers and senior employees, in light of the difference in work duties from TEL Corporate Directors, the ratio of cash bonuses to stock option has generally been 2:1.

Fixed basic compensation: revision of amount of compensation to outside Directors [Proposal 6]

- We propose that the maximum total amount of fixed basic compensation for outside Directors per fiscal year be revised to 60 million yen.
- The maximum amount of fixed basic compensation for Corporate Directors (including outside Directors) remains at 750 million yen per fiscal year.

Proposal 3: Payment of Bonuses to Corporate Directors for the 56th Fiscal Year

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 56th fiscal year, the Company seeks shareholder approval to pay 2,271.5 million yen (including 55 million yen for outside Directors) as the cash bonus portion of annual performance-linked compensation to 12 Corporate Directors in office (including three outside Directors) at the end of the 56th fiscal year.

Proposal 4: Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 56th fiscal year, the Company seeks shareholder approval to authorize the Board of Directors to make decisions related to solicitation of applications for the share subscription right to be issued in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, with the objective of granting share subscription rights as stock option (stock-based compensation) portion of annual performance-linked compensation to Corporate Directors.

Of annual performance-linked compensation, cash bonuses for Corporate Directors will be brought before the General Meeting of Shareholders as Proposal 3. Since stock option (stock-based compensation) to Corporate Directors corresponds to "non-monetary compensation" specified in Article 361, Paragraph 1, Item 3 of the Companies Act, the Company seeks shareholder approval to grant share subscription rights as stock option (stock-based compensation) portion of annual performance-linked compensation of no more than 1,638.3 million yen annually to Corporate Directors (excluding outside Directors), in addition to Proposal 3. If Proposal 1 is approved as proposed, there will be 7 Corporate Directors (excluding three outside Directors, and excluding a Director who was Audit & Supervisory Board Member in 56th fiscal year) covered by this Proposal.

The amount of stock option (stock-based compensation) actually issued is the fair value on one option, calculated using the share price on the date of allocation of the options, the strike price, and the future predicted dividend, etc., based on past performance and multiplied by the total number of options allocated.

1. Reason for granting share subscription rights to non-shareholders under particularly favorable conditions

In the past, the Company and its subsidiaries have actively introduced incentive systems such as compensation that is linked to business performance and share subscription rights. The Company has implemented its executive compensation system to link executive compensation more closely to its stock prices, consolidated net income and shareholder value, while tying that compensation to efforts to enhance the transparency of management and corporate competitiveness.

The TEL Group has turned part of executive compensation into performance-linked compensation and has clearly correlated it to its net income attributable to owners of the parent and consolidated ROE (consolidated Return on Equity), thus increasing the compensation's linkage to consolidated financial results and stock prices.

Approximately one-half of the annual performance-linked compensation is non-monetary (stock-based compensation) in order for executives to have incentive for share prices to rise through better business performance and to share the risks of share price fluctuations with shareholders. We will issue share subscription rights with a set strike price of one yen per share as stock option (stock-based compensation), based on the financial results in the fiscal year ended March 2019, which will have the same effect.

2. Overview of issued subscription rights

(1) People eligible for the allotment of subscription rights

TEL corporate directors (excluding outside directors)

(2) Number and type of shares to be issued for subscription rights

TEL common stocks up to 115,800 shares

If the Company implements a share split or share consolidation, the number of subject shares shall be adjusted according to the formula below; provided, however, that this adjustment will be made only with respect to the number of shares subject to subscription rights not yet exercised at the time of splitting or consolidation. In this calculation, any fraction of a share smaller than one share will be disregarded.

Adjusted number of shares = Number of shares before adjustment × Split or consolidation ratio

In addition, if the number of shares to be issued needs to be adjusted for any reason, TEL will adjust the number of shares to be issued as appropriate in a reasonable scope according to a resolution of a meeting of the Board of Directors.

(3) Aggregate number of subscription rights

Up to 1,158

(The number of shares to be issued for one subscription right is 100 shares. However, in the event that the number of shares is adjusted as determined in (2) above, this number will be similarly adjusted.)

(4) Payment amount for subscription rights

Gratis

(5) Value of assets required for the exercise of subscription rights

The value of assets required to exercise one subscription right shall be the amount determined by multiplying 1 yen per share in payment by the number of shares to be issued for one subscription right as determined in (3) above.

(6) Exercise period for subscription rights

The period in which subscription rights may be exercised is from the first date of the next month after three years have passed since the date of allotment, until the last date of the previous month after 20 years have passed since the date of allotment.

(7) Matters regarding increase in capital and capital reserves upon issuance of shares through exercising of subscription rights

a) The amount of increased capital due to issuing of shares through exercising of subscription rights shall be half of the maximum amount of increase in capital as calculated according to the provisions of Paragraph 1 of Article 17 of the Company Calculation Regulations, and fractions under 1 yen resulting from calculations shall be rounded up.

b) The amount of increased capital due to issuing of shares through exercising of subscription rights shall be the amount of increased capital stipulated in a), subtracted from the maximum amount of increase in capital stated in a).

(8) Conditions for exercising subscription rights

a) Subscription rights may not be exercised for a unit of less than one.

(The minimum number of subscription rights exercisable shall be one.)

b) When exercising the Subscription Rights, the Optionee shall be a director, a statutory auditor, an employee, etc. of TEL, or subsidiary or affiliated company of TEL.

c) Notwithstanding the preceding Paragraph b), in the event of the death of the Optionee on or before the day prior to the start date of the Exercise Period the successor of the Optionee may succeed to and exercise the Subscription Rights within 1 year from the start date of the Exercise Period, or in the event of the death of the Optionee on or after the start date of the Exercise Period, the successor of the Optionee may succeed to and exercise the Subscription Rights within 1 year after the Optionee's death; provided, however, that the successor of the Optionee shall exercise the Subscription Rights by the end of the Exercise Period.

d) Notwithstanding Paragraph b) of this Article, when the Optionee resigns (or retires) from the office of director, statutory auditor, an employee, etc. of TEL, or a subsidiary or affiliated company of TEL on or before the day prior to the start date of the Exercise Period (if the Optionee holds several offices at the same time or consecutively, this means when the Optionee resigns (or retires) from all offices, hereinafter the same shall apply), the Optionee may exercise the Subscription Rights within 1 year from the start date of the Exercise Period; or when the Optionee resigns (or retires) from the office of director, statutory auditor, an employee, etc. of TEL, or a subsidiary or affiliated company of TEL on or after the start date of the Exercise Period, the Optionee may exercise the Subscription Rights within 1 year from the date of resignation (or retirement); provided, however, that the Optionee shall exercise the Subscription Rights by the end of the Exercise Period.

e) Other conditions pertaining to the exercise of subscription rights include matters regarding advertising subscription rights based on a resolution of a meeting of the Board of Directors, and the agreement for granting share subscription rights concluded thereof.

(9) Acquisition of subscription rights

If any of the proposals set forth in a) through c) below is approved by TEL's general shareholders meeting (or approved by TEL's Board of Directors if the approval of the general shareholders meeting is not required), TEL may acquire the subscription rights without payment on a day to be determined separately by the Board of Directors.

a) A proposal approving a merger agreement causing TEL to cease to exist.

- b) A proposal approving a demerger agreement or demerger plan making TEL a demerging company.
 - c) A proposal approving a stock-for-stock exchange agreement making TEL a wholly-owned subsidiary or a stock-transfer plan making TEL a wholly-owned subsidiary.
- (10) Restriction on acquisition of subscription rights by way of transfer
The acquisition of the subscription rights by way of a transfer requires approval being granted at a meeting of the Board of Directors of TEL.
- (11) Policies decided regarding lapse of subscription rights due to restructuring and details regarding delivery of subscription rights from the restructuring company
In the event that a merger (limited to mergers in which TEL will cease to exist), absorption-type demerger or incorporation-type demerger (limited to demergers in which TEL will become the demerging company), stock-for-stock exchange, or stock-transfer (limited to exchanges/transfers in which TEL becomes the wholly-owned subsidiary; all of the above scenarios called “Organizational Restructuring” collectively) occurs, the share subscription rights of the joint stock company(ies) listed in Article 236, Paragraph 1, Items 8 (a) through 8 (e) of the Companies Act (the “Restructuring Company”) may be delivered to the Optionee who has the remaining subscription rights immediately prior to the effective date of the Organizational Restructure (the effective date of the absorption-type merger in the case of an absorption-type merger; the incorporation date of the company incorporated in the case of an incorporation-type merger; the effective date of the absorption-type demerger in the case of an absorption-type demerger; the incorporation date of the company incorporated in the case of an incorporation-type demerger; the effective date of the stock-for-stock exchange in the case of a stock-for-stock exchange; and the incorporation date of the wholly-owning parent company incorporated in the case of a stock-transfer). In the event the subscription rights of the Restructuring Company are to be delivered, the remaining subscription rights shall lapse, and the Restructuring Company shall issue new subscription rights. Delivery of the subscription rights of the Restructuring Company shall be subject to the following conditions in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, stock-for-stock exchange agreement or stock-transfer agreement.
- a) Number of subscription rights to be granted
The same number of subscription rights as the number of remaining subscription rights held by the Optionee shall be granted; provided, however, that the number of subscription rights may be adjusted to an appropriate number other than the number of remaining subscription rights depending on the number of subscription rights of the restructuring company provided in Item c), the number of shares for one subscription right of shares of the restructuring company, and other circumstances.
 - b) Type of shares of the restructuring company subject to the subscription rights
Common stock of the restructuring company
 - c) Number of shares of the restructuring company subject to the subscription rights
To be determined by applying (2) above mutatis mutandis, taking into consideration the conditions of the organizational restructuring.
 - d) Value of assets to be contributed upon exercise of the subscription rights
The value of the assets to be contributed for the exercise of each subscription right shall be the amount determined by multiplying the post-restructuring pay-in amount specified below by the number of shares of the restructuring company subject to each subscription right determined in accordance with c). The post-restructuring pay-in amount is 1 yen per share of the restructuring company that can be granted by exercise of each subscription right granted.
 - e) Exercise period of the subscription rights
The exercise period of the subscription rights shall be the later of the first day of the period when the subscription rights can be exercised as specified in (6) above or the effective date of the organizational restructuring until the last day of the period when the subscription rights can be exercised as specified in (6) above.
 - f) Matters regarding increases in capital and capital reserves upon issuance of shares by exercise of subscription rights
To be determined by applying (7) above mutatis mutandis.
 - g) Restrictions on acquisition of subscription rights by assignment
Acquisition of the subscription rights by assignment shall require the approval of the Board of Directors of the restructuring company.
 - h) Conditions for the exercise and acquisition of subscription rights

To be determined by applying (8) and (9) above mutatis mutandis.

(12) Entrustment of decisions concerning offering

Further to the above provisions, other matters including the offering of subscription rights and details concerning the offering shall be determined by resolution of the Board of Directors at a meeting held after the closing of the general shareholders meeting.

