

ISIN	JP3571400005
SEDOL	6895675
TSE	8035

June 1, 2020

NOTICE OF FISCAL YEAR 2020 (the 57th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 57th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Ltd. ("TEL") will be held on Tuesday, June 23, 2020, 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 57th 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: Determination of the Amount and Details of Stock-based Compensation to Outside Directors

There have been strong social demands to refrain from going out and assembling in groups in order to prevent the spread of COVID-19. In response to this situation, the Company has decided to hold this AGM after taking appropriate measures to prevent infection.

We give the top priority to the health and safety of our shareholders, and for this reason we ask that you refrain from attending the AGM in person as much as possible and that you exercise your voting rights in advance in writing or via the Internet. Please refer to the following Information Relating to Annual General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m. on Monday, June 22, 2020 (Japan standard time).

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 2020 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 22, 2020 (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 FY2020 (the 57th FY; from April 1, 2019 to March 31, 2020), 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 FY2020 (the 57th FY; from April 1, 2019 to March 31, 2020).

Proposal 1: Election of Eleven Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 11 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. Yoshikazu Nunokawa	Corporate Director Executive Vice President & General Manager
5	<Re-nominated> Mr. Tatsuya Nagakubo	Corporate Director Senior Vice President & General Manager
6	<Re-nominated> Mr. Kiyoshi Sunohara	Corporate Director Senior Vice President & General Manager
7	<Re-nominated> Mr. Seisu Ikeda	Corporate Director Senior Vice President & General Manager
8	<Re-nominated> Mr. Yoshinobu Mitano	Corporate Director Senior Vice President & General Manager

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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	<Re-nominated>	Ms. Makiko Eda	[Outside Director] [Independent Director]	Outside Director

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

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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>	<p><u>April 1976</u> Joined Tokyo Electron Ltd.</p> <p><u>June 1992</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>June 1996</u> Senior Managing Director, Tokyo Electron Ltd.</p> <p><u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Ltd.</p> <p><u>June 2015</u> Chairman of the Board, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Representative Director, Chairman of the Board</p> <p>(Significant concurrent posts) Corporate Director, Tokyo Electron Device Ltd.</p>	<p style="text-align: center;">14,158</p>
<p>[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.</p>			

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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	6,100
[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>	<p><u>April 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>October 2008</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd.</p> <p><u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron Tohoku Ltd.</p> <p><u>April 2011</u> President, Tokyo Electron Tohoku Ltd. (currently Tokyo Electron Technology Solutions Ltd.) (Present position)</p> <p><u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) Senior Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2016</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Executive Vice President & General Manager</p> <p>(Significant concurrent posts) President & Representative Director, Tokyo Electron Technology Solutions Ltd.</p>	8,000
<p>[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.</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
4	Mr. Yoshikazu Nunokawa (June 22, 1959) <Re-nominated>	<u>April 1982</u> Joined 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. <u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position) Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Executive Vice President & General Manager	7,309
[Reason for selection as Corporate Director nominee] Mr. Nunokawa has been involved in a wide range of fields in the Company 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 Group companies, as well as endeavoring to ensure sound and appropriate decision making on the Company's management as an Audit & Supervisory Board Member of the Company. 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.			

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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. 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, Senior Vice President & General Manager	6,590
[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.			

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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. 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	15,696
[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
7	<p>Mr. Seisu Ikeda (April 9, 1961)</p> <p><Re-nominated></p>	<p><u>April 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>October 2008</u> Vice President & General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>October 2009</u> General Manager, Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>April 2012</u> General Manager, Clean Track Business Unit, Tokyo Electron Ltd.</p> <p><u>July 2016</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) General Manager, Clean Track Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>January 2017</u> Deputy General Manager, Business Division and General Manager, Clean Track Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>July 2018</u> General Manager, Account Sales Division, Tokyo Electron Ltd. (Present position) General Manager, Account Sales, Tokyo Electron Ltd.</p> <p><u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p>	<p>4,127</p>
<p>[Reason for selection as Corporate Director nominee] Mr. Ikeda has been involved in management in multiple business units in the semiconductor production equipment business and has also worked for enhanced profit and share improvement, as well as strengthening relationship with customers as General Manager of the Account Sales Division, 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.</p>			

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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) <Re-nominated>	<u>April 1985</u> Joined 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) <u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Senior Vice President & General Manager	2,200
[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, 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
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 4 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	<p>Mr. Michio Sasaki (March 7, 1957)</p> <p><Re-nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>March 1982</u> Joined Lead Electric Co., Ltd. (currently KEYENCE CORPORATION)</p> <p><u>June 1999</u> Director and General Manager, APSULT (Application Sensor) Business Department and Business Promotion Department, KEYENCE CORPORATION</p> <p><u>December 2000</u> President and Director, KEYENCE CORPORATION</p> <p><u>December 2010</u> Director and Special Advisor, KEYENCE CORPORATION</p> <p><u>May 2017</u> Director, iROHA INC. Outside Director, ZUIKO CO., LTD. (Present position)</p> <p><u>June 2018</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>November 2018</u> Outside Director, SHIFT, Inc.</p> <p><u>November 2019</u> Outside Director (Audit & Supervisory Committee Member), SHIFT, Inc. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Outside Director, ZUIKO CO., LTD. Outside Director (Audit & Supervisory Committee Member), SHIFT, Inc.</p>	0
<p>[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 2 years as an outside director of the Company as of the end of this General Meeting.</p>			

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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	Ms. Makiko Eda (August 2, 1965) <Re-nominated> [Outside Director] [Independent Director]	<u>September 2000</u> Joined Intel Japan, K.K. <u>July 2005</u> General Manager, Marketing Headquarters, Intel Japan, K.K. <u>August 2010</u> Director, Intel Semiconductor Limited <u>October 2013</u> President and Representative Director, Intel Japan, K.K. and Vice President, Intel Corporation (Retired in March 2018) <u>April 2018</u> Chief Representative Officer, World Economic Forum Japan (Present position) <u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director (Significant concurrent posts) Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation	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 global and multifaceted perspective, we nominate her as an outside director. Note that she has served for 1 year as an outside director of the Company as of the end of this General Meeting.</p>			

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(Notes)

1. Each of the candidates has no special interest 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, Michio Sasaki and Makiko Eda meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 21 to 22) 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 meets the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" of the Company, because she retired from Intel Corporation in March 2018. The Company determined that there would be no conflict of interest with general shareholders, as an outside Director of the Company.

(3) Japan Post Holdings Co., Ltd., of which Charles Ditmars Lake II has been serving as Outside Director since June 2016, received a business improvement order pursuant to the Act on Japan Post Holdings Co., Ltd. from the Minister for Internal Affairs and Communications and a business improvement order pursuant to the Insurance Business Act from the Financial Services Agency in December 2019, on the grounds of findings that its subsidiaries, JAPAN POST INSURANCE Co., Ltd. and JAPAN POST Co., Ltd., were engaged in inappropriate solicitations of insurance products of JAPAN POST INSURANCE Co., Ltd., and that such solicitations were attributable to the institutional issues such as dysfunctional group governance and inadequate group compliance. Regarding this issue, Japan Post Group has announced that it is carrying out investigations into the cause of the problem by utilizing third party organizations, and adopting measures for preventing recurrence. Since his appointment as Outside Director of Japan Post Holdings Co., Ltd., Charles Ditmars Lake II has been providing the management with advice based on his personal insight, while engaging in supervision of its business execution, in the areas of management policies, business improvement, governance framework, and internal control, with a view to contributing to the sustainable growth of Japan Post Group and the enhancement of its corporate value over the medium- to long-term. He has been continuously striving to fulfill his duties as Outside Director even after the abovementioned incident became known.

(4) 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, Michio Sasaki and Makiko Eda, and will continue the contract if their reappointment is approved. 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 Directors perform their duties in good faith without gross negligence.