Proposal 5: Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries

The Company seeks shareholder approval as in Proposal 4 to authorize the Board of Directors to make decisions related to solicitation of applications for the share subscription right to be issued, with the objective of granting share subscription rights to TEL executive officers, senior employees, and subsidiary Directors, executive officers, and senior employees. The total number of eligible persons under this proposal will be 95 (including four Corporate Directors scheduled to retire at the conclusion of this General Meeting).

The amount of stock option (stock-based compensation) actually issued is the fair value on one option, multiplied by the total number of options allocated as well as in Proposal 4.

1. Reason for granting share subscription rights to non-shareholders under particularly favorable conditions

With respect to the system of compensation to TEL executive officers and senior employees and subsidiary Directors, executive officers, and senior employees pursuant to the system of compensation to Corporate Directors, we have actively introduced incentive systems such as compensation that is linked to business performance and stock-based compensation in the past. The Company has implemented its executive compensation system to link executive compensation more closely to its stock prices, consolidated net income and shareholder value, while tying that compensation to efforts to enhance the transparency of management and corporate competitiveness.

Options shall be allocated free of charge as stock option (stock-based compensation) based on the consolidated performance for the term ended March 2019, and the number of options allocated shall be calculated in view of the company's pay scale for directors.

2. Overview of issued subscription rights

(1) People eligible for the allotment of subscription rights

- People who are judged as necessary among TEL executive officers and senior employees of the final day of the 56th fiscal year, and Corporate Directors who will resign at the conclusion of this Annual General Meeting of Shareholders as (excluding people who are concurrently serving as TEL corporate directors as of the date of allotment)
- People who are judged as necessary among corporate directors and executive officers, senior employees of TEL's subsidiaries in Japan as of the final day of the 56th fiscal year, as well as corporate directors and executive officers, senior employees of TEL's overseas subsidiaries (excluding corporate directors, executive officers and senior employees of Tokyo Electron Device Limited which is an equity method affiliate of TEL).

(2) Number and type of shares to be issued for subscription rights

TEL common stocks up to 244,600 shares

If the Company implements a share split or share consolidation, the number of subject shares shall be adjusted according to the formula below; provided, however, that this adjustment will be made only with respect to the number of shares subject to subscription rights not yet exercised at the time of splitting or consolidation. In this calculation, any fraction of a share smaller than one share will be disregarded.

Adjusted number of shares = Number of shares before adjustment × Split or consolidation ratio

In addition, if the number of shares to be issued needs to be adjusted for any reason, TEL will adjust the number of shares to be issued as appropriate in a reasonable scope according to a resolution of a meeting of the Board of Directors.

(3) Aggregate number of subscription rights

Up to 2,446

(The number of shares to be issued for one subscription right is 100 shares. However, in the event that the number of shares is adjusted as determined in (2) above, this number will be similarly adjusted.)

(4) Payment amount for subscription rights

Gratis

(5) Value of assets required for the exercise of subscription rights

The value of assets required to exercise one subscription right shall be the amount determined by multiplying 1 yen per share in payment by the number of shares to be issued for one subscription right as determined in (3) above.

(6) Exercise period for subscription rights

The period in which subscription rights may be exercised is from the first date of the next month after three years have passed since the date of allotment, until the last date of the previous month after 20 years have passed since the date of allotment.

(7) Matters regarding increase in capital and capital reserves upon issuance of shares through exercising of subscription rights

- a) The amount of increased capital due to issuing of shares through exercising of subscription rights shall be half of the maximum amount of increase in capital as calculated according to the provisions of Paragraph 1 of Article 17 of the Company Calculation Regulations, and fractions under 1 yen resulting from calculations shall be rounded up.
- b) The amount of increased capital due to issuing of shares through exercising of subscription rights shall be the amount of increased capital stipulated in a), subtracted from the maximum amount of increase in capital stated in a).

(8) Conditions for exercising subscription rights

- a) Subscription rights may not be exercised for a unit of less than one.
(The minimum number of subscription rights exercisable shall be one.)
- b) When exercising the Subscription Rights, the Optionee shall be a director, a statutory auditor, an employee, etc. of TEL, or subsidiary or affiliated company of TEL.
- c) Notwithstanding the preceding Paragraph b), in the event of the death of the Optionee on or before the day prior to the start date of the Exercise Period the successor of the Optionee may succeed to and exercise the Subscription Rights within 1 year from the start date of the Exercise Period, or in the event of the death of the Optionee on or after the start date of the Exercise Period, the successor of the Optionee may succeed to and exercise the Subscription Rights within 1 year after the Optionee's death; provided, however, that the successor of the Optionee shall exercise the Subscription Rights by the end of the Exercise Period.
- d) Notwithstanding Paragraph b) of this Article, when the Optionee resigns (or retires) from the office of director, statutory auditor, an employee, etc. of TEL, or a subsidiary or affiliated company of TEL on or before the day prior to the start date of the Exercise Period (if the Optionee holds several offices at the same time or consecutively, this means when the Optionee resigns (or retires) from all offices, hereinafter the same shall apply), the Optionee may exercise the Subscription Rights within 1 year from the start date of the Exercise Period; or when the Optionee resigns (or retires) from the office of director, statutory auditor, an employee, etc. of TEL, or a subsidiary or affiliated company of TEL on or after the start date of the Exercise Period, the Optionee may exercise the Subscription Rights within 1 year from the date of resignation (or retirement); provided, however, that the Optionee shall exercise the Subscription Rights by the end of the Exercise Period.
- e) Other conditions pertaining to the exercise of subscription rights include matters regarding advertising subscription rights based on a resolution of a meeting of the Board of Directors, and the agreement for granting share subscription rights concluded thereof.

(9) Acquisition of subscription rights

If any of the proposals set forth in a) through c) below is approved by TEL's general shareholders meeting (or approved by TEL's Board of Directors if the approval of the general shareholders meeting is not required), TEL may acquire the subscription rights without payment on a day to be determined separately by the Board of Directors.

- a) A proposal approving a merger agreement causing TEL to cease to exist;
- b) A proposal approving a demerger agreement or demerger plan making TEL a demerging company; or
- c) A proposal approving a stock-for-stock exchange agreement making TEL a wholly-owned subsidiary or a stock-transfer plan making TEL a wholly-owned subsidiary.

(10) Restriction on acquisition of subscription rights by way of transfer

The acquisition of the subscription rights by way of a transfer requires approval being granted at a meeting of the Board of Directors of TEL.

(11) Policies decided regarding lapse of subscription rights due to restructuring and details regarding delivery of subscription rights from the restructuring company

In the event that a merger (limited to mergers in which TEL will cease to exist), absorption-type demerger or incorporation-type demerger (limited to demergers in which TEL will become the demerging company), stock-for-stock exchange, or stock-transfer (limited to exchanges/transfers in which TEL becomes the wholly-owned subsidiary; all of the above scenarios called "Organizational Restructuring" collectively) occurs, the share subscription rights of the joint stock company(ies) listed in Article 236, Paragraph 1, Items 8 (a) through 8 (e) of the Companies Act (the "Restructuring

Company”) may be delivered to the Optionee who has the remaining subscription rights immediately prior to the effective date of the Organizational Restructure (the effective date of the absorption-type merger in the case of an absorption-type merger; the incorporation date of the company incorporated in the case of an incorporation-type merger; the effective date of the absorption-type demerger in the case of an absorption-type demerger; the incorporation date of the company incorporated in the case of an incorporation-type demerger; the effective date of the stock-for-stock exchange in the case of a stock-for-stock exchange; and the incorporation date of the wholly-owning parent company incorporated in the case of a stock-transfer). In the event the subscription rights of the Restructuring Company are to be delivered, the remaining subscription rights shall lapse, and the Restructuring Company shall issue new subscription rights. Delivery of the subscription rights of the Restructuring Company shall be subject to the following conditions in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, stock-for-stock exchange agreement or stock-transfer agreement.

a) Number of subscription rights to be granted

The same number of subscription rights as the number of remaining subscription rights held by the Optionee shall be granted; provided, however, that the number of subscription rights may be adjusted to an appropriate number other than the number of remaining subscription rights depending on the number of subscription rights of the restructuring company provided in Item c), the number of shares for one subscription right of shares of the restructuring company, and other circumstances.

b) Type of shares of the restructuring company subject to the subscription rights

Common stock of the restructuring company

c) Number of shares of the restructuring company subject to the subscription rights

To be determined by applying (2) above mutatis mutandis, taking into consideration the conditions of the organizational restructuring.

d) Value of assets to be contributed upon exercise of the subscription rights

The value of the assets to be contributed for the exercise of each subscription right shall be the amount determined by multiplying the post-restructuring pay-in amount specified below by the number of shares of the restructuring company subject to each subscription right determined in accordance with c). The post-restructuring pay-in amount is 1 yen per share of the restructuring company that can be granted by exercise of each subscription right granted.

e) Exercise period of the subscription rights

The exercise period of the subscription rights shall be the later of the first day of the period when the subscription rights can be exercised as specified in (6) above or the effective date of the organizational restructuring until the last day of the period when the subscription rights can be exercised as specified in (6) above.

f) Matters regarding increases in capital and capital reserves upon issuance of shares by exercise of subscription rights

To be determined by applying (7) above mutatis mutandis.

h) Restrictions on acquisition of subscription rights by assignment

Acquisition of the subscription rights by assignment shall require the approval of the Board of Directors of the restructuring company.

i) Conditions for the exercise and acquisition of subscription rights

To be determined by applying (8) and (9) above mutatis mutandis.

(12) Entrustment of decisions concerning offering

Further to the above provisions, other matters including the offering of subscription rights and details concerning the offering shall be determined by resolution of the Board of Directors at a meeting held after the closing of the general shareholders meeting.

Proposal 6 Revision of Amount of Compensation to Outside Directors

It was approved at the 48th Annual General Meeting of Shareholders held on June 17, 2011 that the amount of fixed basic compensation for Corporate Director of the Company per fiscal year should be 750 million yen (including a maximum of 30 million yen per fiscal year for outside Directors).

In consideration of the fact that the number of outside Directors was increased to three from the previous two at the 55th Annual General Meeting of Shareholders held last year, and in light of the change to a more globally competitive compensation level and the expansion of the roles expected of an Outside Director from the perspective of strengthening the corporate governance system, the Company seeks shareholder approval to revise the maximum total amount of fixed basic compensation for outside Directors per fiscal year to 60 million yen.

Furthermore, TEL shall not change the total amount of compensation (750 million yen per fiscal year) for Corporate Directors (including outside Directors). TEL does not pay the employee portion of compensation other than director compensation to Corporate Directors concurrently serving as Executive Officers. The current number of Corporate Directors is 12 (including three outside Directors), and if Proposal 1 is approved as proposed, the number of Corporate Directors will be 11 (including three outside Directors).

56th FY Business Report (From April 1, 2018 to March 31, 2019)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

During the fiscal year under review, although there were signs of an economic slowdown in the Asia region including China, and in Europe, the U.S. economy remained strong, and the global economy was robust overall.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, memory semiconductors led the expansion of the market on the strength of investments in data centers and demand for smartphones. Investments in memory have been in an adjustment phase since the second half of the fiscal year. However, in the medium to long term, demand for semiconductors is expected to expand to even greater levels as a result of new technologies accompanying artificial intelligence (AI) and the next-generation communication standard (5G), in addition to conventional PCs and mobile devices.

In this environment, with respect to the consolidated business results for the fiscal year under review, net sales for the fiscal year increased 13.0% from the previous fiscal year to 1,278,240 million yen; operating income increased 10.5% to 310,571 million yen; ordinary income increased 14.6% to 321,662 million yen, and net income attributable to owners of the parent was 248,228 million yen, a year-on-year increase of 21.5%.

(2) Main Businesses and Outlook by Segments

The TEL Group sets the development, production, sales and maintenance of semiconductor and FPD (Flat Panel Display) production equipment as the core of its business.

(i) Semiconductor Production Equipment

With regard to DRAM and 3D NAND flash memory, capital investment plans by memory manufacturers have been in an adjustment phase since the second half of the fiscal year. However, the memory market was robust throughout the fiscal year due to heightened demand for mobile devices and data centers. In addition, capital investment in logic semiconductors has resumed due to the transition to the latest generation, resulting in a robust market for semiconductor production equipment. Consequently, net sales to external customers in this segment during the fiscal year under review were 1,166,781 million yen (year-on-year growth of 10.6%).

In this segment, new products, the "Triase+™ EX-II Pro™" single wafer deposition system and the batch spray cleaner "MERCURY™+", were released during this fiscal year.

Major products

Coater/Developer, Etch system, Deposition system, Cleaning system, Wafer Prober

(ii) FPD (Flat Panel Display) Production Equipment

The FPD production equipment market remained strong, with continued capital investment for small- to medium-sized OLED panels for mobile devices in addition to strong capital investment in China for large-sized LCD panels for televisions. Consequently, net sales to external customers in this segment during the fiscal year under review were 111,261 million yen (year-on-year growth of 48.2%).

Furthermore, in this segment, two new products, the 10.5 generation dry etching device "Impressio™3300 PICP™" for high definition flat panel displays and the inkjet drawing device "Elius™1000" for producing organic EL displays, were launched during this fiscal year.

Major products

FPD Etch/Ash system, FPD Coater/Developer

(iii) Other

For businesses that are not included in the above two segments, sales to external customers during the fiscal year under review totaled 197 million yen.

(3) Capital Investment and Procurement of Funds

In the current consolidated period, the TEL Group acquired 49,754 million yen in tangible fixed assets. The main capital investments were as indicated below.

- Completed in October 2018 the construction of a new development building at the Tokyo Electron Miyagi Ltd. Taiwa Regional Office, which is aimed at strengthening the technological development capabilities for etch systems, an expanding market.
- Acquired machinery and equipment for use in research and development, primarily in fields in which technical innovation and market growth are expected, to accelerate the development of cutting-edge technologies.
- Started construction of production buildings at each of the Yamanashi Regional Office and the Tohoku Regional Office of Tokyo Electron Technology Solutions Ltd. to enhance production capabilities in anticipation of the medium- to long-term growth of the deposition systems market.
- Started construction of an office in Pyeongtaek City, Gyeonggi-Do, South Korea to strengthen the customer support structure.

The funding required for this investment came entirely from our own resources; we did not carry out any fund procurement.

(4) Management Tasks Issues to be Dealt With

The TEL Group, one of the world's leading suppliers of semiconductor production equipment and FPD (Flat Panel Display) production equipment, engages in dynamic business activities in the electronics industry, a field characterized by rapid and active technological innovation, with its corporate philosophy that "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support".

(i) Business Policies

As a company that began as a trade company specializing in technology, TEL perceived at an early stage changes in the business environment and quickly responded to such changes. This involved making the transition to becoming a manufacturer with development production functions and building a global sales and support framework. In this way, TEL has provided products and services with high added value in world markets. Moreover, TEL has maintained growth through taking the lead in original technology mainly in semiconductor production equipment and related domains using its original technology, where innovations in technology will generate new value, and high added value and high earnings can be expected.

The driving forces of our company are comprised of abundant technical know-how cultivated as an industry leader, the trust from customers based on our reliable technical services, and the challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

With the aim of becoming a leading world corporation, TEL will continue our efforts in the future in business creation where TEL will leverage our leading-edge technologies in growth areas based on electronics technology which value creation through technical innovation can be expected.

(ii) Vision

The TEL Group aims to be "a real global company generating high added-value and profits in Semiconductor and FPD industries through innovative technologies and groundbreaking solutions with integrated diverse technologies."

(iii) Business Environment

As society has seen an expanded use of artificial intelligence (AI) and steady preparation to the introduction of the next-generation communication standard (5G), in addition to IoT (Internet of Things) where everything is connected to the Internet, new business models and lifestyles accompanied with them are expected to develop. In addition to the utilization in various industries, the use application of these new technologies is infinite, varying from smart housing and smart cities, to automated driving of cars that is expected to become reality in the near future, and medical applications such as remote surgeries. What supports the technologies that make these applications possible is the semiconductors. Furthermore, FPD field has been experiencing not only increased demand for small-

and medium-sized panels but also screen size enlargement, higher resolution, and the expansion of applications that utilize the thin, flexible design capability that organic EL features.

In this way, semiconductors and FPDs have entered a new phase of growth as a driver that plays a key role in the future social infrastructure toward achieving more affluent, comfortable lives of people.

At the same time, technological innovations are being required in all aspects, such as further expansion of storage capacity, faster communication speed, higher reliability, and lower power consumption. Leading-edge semiconductors are produced using ultimate miniaturization technology on the scale of less than one 100,000th of a millimeter (10 nanometers). Besides this miniaturization technology, semiconductors are expected to evolve and expand their applications thanks to wide-ranging new technologies such as new materials and new structures. Values to be added by and growth potential of the manufacturing equipment suppliers like TEL, who are embodying such technological innovations, are further rising.

(iv) Initiatives for Medium- to Long-term Growth

Tokyo Electron is a “manufacturer” and continuously pursues the best products and best services.

- We strive to create state-of-the-art technological products and the world’s best-performing products required by customers in the future, always one step ahead of our competitors, and to provide the best technology services.
- In order to create the best products, we operate business in the fields where we have strength and can leverage our accumulated technologies and management know-hows.
- We always stay a step ahead of our competitors in terms of performance by rapidly reflecting our empirical knowledge and technology know-hows in next-generation models.

Amid the business environment as stated in the preceding section, the scale of the semiconductor market is expected to reach US\$1 trillion, or more than twice the present size, in 2030. As the semiconductor technology advances and diversifies, the levels of technological requirements and roles in the production equipment market are rising rapidly. We have one of the world’s leading management resources to meet most advanced technological needs, and we will continue to refine our technological capabilities and further enhance the trust of our customers by providing high added values.

To achieve this goal, we share the medium- to long-term technology roadmap for two or three generations ahead with customers promoting technological innovation, thereby strive for an early start of evaluation activities on the equipment and technology. This will enable the maximization of the operating ratio of equipment from the initial stage of mass production, and allow us to improve customer satisfaction while also using supporting resources more efficiently, with resources saved from higher efficiency allocated to investment for the development of next-generation equipment and further promotion of our evaluations at customer sites. This shall then lead to continuous and precise creation of next-generation products more consistent with the equipment and performance required by customers in the future.

Furthermore, building on the TEL’s semiconductor production equipment shipments of the largest number in the industry 69,000 units, TEL strives to expand revenues by linking the results to sell parts, to upgrade the equipment, and to provide advanced field solutions.

We implement these initiatives together with customers from fields of memory, logic, and IoT-related semiconductor. In addition, to generate high added value and profitability through proprietary proposals that integrate innovative technical know-how and diverse technologies as mentioned in the vision, we established the Customer Collaboration Group and the Corporate Innovation Division in July 2018, as additions to the Business Unit organizations, with an aim to enhance corporate sales and marketing functions.

In FPD production equipment, we are also endeavoring to generate further profits by sharing medium- to long-term technology roadmaps and pursuing the best products and services in areas with high added value, where our technology and know-how will be utilized.

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(v) Initiatives on Human Resources

The development of the TEL Group is based on the creativity, proactiveness, flexibility, passion, and sense of responsibility of each and every employee. We value the motivation and self-development of our employees and provide various educational opportunities for skill development. Furthermore, we create an environment where employees can make the most of their abilities for their work by assigning the right people in the right places and conducting fair skill evaluations. Based on this approach, we have introduced a shared global personnel system with the aim of becoming a company with dreams and vitality where employees thrive.

In addition, in order to develop the next generation of executive personnel to support the sustainable growth of the Company, the Nomination Committee analyzes and examines the status of the development of succession candidates and reports the results to the Board of Directors, in accordance with the TEL Succession Plan, while the Board of Directors appropriately supervises this process to ensure that sufficient time and resources are being allocated to plans for the development of succession candidates.

(vi) Environmental, Social, and Governance (ESG) Activities

As a semiconductor production equipment and FPD production equipment leader, TEL strives to achieve higher profits and enhance our economic value by continuously providing high quality products and service, while also contributing to the development of a sustainable society, which will help raise our social significance, thus strengthening our business foundations and improving our corporate value.

From an environmental, social, and governance (ESG) perspective, we aim to contribute to solving industrial and social issues and developing industries and society through our business activities, and to build trusting relationships with our stakeholders, by determining activity themes that correspond to the U.N.'s sustainable development goals (SDGs).

Particularly on the environmental front, TEL is making efforts to reduce the energy consumption of the Company's business sites and products, as well as to provide innovative manufacturing technologies that contribute to the lower power consumption of semiconductors themselves.

(vii) Capital Policy

The TEL's objective in our capital policy is as follows.

While securing and generating resources necessary for growth investment, TEL will make continuous positive efforts to provide returns to shareholders and keep appropriate balance sheet management with a view of medium- to long-term growth. Specifically, TEL will target sustainable growth by further improving operating income to sales and capital efficiency and making efforts to expand cash flow, and shall pursue a high level of capital efficiency, including improving return on equity (ROE).

Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on consolidated net income attributable to owners of parent. TEL will flexibly consider share buybacks.

Through the above efforts, we will realize the vision of the TEL Group. We appreciate our shareholders' continued support and look forward to sharing a brighter future with our shareholders.