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 Ryuji Sakai will expire, and Takatoshi Yamamoto 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	<Newly nominated>	Mr. Masataka Hama	[Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	–
2	<Newly nominated>	Mr. Ryota Miura	[Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	–

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

Name		Present position in the Company*
Mr. Yoshiteru Harada		Audit & Supervisory Board Member
Mr. Kazushi Tahara		Audit & Supervisory Board Member
Mr. Kyosuke Wagai	[Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	Outside 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	<p>Mr. Masataka Hama (January 21, 1951)</p> <p><Newly nominated></p> <p>[Outside Audit & Supervisory Board Member]</p> <p>[Independent Audit & Supervisory Board Member]</p>	<p><u>April 1973</u> Joined the Industrial Bank of Japan, Limited</p> <p><u>June 1978</u> Completed MBA, Harvard Business School</p> <p><u>April 2001</u> Executive Officer and General Manager, London Branch, the Industrial Bank of Japan, Limited</p> <p><u>April 2002</u> Executive Officer and General Manager, Europe Corporate Banking Department No.2, Mizuho Corporate Bank, Ltd.</p> <p><u>April 2003</u> Senior Managing Director, DLIBJ ASSET MANAGEMENT CO., LTD. (currently Asset Management One Co., Ltd.)</p> <p><u>April 2008</u> Director and Vice President, DIAM Co., Ltd. (currently Asset Management One Co., Ltd.)</p> <p><u>April 2010</u> Senior Advisor, Schroder Investment Management (Japan) Limited</p> <p><u>September 2010</u> Senior Managing Director, Schroder Investment Management (Japan) Limited</p> <p><u>April 2012</u> Chairman and Director, Schroder Investment Management (Japan) Limited (Retired in December 2018)</p> <p><u>June 2019</u> Outside Director, Nissay Asset Management Corporation (Present position)</p> <p>(Significant concurrent posts) Outside Director, Nissay Asset Management Corporation</p>	0
<p>[Reason for selection as Outside Audit & Supervisory Board Member nominee] Mr. Hama has a wealth of experience in corporate management gained through years of wide-ranging experiences in the finance industry, along with adequate expertise in finance and accounting. We newly nominate him as an outside Audit & Supervisory Board Member with a view to utilizing his experience and insight while objectively ensuring the appropriateness of audits.</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. Ryota Miura (May 14, 1974) <Newly nominated> [Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	<u>April 2000</u> Registered as an attorney-at-law Joined Mori Sogo (currently Mori Hamada & Matsumoto) <u>January 2007</u> Partner, Mori Hamada & Matsumoto (Retired in October 2018) <u>January 2019</u> Established Miura & Partners Partner, Miura & Partners Legal Profession Corporation (Present position) (Significant concurrent posts) Partner, Miura & Partners Legal Profession Corporation Corporate Auditor, TECHMATRIX CORPORATION	0
[Reason for selection as Outside Audit & Supervisory Board Member nominee] Having served as Partner in a major law firm and currently working as Partner at Miura & Partners Legal Profession Corporation, Mr. Miura has a wealth of experience and expertise as an attorney primarily in the areas of corporate legal affairs. We newly nominate him as an outside Audit & Supervisory Board Member with a view to utilizing his experience and expertise while objectively ensuring the appropriateness of audits. Although Mr. Miura has never been engaged in corporate management except as outside Director and outside Audit & Supervisory Board Member, we believe that he can adequately fulfill duties as outside Audit & Supervisory Board Member based on the abovementioned reasons.			

(Notes)

1. Each of the candidates has no special interest in the Company.
2. The Audit & Supervisory Board has consented to this proposal.
3. The candidates for outside Audit & Supervisory Board Members are described below.
 - (1) Masataka Hama and Ryota Miura are candidates for outside Audit & Supervisory Board Members.
 - (2) 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. The Company plans to conclude such contract with Masataka Hama and Ryota Miura after their appointment as Audit & Supervisory Board Members upon approval of this proposal. 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.
 - (3) As Masataka Hama and Ryota Miura meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 21 to 22) established based on the requirements for Independent Standards set forth by Tokyo Stock Exchange Inc., TEL plans to notify the Tokyo Stock Exchange Inc. of their appointment as independent Audit & Supervisory Board Members. During the past three fiscal years, there was a business relationship between the Company and Miura & Partners Legal Profession Corporation, a law firm to which Ryota Miura belongs, with respect to some individual corporate legal affairs. However, the remuneration amount was less than 10 million yen and less than 1% of remuneration received by Miura & Partners Legal Profession Corporation, therefore insignificant. In addition, although Ryota Miura was affiliated with Mori Hamada & Matsumoto, there was no business relationship between Mori Hamada & Matsumoto and the Company during the past three fiscal years. Therefore, he 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 ordinary shareholders, as an Outside Audit & Supervisory Board Member of the Company.

[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 55 to 61 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 short-term performance and medium- to long-term enhancement of corporate value. The compensation of inside Directors comprises fixed basic compensation, annual performance-linked compensation, and medium-term performance-linked compensation. For outside Directors, it has been decided to newly introduce non-performance-linked stock-based compensation system (restricted stock units) as a compensation system more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, and to abolish the annual performance-linked compensation (cash bonuses). If Proposal 6 is approved, the compensation of outside Directors shall comprise fixed basic compensation and non-performance-linked compensation (stock-based 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	Non-performance-linked compensation
	Cash	Cash bonuses	Stock compensation-based stock option (Note 4)	Performance share (Stock-based compensation)	Restricted stock units (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 5)	-
Outside Directors	Approved at the 56th Annual General Meeting of Shareholders (Note 2)	Abolished from the 57th fiscal year	-	-	Proposal 6
Audit & Supervisory Board Members	Approved at the 48th Annual General Meeting of Shareholders (Note 3)	-	-	-	-

(Notes) 1 The limit of fixed basic compensation for Corporate Directors was resolved to be no more than 750 million yen per business year.

2 The limit of fixed basic compensation for outside Directors was resolved to be no more than 60 million yen per business year.

3 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).

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

5 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.

6 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 1,137.5 million yen for 8 Corporate Directors (excluding 3 outside Directors) as of the final day of the 57th 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 compensation-based stock option [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 compensation-based stock option of a total of not more than 1,137.5 million yen and a total of not more than 57,900 shares to 8 eligible Corporate Directors (excluding 3 outside Directors).
- We propose in Proposal 5 to grant share subscription rights as stock compensation-based stock option of a total of not more than 85,500 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 compensation-based 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.

Non-performance-linked compensation: stock-based compensation to outside Directors (restricted stock units) [Proposal 6]

- With the aim of creating a compensation system that is more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, we propose the introduction of non-performance-linked compensation to outside Directors as stock-based compensation (restricted stock units) for three fiscal years, totaling no more than 50 million yen and no more than 5,000 shares for each applicable period.

Proposal 3: Payment of Bonuses to Corporate Directors for the 57th Fiscal Year

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 57th fiscal year, the Company seeks shareholder approval to pay 1,137.5 million yen as the cash bonus portion of annual performance-linked compensation to 8 Corporate Directors in office (excluding 3 outside Directors) at the end of the 57th 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 57th 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 compensation-based stock option portion of annual performance-linked compensation to Corporate Directors.

Of annual performance-linked compensation, cash bonuses for Corporate Directors (excluding outside Directors) will be brought before the General Meeting of Shareholders as Proposal 3. Since stock compensation-based stock option 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 compensation-based stock option portion of annual performance-linked compensation of no more than 1,137.5 million yen annually to Corporate Directors (excluding outside Directors), in addition to Proposal 3. If Proposal 1 is approved as proposed, there will be 8 Corporate Directors (excluding 3 outside Directors) covered by this Proposal.

The amount of stock compensation-based stock option 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 compensation-based stock option, based on the financial results in the 57th fiscal year, 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 57,900 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

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a meeting of the Board of Directors.

(3) Aggregate number of subscription rights

Up to 579

(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 91.

The amount of stock compensation-based stock option 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 compensation-based stock option based on the consolidated performance for the 57th fiscal year, 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 57th fiscal year (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 57th 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 85,500 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 855

(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: Determination of the Amount and Details of Stock-based Compensation to Outside Directors

With regard to the compensation to outside Directors of the Company, the Company seeks shareholder approval to newly introduce a non-performance-linked stock-based compensation system involving no linkage between the number of Company shares to be delivered and business performance (hereinafter the “System”). With the introduction of the System, the annual performance-linked compensation (cash bonuses) to outside Directors, which has been paid previously, shall be abolished from the 57th fiscal year onwards.

This proposal seeks shareholder approval to provide stock-based compensation to outside Directors, in addition to the maximum amount of fixed compensation to outside Directors (60 million yen per fiscal year) as approved at the 56th Annual General Meeting of Shareholders. The number of outside Directors of the Company applicable under the System shall be three (3) at the conclusion of this General Meeting of Shareholders, subject to the resolution to approve Proposal 1: Election of Eleven Corporate Directors as proposed.