(5) Changes in the business performance and property of the TEL Group

Items	FY2016 (53rd FY; From April 1, 2015 to March 31, 2016)	FY2017 (54th FY; From April 1, 2016 to March 31, 2017)	FY2018 (55th FY; From April 1, 2017 to March 31, 2018)	FY2019 (56th FY; current fiscal year) (From April 1, 2018 to March 31, 2019)
Net sales (million yen)	663,948	799,719	1,130,728	1,278,240
Operating income (million yen)	116,788	155,697	281,172	310,571
Operating Margin (%)	17.6	19.5	24.9	24.3
Ordinary income (million yen)	119,399	157,549	280,737	321,662
Net income (loss) attributable to owners of parent (million yen)	77,891	115,208	204,371	248,228
Net income (loss) per share (yen)	461.10	702.26	1,245.48	1,513.58
Total assets (million yen)	793,367	957,447	1,202,796	1,257,627
Net assets (million yen)	564,239	645,999	771,509	888,117
ROE (%)	13.0	19.1	29.0	30.1

(Notes)

- In the 53rd consolidated fiscal year, due to the increasing number of chips used per handset as mobile device functions become more advanced and the growing demand for servers for data centers accompanying the growing use of big data, sales in the semiconductor production equipment business, our key line of business, remained strong resulting in significantly increased revenue and profit.
- In the 54th consolidated fiscal year, due to greater demand for data center servers to handle the increase in the amount and volume of data communications produced by the growth of the IoT, functionality advances in Chinese smartphones, and unit sales growth, sales in the semiconductor production equipment business segment, our key line of business, remained strong resulting in significantly increased revenue and profit.
- In the 55th consolidated fiscal year, manufacturers continued to step up investments in memory used in data centers amid the increase in high volume data transmission, such as video streaming by various cloud services, and sales in the semiconductor production equipment business, our key line of business, remained strong resulting in increased revenue and profit against a background of robust demand for semiconductors.
- The business performance and property of the TEL Group for the 56th fiscal year are described in (1) "Business Developments and Results."
- "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards were adopted from the beginning of this fiscal year, and deferred tax assets are classified as "Investments and other assets" and deferred tax liabilities are classified as "Long-term liabilities," respectively. Total assets for the 55th fiscal year reflect the reclassifications.

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(6) Major subsidiaries (As of March 31, 2019)

Company	Office location	Capital fund	Investment ratio (Indirect investment ratio)	Main business
Tokyo Electron Technology Solutions Ltd.	(Yamanashi Regional Office) Nirasaki City, Yamanashi (Tohoku Regional Office) Oshu City, Iwate	4,000 million yen	(%) 100.00	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Kyushu Ltd.	(Koshi Regional Office) Koshi City, Kumamoto (Ozu Regional Office) Ozu-machi, Kikuchi-gun, Kumamoto	2,000 million yen	100.00	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Miyagi Ltd.	(Taiwa Regional Office) Taiwa-cho, Kurokawa-gun, Miyagi (Matsushima Regional Office) Matsushima-machi, Miyagi-gun, Miyagi	500 million yen	100.00	Manufacture and development of Semiconductor production equipment
Tokyo Electron FE Ltd.	Fuchu City, Tokyo	100 million yen	100.00	Maintenance services for, modification of and relocation of Semiconductor and FPD production equipment, etc.
Tokyo Electron America, Inc.	Austin, Texas, U.S.A.	10 U.S. dollars	0.00 (100.00)	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Europe Ltd.	Crawley, West Sussex, U.K.	17 million euros	100.00	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Korea Ltd.	Hwaseong City, Gyeonggi-Do, Korea	6,000 million won	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Taiwan Ltd.	Hsin-chu City, Taiwan	200 million NT dollars	98.00 (100.00)	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron (Shanghai) Ltd.	Shanghai, China	6 million U.S. dollars	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Singapore Pte. Ltd.	Singapore	5 million Singapore dollars	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.

(Note) At the end of the current consolidated fiscal year, the number of consolidated subsidiaries including the above listed companies was 33.

(7) Important Business Mergers

Tokyo Electron U.S. Holdings, Inc. transferred all the shares of its U.S. subsidiary TEL NEXX, Inc. to U.S. company, ASM Assembly Systems, Inc., on October 1, 2018.

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(8) Employees at TEL and in the TEL Group (As of March 31, 2019)

(i) Number of employees in the TEL Group

Business segment	Number of employees	Variance from the end of the previous fiscal year
Semiconductor production equipment	9,927	819
FPD production equipment	623	56
Other	356	(14)
Common to all companies	1,836	(65)
Total	12,742	796

(Notes)

- The number of employees indicates the number of persons employed by TEL and its consolidated subsidiaries.
- "Other" refers to persons employed in transportation of products, facilities management and insurance, etc.
- "Common to all companies" refers to employees of administration, fundamental research, and other such divisions.

(ii) Number of employees in TEL

Number of employees	Variance from the end of the previous fiscal year	Average age	Average length of service in years
1,494	98	44.3	18.4

(Note) The number of employees indicates the number of persons employed by TEL.

(9) Major lenders (As of March 31, 2019)

There is no relevant item.

(10) Major offices of the TEL Group (As of March 31, 2019)

(i) Tokyo Electron Ltd.

Name	Location
World Headquarters	Minato-ku, Tokyo
Fuchu Technology Center	Fuchu City, Tokyo
Osaka Branch Office	Osaka City, Osaka
Yamanashi Regional Office	Nirasaki City, Yamanashi
Sapporo Regional Office	Sapporo City, Hokkaido
Kyushu Sales Office	Koshi City, Kumamoto

(ii) Subsidiaries

Refer to "(6) Major subsidiaries" for the names and office locations of major subsidiaries.

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2. TEL shares (As of March 31, 2019)

- | | |
|--|-------------|
| (i) Total number of shares authorized to be issued | 300,000,000 |
| (ii) Total number of issued shares | 165,210,911 |
| (iii) Number of shareholders | 50,843 |
| (iv) Major shareholders | |

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan Limited (trust account)	30,791	18.75
Japan Trustee Services Bank Limited (trust account)	17,573	10.70
JP Morgan Chase Bank 380055	9,627	5.86
Tokyo Broadcasting System Holdings, Inc.	7,077	4.31
Trust & Custody Services Bank, Limited (securities investment trust account)	3,672	2.23
JP Morgan Chase Bank 385151	3,108	1.89
Japan Trustee Services Bank Limited (trust account 4)	2,801	1.70
Japan Trustee Services Bank Limited (trust account 5)	2,616	1.59
State Street Bank West Client Treaty 505234	2,538	1.54
Japan Trustee Services Bank Limited (trust account 7)	2,442	1.48

(Notes)

- Any fractional sum of less than 1,000 shares is disregarded when the number of shares owned is indicated.
- The shareholding ratios are calculated after eliminating treasury stock (1,002,816 shares). Figures are rounded down to the second decimal place. Treasury stock is exclusive of the Company shares (249,701 shares) owned by the Executive compensation Board Incentive Plan (BIP) trust account and the share-delivering Employee Stock Ownership Plan (ESOP) for executive officers.
- Change reports available for public inspection as of November 22, 2018, indicated that Nomura Securities Co., Ltd. and 2 other joint holders held 15,421 thousand shares as of November 15, 2018. Change reports available for public inspection as of December 20, 2018, indicated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 other joint holder held 13,524 thousand shares as of December 14, 2018. Change reports available for public inspection as of June 19, 2017, indicated that the Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) and 3 other joint holders held 12,214 thousand shares as of June 12, 2017. Change reports available for public inspection as of February 4, 2016, indicated that BlackRock Japan Co., Ltd. and 6 other joint holders held 10,252 thousand shares as of January 29, 2016. Change reports available for public inspection as of January 22, 2019, indicated that Capital Research & Management Company held 10,072 thousand shares as of January 15, 2019. Large shareholding reports available for public inspection as of March 23, 2018, indicated that Asset Management One Co., Ltd. held 8,735 thousand shares as of March 15, 2018. The table above does not include the portion of shares whose ownership TEL cannot confirm as of March 31, 2019.

(v) Other important matters concerning shares

- In accordance with a resolution passed at the 55th Annual General Meeting of Shareholders held on June 19, 2018 and a subsequent resolution passed at the Board of Directors meeting, TEL introduced an Executive compensation Board Incentive Plan (BIP) trust for Corporate Directors (excluding outside Directors) of TEL and its domestic and overseas Group companies, with the aim of raising the sense of contribution toward the improvement of the TEL Group's medium-term performance and corporate value.
 As of March 31, 2019, the number of TEL's shares held by the Executive compensation BIP trust account is 34,038.
- In accordance with a resolution passed at the Board of Directors meeting, TEL introduced in 2018 a share-delivering Employee Stock Ownership Plan (ESOP) for executive officers and senior and mid-level employees of TEL and its domestic and overseas Group companies, with the aim of raising the sense of contribution toward the improvement of the TEL Group's medium-term performance and corporate value.
 As of March 31, 2019, the number of TEL's shares held by the share-delivering ESOP trust account is 215,663.

3. Matters concerning Share Subscription Rights

Status of share subscription rights as of the end of the fiscal year

	6th share subscription rights	7th share subscription rights
Allocation date	June 24, 2006	June 23, 2007
Allocation number of share subscription rights	669 units	1,004 units
Balance at end of fiscal year	49 units	73 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	10 units (1 person)	20 units (1 person)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	-	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 4,900 shares	Common stock of TEL 7,300 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2009 to May 29, 2026. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2009.	From July 1, 2010 to May 31, 2027. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2010.

	8th share subscription rights	9th share subscription rights
Allocation date	June 21, 2008	June 18, 2011
Allocation number of share subscription rights	1,779 units	2,342 units
Balance at end of fiscal year	152 units	195 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	38 units (1 person)	37 units (1 person)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	-	34 units (2 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 15,200 shares	Common stock of TEL 19,500 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2011 to May 31, 2028. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2011.	From July 1, 2014 to May 30, 2031. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2014.

	10th share subscription rights	11th share subscription rights
Allocation date	June 23, 2012	June 20, 2015
Allocation number of share subscription rights	1,307 units	1,357 units
Balance at end of fiscal year	253 units	557 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	58 units (2 persons)	116 units (3 persons)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	40 units (2 persons)	60 units (2 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 25,300 shares	Common stock of TEL 55,700 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2015 to May 31, 2032. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2015.	From July 2, 2018 to May 31, 2035. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 2, 2018.

	12th share subscription rights	13th share subscription rights
Allocation date	June 18, 2016	June 21, 2017
Allocation number of share subscription rights	1,944 units	1,447 units
Balance at end of fiscal year	1,944 units	1,447 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	838 units (9 persons)	729 units (9 persons)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	17 units (1 person)	12 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 194,400 shares	Common stock of TEL 144,700 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2019 to May 30, 2036. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2019.	From July 1, 2020 to May 29, 2037. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2020.

	14th share subscription rights
Allocation date	June 20, 2018
Allocation number of share subscription rights	2,199 units
Balance at end of fiscal year	2,199 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	980 units (9 persons)
Ownership by outside Directors of TEL	-
Ownership by Audit & Supervisory Board Members of TEL	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 219,900 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2021 to May 31, 2038. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2021.

(Note) Share Subscription Rights owned by Audit & Supervisory Board Members were granted to said Audit & Supervisory Board Members as compensation for their performance of duties as Corporate Directors or Executive Officers of the Company or its subsidiaries.

Status of share subscription rights granted to employees, etc., of TEL during the fiscal year

	14th share subscription rights
Allocation date	June 20, 2018
Allocation number of share subscription rights	2,199 units
Allocation number to employees of TEL	444 units (24 persons)
Allocation number to executives and employees of TEL subsidiaries	775 units (62 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 219,900 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2021 to May 31, 2038. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2021.

4. Matters concerning TEL's Corporate Directors and other officers

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2019)

Position in TEL	Name	Responsibilities, Significant concurrent posts
Representative Director Chairman of the Board	Tetsuo Tsuneishi	Corporate Director, Tokyo Electron Device Ltd.
Representative Director President & CEO	Toshiki Kawai	President & CEO
Corporate Director	Hirofumi Kitayama	Executive Vice President & General Manager Chairman and Representative Director, Tokyo Electron Miyagi Ltd.
Corporate Director	Masami Akimoto	Executive Vice President & General Manager Chairman and Representative Director, Tokyo Electron Kyushu Ltd.
Corporate Director	Tetsuro Hori	Executive Vice President & General Manager
Corporate Director	Sadao Sasaki	Executive Vice President & General Manager President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Corporate Director	Tatsuya Nagakubo	Internal Control Business Ethics CSR Senior Vice President & General Manager
Corporate Director	Kiyoshi Sunohara	Senior Vice President & General Manager
Corporate Director Corporate Advisor	Tetsuro Higashi	Outside Director, Seven & i Holdings Co., Ltd.
Corporate Director	Hiroshi Inoue	
Corporate Director	Charles Ditmars Lake II	Chairman and Representative Director, Aflac Life Insurance Japan Ltd. President, Aflac International, Incorporated Outside Director, Japan Post Holdings, Co., Ltd.
Corporate Director	Michio Sasaki	Outside Director, ZUIKO CO., LTD. Outside Director, SHIFT, Inc.
Audit & Supervisory Board Member	Yoshiteru Harada	
Audit & Supervisory Board Member	Yoshikazu Nunokawa	
Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd.
Audit & Supervisory Board Member	Ryuji Sakai	Attorney-at-Law, Partner, Nagashima, Ohno & Tsunematsu Outside Auditor, KOBAYASHI PHARMACEUTICAL CO., LTD.
Audit & Supervisory Board Member	Kyosuke Wagai	Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.

Members of the Nomination Committee:

Kiyoshi Sunohara, Hirofumi Kitayama, Tatsuya Nagakubo, Takatoshi Yamamoto

Members of the Compensation Committee:

Tatsuya Nagakubo, Tetsuro Higashi, Charles Ditmars Lake II

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(Notes)

1. Corporate Directors Hiroshi Inoue, Charles Ditmars Lake II and Michio Sasaki are Outside Directors.
2. Audit & Supervisory Board Members Takatoshi Yamamoto, Ryuji Sakai and Kyosuke Wagai are Outside Audit & Supervisory Board Members.
3. TEL established the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange, Inc., and appointed Hiroshi Inoue, Charles Ditmars Lake II and Michio Sasaki as independent Directors as well as Takatoshi Yamamoto and Kyosuke Wagai as independent Audit & Supervisory Board Members and provided notice to Tokyo Stock Exchange, Inc.
4. TEL has entered into agreements with Corporate Directors Hiroshi Inoue, Charles Ditmars Lake II and Michio Sasaki as well as with Audit & Supervisory Board Members Yoshiteru Harada, Yoshikazu Nunokawa, Takatoshi Yamamoto, Ryuji Sakai and Kyosuke Wagai to limit liability for damages of Article 423, Paragraph 1 of the Companies Act. The limit of liability under the said agreements is the minimum liability amount stipulated under Article 425, Paragraph 1 of the Companies Act, provided they carry out their responsibilities in good faith with no gross negligence.
5. Audit & Supervisory Board Member Yoshiteru Harada has led the Group's administrative division as Vice President and General Manager, and has ample experience in operations and management and considerable degree of knowledge in finance and accounting.
6. Audit & Supervisory Board Member Yoshikazu Nunokawa has led the Group's administrative division as Vice President and General Manager of the subsidiaries, and has ample experience in operations and management and considerable degree of knowledge in finance and accounting.
7. Audit & Supervisory Board Member Takatoshi Yamamoto is a chartered member of The Securities Analysts Association of Japan and has the appropriate level of knowledge relating to finance and accounting.
8. Audit & Supervisory Board Member Kyosuke Wagai has many years of experience as a Certified Public Accountant at an auditing firm and has also held positions including Executive Board Member of the Japanese Institute of Certified Public Accountants, and has the appropriate level of knowledge relating to finance and accounting.

(ii) Condition of Executive Officers

(As of March 31, 2019)

Name	Position & Responsibilities
Tetsuo Tsuneishi	Chairman of the Board
Toshiki Kawai	President & CEO, General Manager, Corporate Innovation Division
Hirofumi Kitayama	Executive Vice President, General Manager, Leader, Business Innovation Project Environment, Health & Safety, Quality, Procurement, Production Technology
Masami Akimoto	Executive Vice President, General Manager
Tetsuro Hori	Executive Vice President, General Manager, Special Mission Subleader, Business Innovation Project
Sadao Sasaki	Executive Vice President, General Manager, Development & Production 1st Division President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Tatsuya Nagakubo	Senior Vice President, General Manager, Human Resources, General Affairs, CSR Division General Manager, Legal, Compliance Division Internal Control Chairman of the Ethics Committee
Kiyoshi Sunohara	Senior Vice President, General Manager, Field Solutions Business Division Subleader, Business Innovation Project
Hideyuki Tsutsumi	Senior Vice President, General Manager, Corporate Marketing
Takeshi Okubo	Senior Vice President, General Manager, Global Sales Division
Barry Mayer	Senior Vice President, General Manager, Global Strategy
David Brough	Senior Vice President, General Manager, Global Strategy President and Managing Director, Tokyo Electron Europe Ltd.
Seisu Ikeda	Senior Vice President, General Manager, Account Sales Division
Kenji Washino	Senior Vice President, General Manager, Backend Process Business Division
Yoshinobu Mitano	Senior Vice President, General Manager, Semiconductor Production Equipment Business Division
Yoshifumi Tahara	Senior Vice President, General Manager, Development & Production 4th Division
Masaki Yoshizawa	VP & General Manager, Strategy
Hiroshi Kawamoto	VP & General Manager, Finance Division
Takeo Sasaki	VP & General Manager, Export & Logistics Control Division
Yutaka Nanasawa	VP & General Manager, IT Division President, TEL Solar Services AG
Keiichi Akiyama	VP & General Manager, Clean Track Surface Preparation System Business Unit
Isamu Wakui	VP & General Manager, Etching Systems Business Unit
Hiroshi Ishida	VP & General Manager, Thin Film Formation Business Unit
Tsuguhiko Matsuura	VP & General Manager, Flat Panel Display Business Division
Masayuki Kojima	VP & General Manager, Development & Production 2nd Division President and Representative Director, Tokyo Electron Miyagi Ltd.
Shinichi Hayashi	VP & General Manager, Development & Production 3rd Division Deputy General Manager, Corporate Innovation Division President and Representative Director, Tokyo Electron Kyushu Ltd.
Toshihiko Nishigaki	VP & General Manager, Corporate Marketing, Information Technology President, TEL FSI, Inc.
Shingo Tada	VP & Deputy General Manager, Account Sales Division
Masahiro Morita	VP & General Manager, Account Sales General Manager, Global Sales Division

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(iii) Amount of Compensation Summary to Corporate Directors and Audit & Supervisory Board Members

	Number of executives	Total compensation, etc.	Total compensation by type			
			Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation
				Cash bonus (Note 1)	Stock option (Stock-based compensation) (Note 2)	Performance share (Stock-based compensation)
	(persons)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)
Corporate Directors (excluding outside Directors) (Note 5)	10	5,015	582	2,216	2,216	(Note 3)
Outside Directors	3	85	30	55		
Directors total (Note 5)	13	5,100	612	2,271	2,216	(Note 3)
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	2	98	98			
Outside Audit & Supervisory Board Members	3	46	46			
Audit & Supervisory Board Members total	5	145	145			

(Reference)

Individual Compensation of Representative Directors during FY2019

Name and Position (Note 6)	Total compensation, etc.	Total compensation by type			
		Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation
			Cash bonus (Note 7)	Stock option (Stock-based compensation) (Note 8)	Performance share (Stock-based compensation)
	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)
Tetsuo Tsuneishi Chairman of the Board	731	81	325	325	(Note 3)
Toshiki Kawai Representative Director, President & CEO	925	102	411	411	(Note 3)

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(Notes)

1. The amount indicated is the amount of Director compensation that will be proposed at the 56th Annual General Meeting of Shareholders for fiscal year 2019 scheduled to be held on June 18, 2019.
2. The amount indicated is the amount equivalent to the expenses associated with the share subscription rights that will be proposed at the 56th Annual General Meeting of Shareholders for fiscal year 2019 scheduled to be held on June 18, 2019.
3. The payout rate of the medium-term performance-linked compensation varies between 0% and 150% according to performance goal achievement levels for the three-fiscal-year covered period. Therefore, as the compensation amount has not been determined for the fiscal year under review, it is not included in the total compensation in the above table. In accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No.30), 45 million yen is recorded as expense in the fiscal year under review.
4. TEL does not pay the employee portion of compensation other than the director compensation to Corporate Directors concurrently serving as Executive Officers.
5. In the above table, the persons to whom compensation for Corporate Directors (excluding outside Directors) are payable includes the number of Corporate Directors who retired from office at the close of the 55th Annual General Meeting of Shareholders held on June 19, 2018.
6. The table contains individual compensation for the fiscal year for the two Representative Directors as of the end of the fiscal year.
7. The table contains individual amount for each Representative Director, which are components of the amount of bonuses for Corporate Directors that will be proposed at the 56th Annual General Meeting of Shareholders scheduled to be held on June 18, 2019.
8. The table contains individual amount for each Representative Director, which are components of the amount equivalent to the amount of share subscription rights that will be proposed at the 56th Annual General Meeting of Shareholders scheduled to be held on June 18, 2019.

(iv) Details and Decision Methods of Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members

■ Basic policies on compensation

The TEL Group emphasizes following points with regard to basic policies on compensation for Corporate Directors and Audit & Supervisory Board Members:

1. Levels and plans for compensation to secure highly competent management personnel with global competitiveness
2. High linkage with business performance in the short term and medium-and-long term increase of corporate value aimed at sustainable growth
3. Securement of transparency and fairness in the decision process of compensation and appropriateness of compensation

■ Composition of compensation

Compensation for Corporate Directors (excluding outside Directors) consists of fixed basic compensation, annual performance-linked compensation, and medium-term performance-linked compensation as the table below.

Compensation for outside Directors consists only of fixed basic compensation and annual performance-linked compensation (cash bonuses). Audit & Supervisory Board Members' compensation consists only of a basic fixed compensation to maintain independence from management. Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors and Audit & Supervisory Board Members, was abolished in and after ended March 2006.

	1) Fixed basic compensation	2) Annual performance-linked compensation		3) Medium-term performance-linked compensation
		Cash bonuses	Stock option (Stock-based compensation)	Performance share (Stock-based compensation)
Corporate Directors (excluding outside Directors)	○	○	○	○
Outside Directors	○	○	—	—
Audit & Supervisory Board Members	○	—	—	—

■ Policies by compensation types and decision methods

1) Fixed basic compensation

Fixed basic compensation is set according to responsibilities, with reference to the standards of industry peers in Japan and overseas surveyed by external expert agencies. Fixed basic compensation for Corporate Directors is determined within the limit of total fixed basic compensation, which has been resolved at the Annual General Meeting of Shareholders. The Board of Directors discuss and decide the amount of compensation for Representative Directors based on the proposals by the Compensation Committee. The amount of compensation for Corporate Directors excluding Representative Directors was resolved to be decided by CEO.