1. Reasons for the proposal as well as the reasons that this compensation is deemed appropriate

The Company has expected its outside Directors to promote sustainable growth of the Company and contribute to the enhancement of its corporate value over the medium- to long-term, in addition to supervision of management. As this expectation is in line with Principle 4-7 of the Corporate Governance Code, the Company has been providing annual performance-linked compensation within a reasonable range from this perspective. On this occasion, however, with a view to further motivating outside Directors to contribute to the enhancement of corporate value over the medium- to long-term, and to further promote the sharing of interests with shareholders, the Company proposes to abolish annual performance-linked compensation and introduce a non-performance-linked stock-based compensation system. Under the System, the number of Company shares to be delivered shall not be linked to business performance, and deliveries shall be made after the applicable period of three fiscal years have passed, with the intention to further motivate outside Directors to contribute to the enhancement of corporate value over the medium- to long-term, while further strengthening the sharing of interests with shareholders over the medium- to long-term.

In examining the introduction of the System, a series of discussions were held by the Board of Directors, after holding a series of discussions by the Compensation Committee chaired by an Independent Outside Director, inviting an external expert (Willis Towers Watson) for the purpose of ensuring transparency and fairness of the process to determine compensation. During this process, the Company also had exchange of opinions on this issue with investors. The standard of compensation under the System was deliberated by inside Directors only from the perspective of conflicts of interest, while referencing the market data, opinions, etc. provided by the external expert. The Directors have reached the conclusion that the balance between cash compensation and stock-based compensation is appropriate.

2. The amount and details of compensation under the System

(1) Outline of the System

The System is a stock-based compensation system whereby a trust acquires Company shares using the non-performance-linked compensation amount to outside Directors contributed by the Company as funds, and some of the acquired Company shares as well as cash equivalent to the amount of cash proceeds from the realization of the rest of the Company shares (hereinafter the “Company shares, etc.”) are delivered or paid (hereinafter the “Delivery, etc.”) to outside Directors. (Details of the System is described in (2) below and the paragraphs that follow.)

1) Persons eligible for the Delivery, etc. of the Company shares, etc. within the scope of this proposal	- Outside Directors of the Company
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2) Impact of the Company shares used for this proposal on the total number of the Company shares outstanding	
Maximum funds to be contributed by the Company for the purpose of acquiring the Company shares used for the Delivery, etc. to outside Directors (as described in (2) below.)	<p>- 50 million yen for each applicable period of three fiscal years* (The initial applicable period shall be three fiscal years from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2023)</p> <p>* However, in order to separately provide stock-based compensation as a transitional measure from the annual performance-linked compensation, which will be abolished with the introduction of the System, during the initial applicable period, the maximum funds to be contributed by the Company shall be 60 million yen.</p> <p>- For each fiscal year, the Trust with a trust period of approximately three years shall be created.</p> <p>- Given that one Trust shall be created in each fiscal year for outside Directors of the Company, as many as three Trusts can exist simultaneously if one Trust is created in each fiscal year.</p>
The method for acquiring the Company shares (as described in (2) below) and the maximum number of the Company shares, etc. for the Delivery, etc. to outside Directors (as described in (3) below.)	<p>- 5,000 shares for each applicable period* (The initial applicable period shall be three fiscal years from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2023)</p> <p>* However, in order to separately provide stock-based compensation as a transitional measure from the annual performance-linked compensation, which will be abolished with the introduction of the System, during the initial applicable period, the maximum number of the Company shares, etc. for the Delivery, etc. to outside Directors shall be 6,000 shares.</p> <p>- Its ratio against the total number of the Company shares outstanding (as of March 31, 2020, excluding treasury stock) shall be approximately 0.003%.</p> <p>- The Trust is scheduled to acquire the Company shares either from the Company or from the stock market.</p>
3) The timing of the Delivery, etc. of the Company shares, etc. to outside Directors (as described in (4) below.)	<p>- After the expiration of the applicable period (three fiscal years)</p>

(2) Maximum funds to be contributed by the Company

Applicable period under the System shall be three consecutive fiscal years (hereinafter the “Applicable Period”), and the initial Applicable Period shall be three fiscal years from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2023.

As compensation to outside Directors, the Company shall contribute a trust fund not exceeding 50 million yen for each Applicable Period, thereby creating a trust (hereinafter the “Trust”) covering the period equivalent to the Applicable Period for the benefit of outside Directors who meet the beneficiary requirements. However, in order to separately provide stock-based compensation instead of Directors’ bonuses for the 57th fiscal year as a transitional measure from the annual performance-linked compensation, which will be abolished with the introduction of the System, during the initial applicable period, the maximum funds to be contributed by the Company shall be 60 million yen. The maximum amount of this trust funding is calculated by adding the trust fees and expenses to the funds for acquiring shares. The Trust shall, in accordance with the instructions of the trust administrator, acquire the Company shares either from the Company or from the stock market, using the funds trusted. The Company shall grant points (as defined in (3) below) to outside Directors during the Applicable Period, which shall be followed by the Delivery, etc. of the Company shares, etc. equivalent to the number of points granted during a certain pre-determined period from the Trust.

In addition, the Company may, after the expiration of the fiscal year ending March 31, 2021, grant

stock-based compensation to outside Directors under the System, by creating a new Trust with a trust period of approximately three years during each fiscal year. In such case, three fiscal years after the creation of each new Trust shall be defined as the Applicable Period, and the Company shall contribute a trust fund not exceeding 50 million yen for each Applicable Period, while granting points and Delivering, etc. the Company shares, etc. to outside Directors during the trust period.

The Company may, at the maturity of the trust period of the Trust, renew the Trust instead of creating a new Trust, by amending the trust agreement and contributing additional funds to the Trust. In such case, the trust period of the Trust shall be extended for another three years, and the Company shall make additional contribution not exceeding 50 million yen for each extended trust period. However, when making such additional contribution, if the Company shares (excluding the Company shares, etc. corresponding to the points granted to outside Directors, for which the Delivery, etc. is yet to be executed) and cash are remaining in the trust assets as at the end of the trust period prior to the extension (hereinafter the "Residual Shares, etc."), the total amount of the Residual Shares, etc. and the amount of additional contribution by the Company shall not exceed 50 million yen.

(3) Method for calculating the number of the Company shares, etc. for Delivery, etc. to outside Directors and its upper limit

The number of the Company shares, etc. for Delivery, etc. to outside Directors shall be commensurate with the number of share delivery points (*) granted during each Applicable Period, where one point corresponds to one Company share. In the event of an increase or decrease in the number of the Company shares held in the Trust, due to share split, allotment of shares without compensation, or share consolidation, etc., the Company shall adjust the number of the Company shares, etc. for Delivery, etc. for each point as well as its upper limit, in proportion to such increase or decrease.

- (*) Share delivery points shall be calculated by dividing the pre-determined standard amount by the share price at which the Trust acquired the Company shares (the average per share price of the Company shares acquired by the Trust after the extension, if the trust period of the Trust has been extended by amending the trust agreement and adding funding)

The upper limit of the number of the Company shares, etc. for Delivery, etc. to outside Directors shall be 5,000 shares for each Applicable Period. Such upper limit shall be established in view of the share price trends and in consideration of the maximum trust funding contributed by the Company as described in (2) above. However, in order to separately provide stock-based compensation instead of Directors' bonuses for the 57th fiscal year as a transitional measure from the annual performance-linked compensation, which will be abolished with the introduction of the System, the maximum number of the Company shares, etc. for the Delivery, etc. to outside Directors shall be 6,000 shares.

(4) Timing and method of Delivery, etc. of the Company shares, etc. to outside Directors

The Delivery, etc. of the Company shares, etc. shall be made after the expiration of the Applicable Period or death in such event prior to the expiration of the Applicable Period).

After the expiration of the Applicable Period (or at the time of his/her retirement or death in such event prior to the expiration of the Applicable Period), an outside Director of the Company shall be entitled to receive Delivery, etc. of the Company shares, etc. corresponding to the number of share delivery points from the Trust, subject to the pre-determined procedure for establishing beneficiary right, and on condition that he/she meets the following beneficiary requirements.