The Audit & Supervisory Board Members' compensation is determined by discussion of the Audit & Supervisory Board within the limit of total fixed basic compensation, which has been resolved at the Annual General Meeting of Shareholders.

2) Annual performance-linked compensation

[Policy on the composition and the proportion of fixed basic compensation payout]

In principle, annual performance-linked compensation consists of a cash bonuses and stock options (stock-based compensation); the composition is roughly 1:1 for Corporate Directors. Stock option is awarded in the form of share subscription rights with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment. Annual performance-linked compensation is a profit-sharing type compensation paid every fiscal year, therefore no policy is in place for the payout proportion of fixed basic compensation.

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[Calculation indicators and reason for choosing the indicators]

As an incentive for Corporate Directors including Representative Directors toward corporate business performance, actual net income attributable to owners of parent is selected as the basis of calculation indicators, among profit indicators. In addition, actual consolidated ROE performance achieved during a fiscal year, which is an indicator to represent capital efficiency, is incorporated in the formula.

[Calculation method and decision method]

- Representative Directors

In calculating annual performance-linked compensation for Representative Directors, we have set a formula that uses net income attributable to owners of parent and a consolidated ROE as performance indicators. Based on that calculation, the Compensation Committee proposes to the Board of Directors an amount of compensation that reflects the performance evaluation of each Representative Director, and the Board of Directors determines the final amount of compensation based on the proposals.

- Corporate Directors other than Representative Directors

With regard to the amount of annual performance-linked compensation for Corporate Directors (excluding Representative Directors) that links to net income attributable to owners of parent and consolidated ROE, the Board of Directors delegates its decision to the CEO, who determines the amount of according to the responsibilities and performance of each Corporate Director.

3) Medium-term performance-linked compensation

[Policy on the composition and the proportion of fixed basic compensation payout]

Medium-term performance-linked compensation is a performance share (stock-based compensation) with the objective of sharing a shareholder perspective by holding Company shares and raising awareness towards enhancing corporate value. The number of Company shares awarded to Corporate Directors varies between 0% and 150% according to the position, responsibilities and performance goal achievement levels for the three-year covered period of each Corporate Director.

The proportion of fixed basic compensation and medium-term performance-linked compensation is 1:1 to 1:0.3, depending on positions and responsibilities, when the payout rate of medium-term performance-linked compensation is 100%.

[Calculation indicators and reason for choosing the indicators]

In order to properly link director compensation amounts on medium-term corporate value improvements, the calculation of medium-term performance-linked compensation uses consolidated operating margin as an indicator of profitability in evaluating the achievement of performance targets, and consolidated ROE as an indicator to represent capital efficiency.

[Calculation method and decision method]

(Formula for medium-term performance-linked compensation)

Share delivery point =

“Reference points (set according to positions) x 1/2 x consolidated operating margin attainment factor (*)”

+

“Reference points (set according to positions) x 1/2 x Level of factors in consolidated ROE attainment (*)”

- (*) Indicators to assess the degree of achievement of the performance goals for the target period (three fiscal years) is the three-year average of consolidated operating margin and consolidated ROE. The performance attainment factor fluctuates in the range of 0% to 150% depending on the target achievement level during the target period (three fiscal years).

The number of TEL shares to be issued to Corporate Directors is determined by allocating one TEL share per point and using the number of share delivery points calculated by the above formula; however, the number of shares to be issued per point will be adjusted when TEL executes a share split, allotment of share without contribution, share reverse split, etc.

Dates of the resolutions of general shareholders meetings regarding executive compensation and details of the resolutions

	Compensation type	Date of resolution of general shareholders meeting	Details of resolution
Corporate Directors	Fixed basic compensation	48th Annual General Meeting of Shareholders held on June 17, 2011	The total amount of fixed basic compensation for Corporate Directors shall be no more than 750 million yen per business year (including 30 million yen per business year for Outside Directors).
		56th Annual General Meeting of Shareholders to be held on June 18, 2019	To be proposed as the total amount of fixed basic compensation for Corporate Directors of no more than 750 million yen per business year (including 60 million yen per business year for Outside Directors).
	Annual performance-linked compensation	56th Annual General Meeting of Shareholders to be held on June 18, 2019	To be proposed as 2,271.5 million yen (including 55 million yen for Outside Directors) paid as the cash bonus portion of annual performance-linked compensation to Corporate Directors in office as of March 31, 2019.
		56th Annual General Meeting of Shareholders to be held on June 18, 2019	To be proposed as share subscription rights as stock option portion of annual performance-linked compensation of no more than 1,638.3 million yen and 1,158 (115,800 shares) annually to Corporate Directors (excluding outside Directors) (no more than 2,446 (244,600 shares) for retired Corporate Directors, executive officers and senior employees of TEL, as well as Directors, executive officers, and senior employees of subsidiaries).
	Medium-term performance-linked compensation	55th Annual General Meeting of Shareholders held on June 19, 2018	As medium-term performance-linked compensation for Corporate Directors (excluding Outside Directors), the Company shall contribute trust money up to a total of 480 million yen and 23,800 shares of the Company's share shall be delivered for each covered period of three fiscal years.
Audit & Supervisory Board Members	Fixed basic compensation	48th Annual General Meeting of Shareholders held on June 17, 2011	The maximum amount of Audit & Supervisory Board Member fixed basic compensation shall be 13 million yen per month (a maximum of 156 million yen annually).

■ Role of the Compensation Committee

In order to secure transparency and fairness in management and appropriateness of compensation through our compensation system, the Company has established the Compensation Committee, which is comprised of three or more Corporate Directors (excluding Representative Directors), including outside Director. The Compensation Committee utilizes advices from external specialists, performs an analysis of factors including wage levels compared to other high-tech companies in Japan and abroad, and proposes a policy for compensation for Corporate Directors and executive officers, a compensation system that is globally competitive and most suitable for the Group, and individual compensation amounts for the Representative Directors among other matters, to the Board of Directors.

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(v) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

a. Outside Director positions, Outside Audit & Supervisory Board Member and other significant positions held concurrently in other corporations or organizations and relationships of TEL with the relevant other corporations or organizations. (As of March 31, 2019)

Position in TEL	Name	Significant concurrent posts	Relationship with TEL
Outside Director	Charles Ditmars Lake II	Chairman and Representative Director, Aflac Life Insurance Japan Ltd. President, Aflac International Incorporated Outside Director, Japan Post Holdings, Co., Ltd.	No significant business relation
Outside Director	Michio Sasaki	Outside Director, ZUIKO CO., LTD. Outside Director, SHIFT, Inc.	No significant business relation
Outside Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Ryuji Sakai	Attorney-at-Law, Partner, Nagashima, Ohno & Tsunematsu Outside Auditor, KOBAYASHI PHARMACEUTICAL CO., LTD.	No significant business relation
Outside Audit & Supervisory Board Member	Kyosuke Wagai	Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.	No significant business relation

b. Main activities during the current fiscal year

Position in TEL	Name	Main activities
Outside Director	Hiroshi Inoue	Hiroshi Inoue attended 8 of the 10 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge as a business entrepreneur, made appropriate comments on proposals and other matters of deliberation.
Outside Director	Charles Ditmars Lake II	Charles Ditmars Lake II attended 9 of the 10 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge as a bridge of both corporate managements in Japan and U.S., made appropriate comments on proposals and other matters of deliberation.
Outside Director	Michio Sasaki	Michio Sasaki attended all 7 meetings of the Board of Directors held in the year following his assumption of office on June 19, 2018, and, drawing on his wealth of experience and knowledge in corporate management, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Takatoshi Yamamoto	Takatoshi Yamamoto attended all 10 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his wealth of experience and knowledge as a securities analyst for the electronics industry, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Ryuji Sakai	Ryuji Sakai attended all 10 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his specialist perspective as a lawyer, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Kyosuke Wagai	Kyosuke Wagai attended all 10 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his expertise as a certified public accountant, made appropriate comments on proposals and other matters of deliberation.

5. Condition of accounting auditor

(1) Name of accounting auditor

KPMG AZSA LLC

(2) Amount of Compensation Paid to Accounting Auditors

(million yen)

Classification	Current fiscal year	
	Compensation for audit certification work (Note 1)	Compensation for non-audit work (Note 2)
TEL	179	2
Subsidiaries of TEL	31	-
Total	210	2

(Notes)

- The audit agreement concluded by TEL and its accounting auditors does not distinguish between compensation to be paid for audits pursuant to the Companies Act of Japan, and that pursuant to the Financial Instruments and Exchange Law of Japan and these amounts cannot practically be separated, and as a result the amount indicated in the "Compensation for audit certification work" of the table above is the total of these two amounts.
- TEL pays its accounting auditors 2 million yen for an internal control development support service for IT systems as a service other than those defined in Article 2, Paragraph 1 of the Certified Public Accountants Act.
- Of TEL's main subsidiaries, the following subsidiaries undergo audits by certified public accountants or audit companies other than TEL's accounting auditors.
Tokyo Electron America, Inc.
Tokyo Electron Europe Ltd.
Tokyo Electron Korea Ltd.
Tokyo Electron Taiwan Ltd.
Tokyo Electron (Shanghai) Ltd.
Tokyo Electron Singapore Pte. Ltd.

(3) Reasons for consent of the Audit & Supervisory Board to compensation paid to accounting auditor

The Audit & Supervisory Board judged that the content of audit plan, previous audit performance as well as the basis of calculation of compensation estimate, etc. are appropriate, and gave consent to compensation paid to accounting auditors, as stipulated in Article 399, Paragraph 1 of the Companies Act.

(4) Policy Concerning Decisions to Dismiss or to Not Reappoint the Accounting Auditor

In the event the Company's accounting auditors fall under any of the situations stipulated in each item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board may dismiss the accounting auditors, in accordance with the consent of all Audit & Supervisory Board Members. In such case, an Audit & Supervisory Board Member designated by the Audit & Supervisory Board shall report the dismissal of the accounting auditors and the reason for it at the first General Meeting of Shareholders convened after the dismissal.

In addition to the above, if it is recognized that the accounting auditors are experiencing difficulty in conducting its audit in an adequate manner, the Audit & Supervisory Board may determine the content of proposal to be submitted to a General Shareholders' Meeting calling for the dismissal or non-reappointment of the accounting auditors. The Board of Directors, based on such a decision by the Audit & Supervisory Board, shall submit the proposal calling for the dismissal or non-reappointment of the accounting auditors to a General Shareholders' Meeting.