- 1) The recipient is in service as an officer eligible under the System in the first year of the Applicable Period
- 2) The number of the share delivery points have been determined as described in (3) above.
- 3) The recipient has neither committed certain wrongful conduct while in service, nor has been dismissed from the Company.
- 4) Other requirements deemed necessary for achieving the purpose of a share delivery system

An outside Director who meets the aforementioned beneficiary requirements shall receive the delivery of the number of the Company shares (where fractional shares shall be rounded down), corresponding to a certain portion of the share delivery points granted, along with the payment of cash proceeds from the realization of the Company shares corresponding to the remaining portion of the points. However, in principle, if the outside Director does not have a securities account, etc. that handles Japanese stocks, all of the share delivery points will be converted into cash within the Trust and a cash payment equivalent to the amount of the proceeds will be made. In the event of death of an

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outside Director before the expiration of the Applicable Period, the heir to the outside Director shall receive the payment of cash proceeds from the realization of the Company shares corresponding to the share delivery points the deceased has been granted by the time of death.

(5) Voting rights of the Company shares held in the Trust

As for the Company shares held in the Trust, no voting rights shall be exercised during the trust period with a view to ensuring the neutrality of the Trust with respect to the management.

(6) Handling of the dividend of surplus paid for the Company shares held in the Trust

Dividend of surplus in relation to the Company shares held in the Trust shall be received by the Trust, and allocated towards the trust fee and expenses for the Trust. Any residue remaining at the termination of the Trust after such allocation shall be donated to organizations in which neither the Company nor outside Directors of the Company have any interest.

(7) Other matters concerning the System

Other matters concerning the System shall be decided by the Board of Directors at each time of the creation of the Trust, amendments to the trust agreement, and additional funding to the Trust.

57th FY Business Report (From April 1, 2019 to March 31, 2020)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

During the fiscal year under review, the global economy, particularly in the U.S., was generally robust. However, the future is becoming increasingly uncertain due to the spread of the novel coronavirus (COVID-19).

In the electronics industry, where the Tokyo Electron (TEL) Group operates, investment in memory for data centers is beginning to recover, and demand for high-performance processors in anticipation of the full-scale popularization of smartphones compliant with the next-generation communication standard (5G), is increasing, the market for semiconductor production equipment has returned to a growth trajectory. Although it will be necessary to continue to monitor the impact of COVID-19, the market for semiconductor production equipment is expected to continue to grow

In this environment, with respect to the consolidated business results for the fiscal year under review, net sales for the fiscal year decreased 11.8% from the previous fiscal year to 1,127,286 million yen; operating income decreased 23.6% to 237,292 million yen; ordinary income decreased 23.8% to 244,979 million yen, and net income attributable to owners of the parent was 185,206 million yen, a year-on-year decrease of 25.4%.

(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

Capital investment in semiconductors for logic/foundries was active and solid with the transition to the latest generation. The semiconductor production equipment market was also robust as NAND flash memory and DRAM began to recover after a temporary adjustment phase, with their supply-demand balance showing improvement in the second half of the fiscal year. Consequently, net sales to external customers in this segment during the fiscal year under review were 1,060,997 million yen (year-on-year decline of 9.1%).

Major products

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

(ii) FPD (Flat Panel Display) Production Equipment

Although capital investment in large-sized LCD panels for televisions continued, capital investment in small to medium-sized OLED panels for mobile devices has been in a temporary adjustment phase with some adjustments in investment. However, we expect it to trend towards recovery. Consequently, net sales to external customers in this segment during the fiscal year under review were 66,092 million yen (year-on-year decline of 40.6%).

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 54,666 million yen in tangible fixed assets. The main capital investments were as indicated below.

- 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.
- Continued construction of new production buildings at the Fujii 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, etc., which began in the 56th fiscal year, with an aim to begin operations during the 58th fiscal year.
- Completed construction of an office in Pyeongtaek City, Gyeonggi-Do, South Korea in November 2019 for the purpose of strengthening 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

The spread of the Internet of things (IoT), next-generation communication standard (5G), and artificial intelligence (AI) have accelerated the transition to the era of big data. In addition, the volume of data communication is growing around the world recently due to the active use of working from home, online classes, and telemedicine. The era of big data will require not only a large amount of diverse semiconductors, but also semiconductors with even higher performance. The demands and applications for semiconductor technology innovation, such as high capacity, high speed, high reliability, and low power consumption, will continue to expand. It has been approximately 70 years since the birth of transistors, and while the semiconductor device market was a big market in 2018 with a scale of 468.8 billion dollars, it is projected to exceed 1 trillion dollars in 2030. As the transition to a data society accelerates, semiconductors will play a central role as an essential of the fourth industrial revolution. In the same manner as semiconductors, applications for flat panel displays are also expanding, not only

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because of the advances in design, but also because of larger sizes, higher resolution, and thinner, more flexible shapes in response to changes in materials.

Technological innovation in semiconductors and flat panel displays is not expected to stop, and the markets for both businesses the TEL Group participates in are expected to further expand as innovation becomes more and more important for the development of a dream-inspiring society.

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

We have formulated a Medium-Term Management Plan in May 2019 in light of the future growth potential described above. The Plan establishes a financial model to be aimed for that shows the relationship between net sales, operating margin, and return on equity (ROE) by market size over the next five years, with net sales of 2 trillion yen, an operating margin of 30% or more, and ROE of 30% or more as the core targets. In order to achieve these targets, the TEL Group will continuously pursue the best products and best services as a manufacturer.

- 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.
- In order to maintain and improve our world-leading technological innovation capabilities, we will invest approximately 400 billion yen in R&D over the three years, as announced in our Medium-Term Management Plan. We will continue to make aggressive investments that take advantage of our strong financial foundation, with an eye on future growth.
- In the service field, based on the more than 72,000 units of semiconductor and FPD production equipment that we have shipped to date, the largest number in the industry, we will strive to expand earnings in aftermarket services by providing advanced field solutions, such as parts sales, equipment upgrades and modifications, improved equipment utilization rates, and yield improvement for devices produced by customers. We will also focus on establishing highly efficient, high-value-added services such as smart customer support including remote maintenance and predictive maintenance through the use of equipment operation data and AI, in preparation for equipment support that will soon exceed 100,000 units.

■ Initiatives on Human Resources

Based on the belief that “people and employees are the source of value creation for corporate growth,” we strive to maintain and improve TEL's dreams and vitality by emphasizing employee motivation and engagement with TEL, through the establishment of medium-term goals that inspire expectations and dreams for TEL's future, various activities and career opportunities associated with investment in growth to achieve these goals, competitive and fair compensation commensurate with results, and proactive dialogue between employees and management.

Valuing the motivation and self-development of its employees, TEL provides a variety of educational opportunities for skill development as well as provides an environment that allows its employees to achieve their full potential in their work by placing the right people in the right places and conducting fair skill evaluations. In addition, we have introduced a common global personnel system in an aim to become a company with dreams and vitality where employees thrive. Furthermore, we regularly conduct engagement surveys to enhance employee satisfaction and motivation. In January of this year, we were ranked first in the precision instrument industry in a “ranking of companies that are rewarding to work for” (*) released by an external organization.

Moreover, we are fostering succession candidates based on the TEL Succession Plan, in order to develop the next generation of management executives who will support TEL's sustainable growth. The Nomination Committee analyzes and scrutinizes the development of the candidates and reports to the Board of Directors, which then oversees the proper implementation of the successor candidate development plan.

(*) Released by Globalway, Inc. in January 2020

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■ 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 performance, 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, we have established specific medium-term environmental targets for 2030. The targets aim for a 30% reduction in CO₂ emissions per wafer compared to the 2013 level with regards to our products, and a 20% reduction in total CO₂ emissions at the Company's each business site compared to the 2018 level. For example, reducing the size of equipment directly leads to a reduction in CO₂ emissions, reducing CO₂ emissions per wafer by improving energy efficiency through space savings in the mass production lines of our customers, in addition to improving the efficiency of logistics, such as trucking, air transport, and packaging, as well as the efficiency of manufacturing and warehouse spaces at factories of the Company's business sites. The entire TEL Group is actively working to reduce the environmental impact through these business activities, in order to develop a sustainable and prosperous society.

Recently, the world has been working on various measures to overcome the threat of COVID-19. Under these circumstances, TEL will continue to contribute to the development of a dream-inspiring society by continuously providing cutting-edge semiconductor manufacturing technologies and reliable services, based on the recognition that semiconductors play an important role in areas such as communications and medicine.

(v) Capital Policy

The TEL Group's capital policy is based on securing the funds necessary for investment in growth, continuing to make proactive efforts to return profits to shareholders, and striving for appropriate balance sheet management from a medium- to long-term growth perspective. 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 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. Based on this policy, we paid an annual dividend of 588 yen and repurchased approximately 150 billion yen of our own shares in the fiscal year under review.

By achieving the Medium-Term Management Plan through the various initiatives described above and pursuing further sustainable growth and improvements in corporate value, the TEL Group will aim to realize its corporate philosophy that 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 company that is indispensable to the world.

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	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; From April 1, 2018 to March 31, 2019)	FY2020 (57th FY; current fiscal year) (From April 1, 2019 to March 31, 2020)
Net sales (million yen)	799,719	1,130,728	1,278,240	1,127,286
Operating income (million yen)	155,697	281,172	310,571	237,292
Operating Margin (%)	19.5	24.9	24.3	21.0
Ordinary income (million yen)	157,549	280,737	321,662	244,979
Net income attributable to owners of parent (million yen)	115,208	204,371	248,228	185,206
Net income per share (yen)	702.26	1,245.48	1,513.58	1,170.57
Total assets (million yen)	957,447	1,202,796	1,257,627	1,278,495
Net assets (million yen)	645,999	771,509	888,117	829,692
ROE (%)	19.1	29.0	30.1	21.8

(Notes)

- 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.
- In the 56th consolidated fiscal year, sales in the semiconductor production equipment business, our key line of business, remained strong resulting in increased revenue and profit, with market expansion driven by active capital expenditures associated with smartphones and data centers.
- The business performance and property of the TEL Group for the 57th 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 the 56th consolidated 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, 2020)

Company	Office location	Capital fund	Investment ratio (Indirect investment ratio)	Main business
Tokyo Electron Technology Solutions Ltd.	(Headquarters Office) Yamanashi (Tohoku Regional Office) Iwate	4,000 million yen	(%) 100.00	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Kyushu Ltd.	Kumamoto	2,000 million yen	100.00	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Miyagi Ltd.	Miyagi	500 million yen	100.00	Manufacture and development of Semiconductor production equipment
Tokyo Electron FE Ltd.	Tokyo	100 million yen	100.00	Maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron America, Inc.	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.	U.K.	17 million euros	100.00	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Korea Ltd.	Korea	6,000 million won	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Taiwan Ltd.	Taiwan	200 million NT dollars	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron (Shanghai) Ltd.	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 29.

(7) Important Business Mergers

On January 1, 2020, U.S. subsidiary TEL FSI, Inc. and another U.S. subsidiary TEL Epion Inc. conducted an absorption-type merger in which the former was the surviving company while the latter was the absorbed company, whereby the surviving company's name was changed to TEL Manufacturing and Engineering of America, Inc.

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(8) Employees at TEL and in the TEL Group (As of March 31, 2020)

(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	10,887	960
FPD production equipment	677	54
Other	347	(9)
Common to all companies	1,926	90
Total	13,837	1,095

(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
1,588	94	44.4	17.9

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

(9) Major lenders (As of March 31, 2020)

There is no relevant item.

(10) Major offices of the TEL Group (As of March 31, 2020)

(i) Tokyo Electron Ltd.

Name	Location
World Headquarters	Tokyo
Fuchu Technology Center	Tokyo
Osaka Branch Office	Osaka
Kyushu Branch Office	Kumamoto
Yamanashi Regional Office	Yamanashi
Sapporo Regional Office	Hokkaido

(Note) The Company renamed the Kyushu Sales Office to the Kyushu Branch Office as of August 1, 2019.

(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, 2020)

- (i) Total number of shares authorized to be issued 300,000,000
 (ii) Total number of issued shares 157,210,911
 (Note) There was a decrease of 8,000,000 shares compared to the end of the previous fiscal year due to the cancellation of treasury stock on February 28, 2020.
 (iii) Number of shareholders 30,348
 (iv) Major shareholders

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan Limited (trust account)	31,397	20.12
Japan Trustee Services Bank Limited (trust account)	14,888	9.54
JP Morgan Chase Bank 385632	8,712	5.58
Tokyo Broadcasting System Holdings, Inc.	5,991	3.84
Japan Trustee Services Bank Limited (trust account 7)	4,145	2.65
Trust & Custody Services Bank, Limited (securities investment trust account)	3,049	1.95
Japan Trustee Services Bank Limited (trust account 4)	2,902	1.86
SSBTC Client Omnibus Account	2,628	1.68
JP Morgan Chase Bank 385151	2,599	1.66
Japan Trustee Services Bank Limited (trust account 5)	2,584	1.65

(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 (1,213,526 shares). Figures are rounded down to the second decimal place. Treasury stock is exclusive of the Company shares (472,030 shares) owned by the Executive compensation Board Incentive Plan (BIP) trust account and the share-delivering Employee Stock Ownership Plan (ESOP).
- While the following large shareholding reports (including change reports) are available for public inspection, the Company has not included in the table above any shareholding whose actual ownership cannot be confirmed as of March 31, 2020.

Large shareholder	Document submitted	Submission date	Number of shares held (thousands of shares)
Nomura Securities Co., Ltd. and 2 other companies	Change reports	November 22, 2018	15,421 as of November 15, 2018
MUFG Bank, Ltd. and 3 other companies	Change reports	April 15, 2019	14,191 as of April 8, 2019
Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 other company	Change reports	December 20, 2018	13,524 as of December 14, 2018
Capital Research & Management Company and 1 other company	Change reports	November 8, 2019	10,428 as of October 31, 2019
BlackRock Japan Co., Ltd. and 6 other companies	Change reports	February 4, 2016	10,252 as of January 29, 2016
Asset Management One Co., Ltd.	Large shareholding reports	March 23, 2018	8,735 as of March 15, 2018

(v) Important matters concerning treasury stock

1) Acquisition of treasury stock

The Company acquired treasury stock as follows based on the resolution of the meeting of the Board of Directors held on May 27, 2019.

Type and number of shares acquired: 8,392,000 common shares of the Company

Total amount of acquisition: 149,999,373,492 yen

Period in which acquisition was carried out: From May 28, 2019 to December 31, 2019

2) Cancellation of treasury stock

The Company cancelled treasury stock as follows based on the resolution of the meeting of the Board of Directors held on January 30, 2020.

Type and number of shares cancelled: 8,000,000 common shares of the Company

Total amount of cancellation: 133,922,855,163 yen

Date of cancellation: February 28, 2020

(vi) Other important matters concerning shares

- 1) 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, 2020, the number of TEL's shares held by the Executive compensation BIP trust account is 60,538.

- 2) 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, 2020, the number of TEL's shares held by the share-delivering ESOP trust account is 411,492.

3. Matters concerning Share Subscription Rights

(i) Status of share subscription rights as of the end of the fiscal year

	9th share subscription rights	10th share subscription rights
Allocation date	June 18, 2011	June 23, 2012
Allocation number of share subscription rights	2,342 units	1,307 units
Balance at end of fiscal year	134 units	125 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	10 units (1 person)	31 units (2 persons)
Ownership by outside Directors of TEL	0 units (0 persons)	0 units (0 persons)
Ownership by Audit & Supervisory Board Members of TEL	0 units (0 persons)	29 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 13,400 shares	Common stock of TEL 12,500 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, 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.	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.

	11th share subscription rights	12th share subscription rights
Allocation date	June 20, 2015	June 18, 2016
Allocation number of share subscription rights	1,357 units	1,944 units
Balance at end of fiscal year	357 units	674 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	98 units (2 persons)	212 units (5 persons)
Ownership by outside Directors of TEL	0 units (0 persons)	0 units (0 persons)
Ownership by Audit & Supervisory Board Members of TEL	63 units (2 persons)	18 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 35,700 shares	Common stock of TEL 67,400 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 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.	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.

	13th share subscription rights	14th share subscription rights
Allocation date	June 21, 2017	June 20, 2018
Allocation number of share subscription rights	1,447 units	2,199 units
Balance at end of fiscal year	1,447 units	2,199 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	463 units (8 persons)	619 units (7 persons)
Ownership by outside Directors of TEL	0 units (0 persons)	0 units (0 persons)
Ownership by Audit & Supervisory Board Members of TEL	15 units (1 person)	18 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 144,700 shares	Common stock of TEL 219,900 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, 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.	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.

	15th share subscription rights
Allocation date	June 19, 2019
Allocation number of share subscription rights	3,604 units
Balance at end of fiscal year	3,604 units
	Ownership by Corporate Directors of TEL (excluding outside Directors)
	1,158 units (7 persons)
	Ownership by outside Directors of TEL
	0 units (0 persons)
	Ownership by Audit & Supervisory Board Members of TEL
	0 units (0 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 360,400 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2022 to May 31, 2039. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2022.