6. Corporate Structures and Policies

(1) Structures for ensuring the execution of duties by Directors comply with applicable laws and the Articles of Incorporation and other systems to ensure the proper performance of business

Content of resolutions relating to structures for ensuring the proper performance of business

The content of resolutions made by TEL at the Board of Directors Meeting and relating to basic policies on systems designed for the appropriate maintenance of operations is as follows:

Fundamental Policies concerning Internal Controls within the Tokyo Electron Group

1. Systems to ensure that actions by Directors and employees in the performance of their duties comply with applicable laws and the Articles of Incorporation
 - (i) The TEL Group Directors and employees are required to act in compliance with applicable laws and the Articles of Incorporation and with a high sense of ethics.
 - (ii) The TEL Group Directors and employees shall consider regulations concerning compliance structures, including Code of Ethics and Compliance Regulations, to guide their standard of conduct and shall put such standards into practice.
 - (iii) The Chief Business Ethics Director shall have as its mission ensuring compliance with corporate ethics and shall report periodically to the Board of Directors on the Ethics Committee and activities to ensure legal compliance.
 - (iv) The Internal Audit Dept., which shall be under the direct authority of the President, shall perform internal audits of actions taken in the performance of their duties. Such audits shall include checking on the existence of compliance violations.
 - (v) The Audit & Supervisory Board Members shall perform audits of the actions of Directors in the performance of their duties, and if any action that violates an applicable law or the Articles of Incorporation, or potential violation, is discovered, the Audit & Supervisory Board Members shall take necessary measures that include the provision of advice or reports to the Directors.
 - (vi) An internal reporting system (“hotline”) shall be operated and maintained as a measure for employees to directly provide information on any conduct that seems questionable with regard to legality. Confidentiality shall be maintained upon the request of the employee making a report, and it will be guaranteed that the employee will not be subject to any disadvantage.
 - (vii) We will establish a system to ensure the appropriateness and reliability of the Group’ s financial reporting, while periodically enhancing it and evaluating the effectiveness of its operations.
 - (viii) Based on our corporate stance of avoiding all contact with antisocial movements that might threaten the order and security of civil society, we categorically refuse all unreasonable demands and other forms of solicitation from such organizations.
2. Structures for the preservation / management of information and reports relating to actions taken by Directors in the performance of their duties
 - (i) Information relating to actions taken by Directors in the performance of their duties shall be recorded in writing or via electronic media and shall be preserved in accordance with the Document Management Regulations.
 - (ii) Documents, etc. relating to actions taken by Directors in the performance of their duties shall be maintained in a format that can be viewed immediately.
 - (iii) Accordance with the Affiliated Companies Management Regulations, each company of Group shall report periodically to TEL about its performance, financial situation and other significant information.
3. Regulations concerning management of the risk of loss and other structures
 - (i) Risk Management Regulations shall be formulated, the types of risks that should be managed shall be identified, and risk management systems clarified.
 - (ii) The department responsible for each risk specified in the above regulations shall be determined, group-wide risks shall be managed, and risk management structures shall be described in detail and implemented properly.
 - (iii) Efforts to develop preparedness for risks related to such events as earthquakes, in order to ensure the continuity of business, shall be continually promoted.
 - (iv) The responsible Directors shall report periodically to the Board of Directors concerning the status of major risks and measures taken to counter them.

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4. Structures to ensure the efficient performance of the duties of Directors
 - (i) The Board of Directors shall determine key items of the Group' s management including management policies and matters specified by law and shall oversee the status of the entire TEL Group' s implementation.
 - (ii) The Company shall take measures to have outside (independent) Directors join the Board to objectively ensure efficient decision-making by the Board of Directors.
 - (iii) The Board of Directors shall by resolution of the Board have the Representative Directors, Executive Directors, and Executive Officers carry out their respective duties.
 - (iv) The Company shall define the criteria of authority and decision-making accordance with the Regulations of the Board of Directors, Administrative Authority Regulations and Regulations for Authorization Chart, and shall have each company of Group establish the structure based on these regulations.

5. Structures to ensure the appropriateness of operations by the corporate group consisting of TEL and its subsidiaries
 - (i) Various regulations applicable to the entire group shall be prepared as necessary to ensure the proper and efficient performance of business activities as a corporate group.
 - (ii) The Audit & Supervisory Board Members shall establish a structure for cooperation with the Audit & Supervisory Board Members of other group companies to facilitate the effective and proper performance of supervision and audits of the TEL Group as a whole.
 - (iii) The Internal Audit Dept. shall perform audits of the appropriateness of the activities of the corporate group.

6. Matters relating to employees when the assignment of employees is necessary to assist in the performance of the Audit & Supervisory Board Member's duties and matters relating to the independence and effectiveness of such employees from Directors
 - (i) When the Audit & Supervisory Board Members request the assignment of employees to assist them in the performance of their duties, employees shall be assigned to the Audit & Supervisory Board Members.
 - (ii) Employees assigned to the Audit & Supervisory Board Members shall perform work duties in accordance with instructions from the Audit & Supervisory Board Members and these duties are given priority over other duties even the employees are combined with other departments.
 - (iii) To ensure the independence of the employees specified above, matters relating to personnel administration, such as appointment and dismissal, transfers, and performance evaluations, shall require the consent of a full-time Audit & Supervisory Board Members.

7. Structures for reports by Directors and employees to the Audit & Supervisory Board Members and for other reports to the Audit & Supervisory Board Members
 - (i) If a Director, Audit & Supervisory Board Members or employee of the TEL Group discovers any facts in violation of applicable laws or any matter that will have a material impact on TEL and the TEL Group, the Director, Audit & Supervisory Board Members or employee must immediately report to the Audit & Supervisory Board Members of TEL, and it will be guaranteed that reporter to the Audit & Supervisory Board Members will not be subject to any disadvantage.
 - (ii) The department in charge of internal reporting system of the TEL Group shall report periodically to the Audit & Supervisory Board Members of TEL about the status of internal reporting which were reported by the Director, Audit & Supervisory Board Members or employee of the TEL Group.
 - (iii) Each Audit & Supervisory Board Members shall attend key meetings and shall review significant documents submitted for approval, and when necessary request reports from Directors, responsible Executive Officers, and other departments.
 - (iv) Audit & Supervisory Board shall receive reports from the Internal Audit Dept. concerning the results of internal audits.

8. Other structures to ensure the effective implementation of audits by the Audit & Supervisory Board Members
 - (i) A forum for the periodic exchange of ideas and opinions among the Audit & Supervisory Board Members and Representative Directors shall be created with the objective of creating effective internal controls.

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- (ii) The Audit & Supervisory Board shall share information with the Accounting Auditors and the Internal Audit Dept. with the objective of creating effective internal controls.
- (iii) The Company shall take measures to have outside (independent) Audit & Supervisory Board Members join the Audit & Supervisory Board to objectively ensure the appropriateness of audits.
- (iv) The Audit & Supervisory Board may when necessary use the Company's funds for legal, accounting and other professionals to form independent opinions when performing audits.
- (v) When the Audit & Supervisory Board Members demand the expenses and others incurred in connection with performing audit to the Company, the Company shall incur such expenses and others unless they are not affiliated or necessary with performing audit.

(2) Outlines of operational status relating to structures for ensuring the proper performance of business

1. Compliance system

- (i) The Group promotes and ensure that employees and officers understand the importance of compliance thoroughly based on Code of Ethics of the TEL Group and Compliance Regulations.
- (ii) Compliance-related education and training are provided according to positions or otherwise as a compulsory program to all employees depending on the theme and topics. The topics of the compliance education and training include corporate ethics and compliance, export compliance, insider trading prevention, Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, and prevention of harassment.
- (iii) During the consolidated fiscal year under review, with the objective of bolstering compliance systems group-wide and at each group company, the TEL Group appointed staff in charge of compliance at major overseas sites, and developed an official reporting structure in which they directly report to staff in charge of the Legal and Compliance Function of TEL. They are working to implement measures to prevent, detect and respond to compliance issues.
- (iv) TEL has internal reporting systems in place for early detection and early response to matters which may violate laws, regulations, or principles of business ethics. We recognize that ensuring confidentiality and anonymity and preventing retaliation are important principles in the development and operation of the systems. Specifically, in Japan, we have set up internal-reporting contact offices and external contact points at law firms outside TEL for our employees, and a dedicated reporting line for our business partners. In addition, although an internal-reporting contact office has been set up and operated at each overseas site, we are in the process of consolidating them into a unified internal reporting system for overseas sites.

2. Risk management system

- (i) The TEL Group establishes the "Risk Management Regulations" and "Crisis Management Regulations," and assesses and analyzes the risks which could affect the Group. The Group performed periodic reviews of material risks which could affect the Group. The Group promotes necessary measures focusing on material risks and reports on risk management activities to the Board of Directors and the Audit & Supervisory Board Members on a regular basis with the aim of reducing risks.
- (ii) The TEL Group formulated its Business Continuity Plan at the headquarters to respond to risks including earthquakes. During the current consolidated fiscal year, the Group has continuously conducted seismic reinforcement construction for the Group's offices in Japan in order to ensure greater safety.

3. Management of the TEL Group companies' business

- (i) As for important decision making at the TEL Group companies, an approval is required by the Company based on the "Board of Directors Regulations" and the "Regulations for Authorization Chart."
- (ii) In accordance with the "Affiliated Companies Management Regulations," TEL receives monthly reports from its subsidiaries on business results carried out in line with business plans.

4. Performance of duties by Directors

TEL's Board of Directors determines important matters and oversees the execution of duties by the entire Group by receiving reports from Executive Directors including the CEO on the status of execution of their duties. Further, the Board of Directors appointed Representative Director, Executive Director and Executive Officers for the execution of their duties.

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5. Audit system by Audit & Supervisory Board Members

- (i) The Audit & Supervisory Board Members confirm the status of establishment and operations of internal control system by attending meetings of the Board of Directors and other key meetings such as the Top Management Conference or the ethics committee.
- (ii) The Audit & Supervisory Board Members share information and collaborate on a regular basis with the accounting auditors and the Audit & Supervisory Board Members of TEL Group companies, with aim of enhancing the effectiveness of audits. The Audit & Supervisory Board Members and the Audit & Supervisory Board Members of TEL's domestic subsidiaries receive reports from the Global Audit Center on a regular basis.

(3) Policy concerning decisions regarding the distribution of surplus earnings

TEL will use internal capital reserves effectively to raise corporate value through earnings growth and provide returns directly to shareholders by concentrating investment in high-growth areas and linking dividend payments to business performance.

Shareholder Return Policy

Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on net income attributable to owners of parent. However, the amount of annual dividend per share shall not be less than 150 yen. TEL will review our dividend policy if TEL does not generate net income for two consecutive fiscal years.

TEL will flexibly consider share buybacks.

With regard to year-end dividends for the current fiscal year, TEL will pay 345 yen per share, applying the aforementioned policy. Its payment date will be May 28, 2019. As a result, the annual dividend will be 758 yen per share, which includes an interim dividend of 413 yen.

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(Feature) Environmental, social, and governance (ESG) activities

The TEL Group's corporate philosophy is "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support." As a semiconductor production equipment and FPD production equipment leader, we believe our role is to contribute to the solving of societal problems through our business activities and to increase our corporate value over the medium- and long-term. In recent years, in a capital market, the environmental, social, and governance (ESG) factors having influence on evaluation of and investment in companies. We actively implement activities in the ESG fields based on the following activity themes. Furthermore, in order to carry out these activities in alignment with international frameworks, the TEL Group signed the U.N. Global Compact* in 2013 and began initiatives related in the U.N.'s sustainable development goals (SDGs) in 2016.