(Notes) 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.

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

	15th share subscription rights
Allocation date	June 19, 2019
Allocation number of share subscription rights	3,604 units
	Allocation number to employees of TEL
	890 units (33 persons)
	Allocation number to executives and employees of TEL subsidiaries
	1,242 units (60 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 360,400 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2022 to May 31, 2039. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2022.

(Notes) The numbers of "Allocation number to employees of TEL" and "Allocation number to executives and employees of TEL subsidiaries" above do not include the 314 units allocated to the Directors of the Company who retired at the conclusion of the 56th Annual General

Meeting of Shareholders and who are not employees of the Company or executives or employees of the Company's subsidiaries as of the date of allocation.

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

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2020)

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	Sadao Sasaki	Executive Vice President & General Manager President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Corporate Director	Yoshikazu Nunokawa	Executive Vice President & General Manager
Corporate Director	Tatsuya Nagakubo	Senior Vice President & General Manager
Corporate Director	Kiyoshi Sunohara	Senior Vice President & General Manager
Corporate Director	Seisu Ikeda	Senior Vice President & General Manager
Corporate Director	Yoshinobu Mitano	Senior Vice President & General Manager
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 (Audit & Supervisory Committee Member), SHIFT, Inc.
Corporate Director	Makiko Eda	Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation
Audit & Supervisory Board Member	Yoshiteru Harada	
Audit & Supervisory Board Member	Kazushi Tahara	
Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd. Outside Director, Murata Manufacturing Co., 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:

Yoshikazu Nunokawa, Tatsuya Nagakubo, Kiyoshi Sunohara, Michio Sasaki

Members of the Compensation Committee:

Charles Ditmars Lake II, Tatsuya Nagakubo, Yoshinobu Mitano, Michio Sasaki

(Notes)

- Corporate Directors Charles Ditmars Lake II, Michio Sasaki and Makiko Eda are Outside Directors.

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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 Charles Ditmars Lake II, Michio Sasaki and Makiko Eda 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 Charles Ditmars Lake II, Michio Sasaki and Makiko Eda as well as with Audit & Supervisory Board Members Yoshiteru Harada, Kazushi Tahara, 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 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.
7. 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.
8. Audit & Supervisory Board Member Yoshikazu Nunokawa assumed office of Director following his resignation as Audit & Supervisory Board Member at the conclusion of the 56th Annual General Meeting of Shareholders held on June 18, 2019.

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(ii) Condition of Executive Officers

(As of March 31, 2020)

Name	Position & Responsibilities
Tetsuo Tsuneishi	Chairman of the Board
Toshiki Kawai	President & CEO, General Manager, Corporate Innovation Division
Sadao Sasaki	Executive Vice President, General Manager, Development & Production 1st Division General Manager, Development & Production 4th Division Environment, Health & Safety, Quality, Procurement, Production Technology President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Yoshikazu Nunokawa	Executive Vice President, General Manager, Global Business Platform Division, Finance, Export & Logistics Control, IT General Manager, Finance Division General Manager, Internal Control
Tatsuya Nagakubo	Senior Vice President, Deputy General Manager, Global Business Platform Division, Human Resources, General Affairs, CSR, Branding, Legal, Compliance General Manager, Human Resources, General Affairs, CSR, Branding Division General Manager, Legal, Compliance Division Chairman of the Ethics Committee
Kiyoshi Sunohara	Senior Vice President, General Manager, Field Solutions Business Division Leader, Business Innovation Project
Seisu Ikeda	Senior Vice President, General Manager, Account Sales Division
Yoshinobu Mitano	Senior Vice President, General Manager, Semiconductor Production Equipment Business Division
Barry Mayer	Senior Vice President, General Manager, Global Strategy
David Brough	Senior Vice President, General Manager, Global Strategy
Tetsuro Hori	Senior Vice President, General Manager, Leader, Business Innovation Project
Kenji Washino	Senior Vice President, General Manager, Backend Process Business Division
Tsuguhiko Matsuura	Senior Vice President, General Manager, Flat Panel Display Business Division
Hideyuki Tsutsumi	Senior Vice President, General Manager, Vice Division General Manager, Corporate Innovation Division
Takeshi Okubo	Senior Vice President, General Manager, Global Sales Division
Masaki Yoshizawa	VP & General Manager, Strategy
Tadashi Shimizu	VP & General Manager, Leader, Business Innovation Project
Takeo Sasaki	VP & General Manager, Export & Logistics Control Division
Yutaka Nanasawa	VP & General Manager, IT Division Leader, Business Innovation Project 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
Toshihiko Nishigaki	VP & Deputy General Manager, Corporate Innovation Division (Digital Transformation)
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

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	President and Representative Director, Tokyo Electron Kyushu Ltd.
Shingo Tada	VP & Deputy General Manager, Account Sales Division
Masahiro Morita	VP & General Manager, Account Sales General Manager, Global Sales Division

(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	Non-performance-linked compensation
				Cash bonus (Note 1)	Stock compensation-based stock option (Note 2)	Performance share (Stock-based compensation)	Ristricted stock unit (Stock-based compensation) (Note 4)
	(persons)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)
Corporate Directors (excluding outside Directors) (Notes 6, 7)	12	2,779	504	1,137	1,137	(Note 3)	
Outside Directors (Note 6)	4	66	39				27
Directors total (Notes 6, 7)	16	2,846	543	1,137	1,137	(Note 3)	27
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) (Note 7)	3	90	90				
Outside Audit & Supervisory Board Members	3	46	46				
Audit & Supervisory Board Members total (Note 7)	6	137	137				

(Reference)

Individual Compensation of Representative Directors during FY2020

Name and Position (Note 8)	Total compensation, etc. (million yen)	Total compensation by type			
		Fixed basic compensation (million yen)	Annual performance-linked compensation		Medium-term performance-linked compensation
			Cash bonus (Note 9) (million yen)	Stock compensation-based stock option (Note 10) (million yen)	Performance share (Stock-based compensation) (million yen)
Tetsuo Tsuneishi Representative Director, Chairman of the Board	507	81	213	213	(Note 3)
Toshiki Kawai Representative Director, President & CEO	661	102	279	279	(Note 3)

(Notes)

- The amount indicated is the amount of Director (excluding outside Directors) compensation that will be proposed at the 57th Annual General Meeting of Shareholders for fiscal year 2020 scheduled to be held on June 23, 2020.
- The amount indicated is the amount equivalent to the expenses associated with the share subscription rights to Directors (excluding outside Directors) that will be proposed at the 57th Annual General Meeting of Shareholders for fiscal year 2020 scheduled to be held on June 23, 2020.
- 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. Note that no expenses were recorded for the fiscal year ended March 31, 2020.
- This is the stock-based compensation to outside Directors that will be proposed at the 57th Annual General Meeting of Shareholders for fiscal year 2020 scheduled to be held on June 23, 2020.
- TEL does not pay the employee portion of compensation other than the director compensation to Corporate Directors concurrently serving as Executive Officers.
- In the above table, the persons to whom compensation for Corporate Directors and outside Directors are payable includes the number of Corporate Directors who retired from office at the close of the 56th Annual General Meeting of Shareholders held on June 18, 2019.
- Since Director Yoshikazu Nunokawa assumed office of Director following his resignation as Audit & Supervisory Board Member at the conclusion of the 56th Annual General Meeting of Shareholders held on June 18, 2019, the amount of his compensation during his term of office as Audit & Supervisory Board Member is categorized in the total amount of compensation for Audit & Supervisory Board Members, whereas the amount of his compensation during his term of office as Director is categorized in the total amount of compensation for Directors.
- The table contains individual compensation for the fiscal year for the two Representative Directors as of the end of the fiscal year.
- 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 57th Annual General Meeting of Shareholders scheduled to be held on June 23, 2020.
- 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 57th Annual General Meeting of Shareholders scheduled to be held on June 23, 2020.

11. Retirement allowance for officers has been abolished in and after the 43rd fiscal year, but approval was obtained at the 42nd Annual General Meeting of Shareholders held on June 24, 2005, for the adjustments of retirement allowance corresponding to the terms of office up to the 42nd fiscal year (the fiscal year ended March 31, 2005), whereby, apart from the table above, retirement allowance of 265 million yen was paid in the 57th fiscal year to a Director who retired in the same fiscal year, for his term of office up to the 42nd fiscal year.

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(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 inside Directors consists of fixed basic compensation, annual performance-linked compensation, and medium-term performance-linked compensation as the table next page.

For outside Directors, the Company plans to introduce non-performance-linked stock-based compensation from the current fiscal year as a system that is more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, and to abolish the annual performance-linked compensation (cash bonuses). As a result, the compensation for outside Directors shall consist of fixed basic compensation and non-performance-linked compensation (stock-based compensation) from the current fiscal year.

Compensation for Audit & Supervisory Board Members consists solely of fixed basic compensation, in consideration of their role being primarily audit and supervision of 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 the fiscal year ended March 31, 2006.

Type of compensation		Overview of compensation	Inside Directors	Outside Directors	Audit & Supervisory Board Members
1) Fixed basic compensation		<ul style="list-style-type: none"> Established commensurate with the scale of job responsibility of inside Directors responsible for business execution, based on the job grade framework provided by an external specialist organization ^(*). 	○	○	○
2) Annual performance-linked compensation	Cash bonuses	<ul style="list-style-type: none"> Amount to be paid is linked to business performance in each fiscal year, with a view to motivating recipients to contribute to improving the business performance in each fiscal year. Consists of cash bonuses and stock compensation-based stock options; the composition is roughly 1:1. Specific amount and the number of stock options granted shall be commensurate with the business performance (actual results) in the relevant fiscal year. 	○	—	—
	Stock compensation-based stock option	<ul style="list-style-type: none"> Net income attributable to owners of parent and consolidated ROE are adopted as performance indicators. Stock compensation-based stock options are subject to a three-year exercise restriction period from the granting of rights, designed to motivate recipients to share a shareholder perspective while contributing to increasing corporate value over the medium- to long-term. 	○	—	—
3) Medium-term performance-linked compensation	Performance share (stock-based compensation)	<ul style="list-style-type: none"> Paid to motivate recipients to contribute to medium- to long-term performance improvement. If the payout rate is 100%, the payment amount is set at around 30% to 100% of the fixed basic compensation, commensurate with the scale of job responsibility. The number of shares delivered is determined depending on the level of achievement of performance goals for the three-year covered period. Consolidated operating margin and consolidated ROE are adopted as performance indicators. 	○	—	—
4) Non-performance-linked compensation ^(*)	Restricted stock units (stock-based compensation)	<ul style="list-style-type: none"> The remuneration system is designed to be more consistent with the expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term. Payment amount is set at around 50% to 60% of the fixed basic compensation to ensure an adequate balance between cash compensation and stock-based compensation. The Company shares shall be delivered after the expiration of the applicable period (three fiscal years). 	—	○	—

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- *1 The Company seeks advice from an external specialist organization (Willis Towers Watson) to obtain objective and specialized information regarding officer compensation.
- *2 To be proposed at the 57th Annual General Meeting of Shareholders scheduled to be held on June 23, 2020.

■ Composition of compensation

Composition of the Group's compensation to inside Directors is designed to provide strong linkage to short-term business performance, as well as the medium- to long-term increase in corporate value for sustainable growth. Part of the compensation is granted in the form of stocks with a view to motivating officers to share a shareholder perspective, and to contribute to increasing corporate value.

■ Policies by compensation types and decision methods

1) Fixed basic compensation

Fixed basic compensation has been established in reference to the compensation standards of industry peers in Japan and overseas, while commensurate, specifically for inside Directors in charge of business execution ("Executive Directors"), with the scale of job responsibilities based on the job grade framework provided by the external specialist organization.

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 amount of compensation for Representative Directors is discussed and decided by the Board of Directors based on the proposals by the Compensation Committee, while the amount of compensation of Directors excluding Representative Directors is finalized by CEO based on the resolution of the Board of Directors. The amount of compensation for Directors are determined commensurate with the scale of job responsibilities based on the job grade framework (for Executive Directors only), with reference to the compensation standards of industry peers in Japan and overseas provided by the external research organizations, along with advice from external experts. Furthermore, the Compensation Committee also verifies its appropriateness with reference to the advice from the external experts.

The Audit & Supervisory Board Members' fixed basic 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]

Among Directors, only inside Directors are eligible for annual performance-linked compensation, and its amount is linked to the business performance in the relevant fiscal year. In principle, annual performance-linked compensation consists of cash bonuses and stock compensation-based stock options; the composition is roughly 1:1. Stock compensation-based stock options are subject to a three-year exercise restriction period from the date of allotment of rights, designed to motivate recipients to share a shareholder perspective, while contributing to increasing corporate value over the medium- to long-term.

Annual performance-linked compensation is a profit-sharing type compensation paid commensurate with business performance for each fiscal year, therefore no policy is in place for the payout proportion of fixed basic compensation.

[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 has been adopted as the basis of calculation indicators, among profit indicators. In addition, actual consolidated ROE performance achieved, which is an indicator to represent capital efficiency, is incorporated in the formula.

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[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 deliberates on a proposal that reflects the performance evaluation of each Representative Director, with reference to the advice from the external experts, and proposes to the Board of Directors. The Board of Directors determines the final amount of compensation based on the proposals.

- Corporate Directors (excluding Representative Directors and outside Directors)

With regard to the amount of annual performance-linked compensation for Corporate Directors that links to net income attributable to owners of parent and consolidated ROE, CEO makes a final decision based on the resolution of the Board of Directors, within the scope of the bonus resolved at the General Meeting of Shareholders. Such final decision by CEO is made in reference to the compensation standards of industry peers in Japan and overseas, provided by the external research organizations, and based on the job responsibilities and performance evaluation of each Director. Furthermore, in evaluating each Director and determining the amount of compensation, the Compensation Committee also verifies the appropriateness, with reference to the advice from the external experts.

3) Medium-term performance-linked compensation

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

Medium-term performance-linked compensation is to award performance shares (stock-based compensation) to inside Directors only, with the objective of motivating recipients to contribute to improving medium-term business performance, as well as to share a shareholder perspective by holding Company shares and raising awareness toward enhancing corporate value. The number of Company shares awarded to each inside Director varies according to the payout rate based on the responsibilities and performance goal achievement levels for the three-year covered period.

If the payout rate of medium-term performance-linked compensation is 100%, the payment amount is set at around 30% to 100% of the fixed basic compensation, depending on responsibilities.

[Calculation indicators and reason for choosing the indicators]

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, in order to link the compensation with the Company's Medium-Term Management Plan.

[Calculation method and decision method]

(Formula for medium-term performance-linked compensation)

· Plan set in 2018

Share delivery point =

“Reference points (set according to the scale of job responsibilities) x 50% x consolidated operating margin attainment factor (*1)”

+

“Reference points (set according to the scale of job responsibilities) x 50% x Level of factors in consolidated ROE attainment (*1)”

(*1) 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. Each attainment factor fluctuates in the range of 0% to 150% depending on the target achievement level during the target period (three fiscal years).

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· Plan set in 2019

Share delivery point =

“Reference points (set according to the scale of job responsibilities) x 70% x consolidated operating margin attainment factor (*2)”

+

“Reference points (set according to the scale of job responsibilities) x 30% x Level of factors in consolidated ROE attainment (*2)”

(*2) Indicators to assess the degree of achievement of the performance goals for the target period (three fiscal years) is the actual figures of consolidated operating margin and consolidated ROE in the final fiscal year during the target period. Each attainment factor is variable in five grades of 0%, 50%, 75%, 100%, and 120%, depending on the target achievement level.

The number of TEL shares to be issued to inside 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.

The calculation formula, reference points used in such formula, and performance attainment factor shall be determined by the Board of Directors based on the proposal of the Compensation Committee.

4) Non-performance-linked compensation (to be proposed at the 57th Annual General Meeting of Shareholders scheduled to be held on June 23, 2020)

Non-performance-linked compensation is applicable to outside Directors. For the Company's outside Directors, the Company plans to introduce non-performance-linked stock-based compensation (restricted stock units) from the current fiscal year as a system that is more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, and to abolish the annual performance-linked compensation (cash bonuses). With regard to the amount paid, the amount is set at around 50% to 60% of the fixed basic compensation to ensure appropriate balance between cash compensation and stock-based compensation, and the Company shares shall be delivered after the expiration of the applicable period (three fiscal years).

The number of the Company shares to be delivered to outside Directors shall be commensurate with the number of share delivery points calculated based on the payment amount, where one point corresponds to one Company share. In the event of share split, allotment without compensation, or share consolidation of the Company shares, the number of Company shares to be delivered for each point shall be adjusted accordingly.