In the future, we will continue to reinforce our activities in the ESG fields through above initiatives, enhancing our corporate value over the medium- to long-term.

* Universal principles proposed by the United Nations in the areas of human rights, labor, the environment, and anti-corruption.

ESG field activity themes

The TEL Group has defined themes of activities for further increasing corporate value and achieving medium-term goals in ESG fields. These themes of activities and the summary are indicated below.

Theme	Summary
Environmental contributions to products, offices and society Environmental management	<ul style="list-style-type: none"> * Contribute to reduce environmental impact by innovation * Reduce environmental impact of product usage * Promote environmental management system based on ISO14001 * Define medium- to long-term environmental targets and implement global actions * Comply with related laws and regulations and implement environmental compliance
Human rights Diversity & Inclusion Work-life balance Career development Health and society Supply chain management	<ul style="list-style-type: none"> * Promote human rights-related measures based on human rights policy, a set of principles established by the Company for the respect of human rights * Introduce a globally common personnel system and strengthen competitiveness through hiring diverse human resources * Establish a sound supply chain based on mutual trust through requesting suppliers in the areas of materials, personnel and logistics to comply with the RBA* industry-based code of conducts
Corporate governance Compliance	<ul style="list-style-type: none"> * Adopt an Audit & Supervisory Board System, and carry out highly practical governance based on free and lively debate * Ensure the fairness, practicality, and transparency of management through proactive activity by Nomination Committee and Compensation Committee * Implement internal controls based on our Fundamental Policies concerning Internal Controls * Promote activities based on the Compliance Regulations and Code of Ethics and strengthen global compliance system

*Short for "Responsibility Business Alliance" which consists of companies around electronics industry and promotes to CSR in their supply chains. TEL joined in 2015.

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Environmental activities

Believing that it is crucial to conduct business activities with awareness for burdens to the global environment, the TEL Group has worked to reduce the CO2 emissions in its entire value chain, which includes material procurement, manufacturing, delivery, product usage, and disposal. To sustain our environmental initiatives, we have formulated environmental mid- to long-term targets.

With regard to products, we implement environmentally-friendly product design in order to reduce CO2 emissions in product usage such as by lowering product energy consumption. The TEL Group is also working to further reduce the use of energy, water, and chemical substance at its offices and plants as a whole.

The TEL Group will contribute to the creation of a decarbonized society on a global scale through its semiconductor and FPD manufacturing equipment business.

Social activities

The TEL Group aims to be replete with dreams and vitality where all employees are energized with hopes and expectations. To realize this goal, it has introduced a globally common personnel system, and has implemented it globally across the Group. We are also working to support the health promotion of our employees. During the fiscal year under review, TEL was recognized as a White 500 company under the 2019 Certified Health & Productivity Management Organization Recognition Program* conferred jointly by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi. In addition, we have formulated a Human Rights Policy that embodies our approach to human rights, and disseminated the contents of the Policy internally in order to deepen its understanding, while working to identify issues within the Group and conducting improvement activities. The TEL Group will continue to create a workplace where everyone can work comfortably with high motivation, irrespective of their gender, nationality, age, career and handicap. In addition to these activities, we also strive to build a sound supply chain based on mutual trust with suppliers that calls for compliance with industry codes of conduct, including respect for human rights.

* White 500 company under the 2019 Certified Health & Productivity Management Organization Recognition Program is a program that recognizes outstanding big firms practicing health-oriented business management, based on measures in line with the local health issues and health promotion initiatives promoted by the Nippon Kenko Kaigi.

Governance activities

In order to strengthen ESG activities and achieve sustainable growth, the TEL Group believes that it is important to create a highly effective governance system.

At the Board of Directors of TEL, inside Directors, independent outside Directors, and Audit & Supervisory Board Members alike actively share their opinions, creating vigorous debate within the Board of Directors.

In addition, we are working to further strengthen the global compliance management system. Specifically, in addition to utilizing internal reporting systems, persons responsible for compliance are appointed at each major overseas office, and an official reporting structure is developed in which they who are required to directly report to staff in charge of the Legal and Compliance Function of TEL, thereby creating a system capable of preventing, promptly detecting and responding to the occurrence of issues.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
ASSETS		
Current assets		
Cash and deposits	87,377	177,634
Trade notes and accounts receivable	159,570	146,971
Securities	286,500	215,000
Merchandise and finished goods	220,497	234,102
Work in process	75,504	62,785
Raw materials and supplies	48,069	57,331
Others	69,137	89,156
Allowance for doubtful accounts	(59)	(84)
Total current assets	946,597	982,897
Long-term assets		
Tangible fixed assets		
Buildings and structures	159,474	169,682
Accumulated depreciation	(103,229)	(103,692)
Buildings and structures, net	56,245	65,990
Machinery and carriers	109,064	122,206
Accumulated depreciation	(84,918)	(91,846)
Machinery and carriers, net	24,145	30,359
Land	28,030	26,849
Construction in progress	11,060	19,643
Others	29,868	31,623
Accumulated depreciation	(23,397)	(24,397)
Others, net	6,470	7,225
Total tangible fixed assets	125,952	150,069
Intangible fixed assets		
Others	15,882	9,054
Total intangible fixed assets	15,882	9,054
Investments and other assets		
Investment securities	33,128	27,853
Deferred tax assets	62,442	63,925
Net defined benefit assets	-	3,065
Others	20,215	22,189
Allowance for doubtful accounts	(1,422)	(1,426)
Total investments and other assets	114,364	115,607
Total long-term assets	256,199	274,730
Total assets	1,202,796	1,257,627

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	108,607	75,448
Income taxes payable	66,046	57,671
Customer advances	100,208	77,247
Accrued employees' bonuses	34,467	33,139
Accrued warranty expenses	11,284	14,097
Others	47,837	47,277
Total current liabilities	368,452	304,882
Long-term liabilities		
Net defined benefit liabilities	59,309	60,600
Others	3,525	4,027
Total long-term liabilities	62,834	64,628
Total liabilities	431,287	369,510
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	625,390	748,827
Treasury stock, at cost	(7,518)	(11,821)
Total shareholders' equity	750,843	869,977
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	17,134	13,024
Net deferred gains (losses) on hedging instruments	278	(34)
Foreign currency translation adjustments	5,507	4,366
Accumulated remeasurements of defined benefit plans	(6,618)	(6,585)
Total accumulated other comprehensive income (loss)	16,302	10,770
Share subscription rights	4,363	7,368
Total net assets	771,509	888,117
Total liabilities and net assets	1,202,796	1,257,627

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net sales	1,130,728	1,278,240
Cost of sales	655,695	752,057
Gross profit	475,032	526,183
Selling, general & administrative expenses		
Salaries and allowances	24,079	26,035
Research and development expenses	97,103	113,980
Others	72,677	75,595
Total selling, general and administrative expenses	193,860	215,612
Operating income	281,172	310,571
Non-operating income		
Dividend income	325	1,790
Foreign exchange gain	-	3,623
Others	2,433	5,941
Total non-operating income	2,758	11,354
Non-operating expenses		
Maintenance and operation costs of closed facilities	71	57
Foreign exchange loss	2,897	-
Others	224	206
Total non-operating expenses	3,193	263
Ordinary income	280,737	321,662
Unusual or infrequent profit		
Gain on sales of fixed assets	77	101
Gain on sales of investment securities	-	768
Total unusual or infrequent profit	77	870
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	487	967
Loss on impairment of fixed assets, goodwill and other assets	925	-
Loss on revision of retirement benefit plan	3,154	-
Others	1,004	56
Total unusual or infrequent loss	5,572	1,024
Income before income taxes	275,242	321,508
Provision for income taxes and enterprise taxes	83,434	72,478
Deferred income taxes	(12,591)	801
Total income taxes	70,842	73,280
Net income	204,399	248,228
Net income attributable to non-controlling interests	28	-
Net income attributable to owners of parent	204,371	248,228

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,011	625,390	(7,518)	750,843
Changes of items during the period					
Cash dividends			(124,754)		(124,754)
Net income attributable to owners of parent			248,228		248,228
Repurchase of treasury stock				(5,004)	(5,004)
Disposal of treasury stock			(36)	701	664
Net changes except for shareholders' equity					
Total changes of items during the period	-	-	123,437	(4,303)	119,133
Balance at end of period	54,961	78,011	748,827	(11,821)	869,977

	Accumulated other comprehensive income					Share subscription rights	Total net assets
	Net unrealized gains (losses) on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of period	17,134	278	5,507	(6,618)	16,302	4,363	771,509
Changes of items during the period							
Cash dividends							(124,754)
Net income attributable to owners of parent							248,228
Repurchase of treasury stock							(5,004)
Disposal of treasury stock							664
Net changes except for shareholders' equity	(4,109)	(313)	(1,141)	33	(5,531)	3,005	(2,526)
Total changes of items during the period	(4,109)	(313)	(1,141)	33	(5,531)	3,005	116,607
Balance at end of period	13,024	(34)	4,366	(6,585)	10,770	7,368	888,117

Consolidated Statements of Cash Flows

	(Millions of yen)	
	Year ended	Year ended
	March 31, 2018	March 31, 2019
Cash flows from operating activities		
Income before income taxes	275,242	321,508
Depreciation and amortization	20,619	24,323
Loss on impairment	925	-
Amortization of goodwill	600	354
Increase (decrease) in accrued warranty expenses	2,769	2,968
Interest and dividend revenue	(859)	(2,573)
Decrease (increase) in trade notes and accounts receivable	(25,971)	10,541
Decrease (increase) in inventories	(109,846)	(14,765)
Increase (decrease) in trade notes and accounts payable	28,535	(31,752)
Decrease (increase) in prepaid consumption tax	(13,896)	6,818
Increase (decrease) in accrued consumption tax	1,297	(2,845)
Increase (decrease) in customer advances	31,684	(22,077)
Others	24,136	(2,735)
Subtotal	235,238	289,766
Receipts from interest and dividends	1,115	2,738
Income taxes paid or refund (paid)	(49,771)	(102,932)
Net cash provided by operating activities	186,582	189,572
Cash flows from investing activities		
Payment for purchase of short-term investments	(131,000)	(209,500)
Proceeds from redemption of short-term investments	166,000	165,500
Payment for purchase of fixed assets	(41,750)	(46,517)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	10,754
Others	(5,082)	(4,270)
Net cash provided by (used in) investing activities	(11,833)	(84,033)
Cash flows from financing activities		
Payment for purchase of treasury stock	(16)	(5,004)
Dividends paid	(82,203)	(124,754)
Others	(329)	(3)
Net cash used in financing activities	(82,549)	(129,761)
Effect of exchange rate changes on cash and cash equivalents	1,312	(1,020)
Net increase (decrease) in cash and cash equivalents	93,511	(25,243)
Cash and cash equivalents at beginning of period	164,366	257,877
Cash and cash equivalents at end of period	257,877	232,634