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 held on June 18, 2019	The total amount of fixed basic compensation for Corporate Directors shall be no more than 750 million yen per business year (including <u>60 million yen</u> per business year for Outside Directors).
	Annual performance-linked compensation	57th Annual General Meeting of Shareholders to be held on June 23, 2020	To be proposed as 1,137.5 million yen paid as the cash bonus portion of annual performance-linked compensation to Corporate Directors (excluding outside Directors) in office as of March 31, 2020.
			To be proposed as share subscription rights as stock option portion of annual performance-linked compensation of no more than 1,137.5 million yen and 579 (57,900 shares) annually to Corporate Directors (excluding outside Directors).
	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.
	Non-performance-linked compensation	57th Annual General Meeting of Shareholders to be held on June 23, 2020	As stock-based compensation for Outside Directors, the Company plans to propose contribution of trust money up to a total of 50 million yen and delivery of 5,000 shares of the Company's share for each applicable 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 for the current fiscal year consisted of four members, comprising two inside Directors and two independent outside Directors, with an outside Director serving as the chairman. Every meeting of the Compensation Committee was attended by an external expert. The Compensation Committee utilizes advice from the external expert, performs an analysis of factors including wage levels compared to industry peers in Japan and abroad, and proposes a policy for compensation for Corporate Directors, a compensation system that is globally competitive

and most appropriate 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, 2020)

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 (Audit & Supervisory Committee Member), SHIFT, Inc.	No significant business relation
Outside Director	Makiko Eda	Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation	No significant business relation
Outside Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd. Outside Director, Murata Manufacturing Co., 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	Charles Ditmars Lake II	Charles Ditmars Lake II attended all 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 10 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge in corporate management, made appropriate comments on proposals and other matters of deliberation.
Outside Director	Makiko Eda	Makiko Eda attended all 7 meetings of the Board of Directors held in the year following her assumption of office on June 18, 2019, and, drawing on her wealth of experience and knowledge in corporate management of the semiconductor industry as well as global, multifaceted perspectives, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Takatoshi Yamamoto	Takatoshi Yamamoto attended 9 of the 10 meetings of the Board of Directors and all 8 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 8 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 8 meetings of the Audit & Supervisory Board held in the year, and, drawing on his expertise as a certified

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		public accountant, made appropriate comments on proposals and other matters of deliberation.
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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	178	12
Subsidiaries of TEL	38	-
Total	216	12

(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 12 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 Board of Directors of the Company passed a resolution at its meeting on May 12, 2006 on the basic policies on systems designed for the appropriate maintenance of operations, which were partially revised at the Board of Directors Meeting held on June 18, 2019. The details are 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 Executive Officer in charge 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.
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.
- (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 ensures that employees and officers understand the importance of compliance thoroughly based on Code of Ethics of the TEL Group and Compliance Regulations. In current fiscal year, we considered revisions to Code of Ethics of the TEL Group in order to build solid corporate ethics and compliance structures, including clearly positioning the Code of Ethics as a code of conduct, and revising sections covering material risks.
- (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) With the objective of bolstering compliance systems group-wide and at each group company, the TEL Group has appointed staff in charge of compliance at major overseas sites, and developed an official reporting structure in which they directly report to the Chief Compliance Officer supervising the Compliance Division of the Group. 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. In the current fiscal year, external experts conducted a review of our internal control system and Group company control through a project for enhancement of risk management structures. Based on the results of this review, we will strive to enhance our company-wide risk management structure.
- (ii) The TEL Group formulated its Business Continuity Plan at the headquarters to respond to risks including earthquakes. In addition, the Group has conducted seismic reinforcement construction for the Group's offices in Japan in order to ensure greater safety.
- (iii) Amidst the global outbreak of COVID-19 that began during the second half of the fiscal year under review, TEL has established an emergency task force headed by the CEO, which has taken such measures as restricting travel to countries and regions with a high risk of infection, maintaining the supply chain, and implementing thorough infection prevention measures at offices.

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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.

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 342 yen per share, applying the aforementioned policy. Its payment date will be June 2, 2020. As a result, the annual dividend will be 588 yen per share, which includes an interim dividend of 246 yen.

(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 and the development of society through our business activities and to increase our corporate value over the medium- and long-term. In recent years, in a capital market, investment activities in which the environmental, social, and governance (ESG) factors are used to evaluate companies are becoming more common. 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*1 in 2013, and have been working company-wide on the SDGs. In 2015, we joined the RBA*2, and have been striving to promote ESG in our supply chains.

In the future, we will continue to focus on our activities in the ESG fields, enhancing our corporate value over the medium- to long-term.

*1 U.N. Global Compact: Universal principles proposed by the United Nations in the areas of human rights, labor, the environment, and anti-corruption.

*2 RBA: Short for "Responsibility Business Alliance" which consists of companies around electronics industry and promotes CSR in their supply chains.

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 main initiatives are indicated below.

	Theme	Main initiatives
Environment	Reducing the environmental impact of our products and offices, and contributing to society Environmental management	<ul style="list-style-type: none"> * Activities to achieve medium- and long-term targets * Address climate change in accordance with the TCFD*1 framework * Reduce environmental impact and create new value through technological innovation * Promote environmental management system based on ISO14001 * Comply with environmental laws and regulations, and implementing environmental compliance
Society	Human rights Diversity & Inclusion Health and safety Work-life balance Career development Supply chain management	<ul style="list-style-type: none"> * Human rights due diligence (assessment and correction) and relief * Strengthen competitiveness through hiring diverse human resources * Promote health and safety management and health-oriented business management*2 * Build employee-friendly workplaces and enhance life care support * Enhance human resource development programs tailored to positions, objectives, and other factors * Promote sustainable supply chain management
Governance	Corporate governance Risk management Compliance	<ul style="list-style-type: none"> * Establish a highly effective governance system by enhancing management oversight and supervision functions * Develop company-wide systems and processes relating to risk management activities * Establish and practice corporate ethics, and enhance and utilize internal reporting systems

*1 TCFD: Task Force on Climate-related Financial Disclosures

*2 Health-oriented business management: In March 2020, all TEL Group companies in Japan were recognized as a White 500 company under the 2020 Certified Health & Productivity Management Organization Recognition Program.

Environment

The TEL Group has formulated the following environment-related medium- and long-term targets. We work to conserve the global environment by striving the reduction of environmental burden of both our products and facilities, and at the same time, providing technologies that contribute to the development of devices with lower power consumption.

Medium- and long-term environmental goals

Medium-term goals (2030)

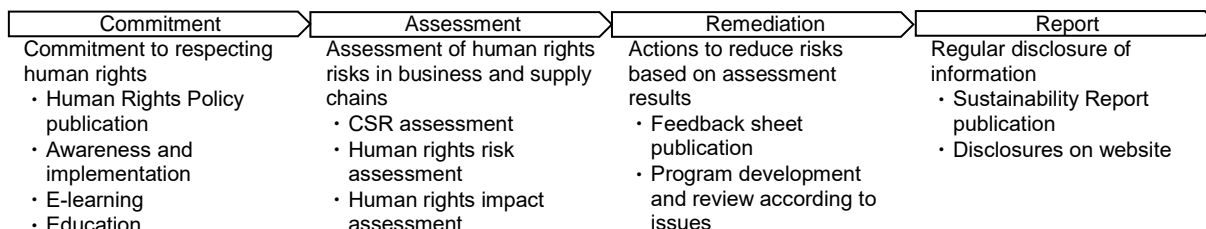
- Equipment: 30%: Reduce per-wafer CO₂ emission (as compared with 2013)
- Facilities: 20%: Total CO₂ emissions (as compared with 2018)
- 1%: Reduce year-over-year energy consumption at each factory and office (per-unit basis, annual goal)

Long-term goal (2050)

As a leading corporation in environmental management, Tokyo Electron works actively to conserve the global environment. We strive to contribute to the development of a dream-inspiring society by proactively promoting the reduction of environmental burden of both our products and facilities, and at the same time, providing evolutionary manufacturing technologies that effectively reduce the power consumption of electronic products.

Society

The TEL Group clearly lays out its views on human rights, identifying human rights risks and implementing corrective actions. The TEL Group aims to be replete with dreams and vitality by promoting the enhancement of relief systems, including internal reporting systems.



Governance

The TEL Group believes that it is important to build a highly effective governance structure in order to enhance its ESG activities and achieve sustainable growth. At the Board of Directors of TEL, Corporate Directors and Audit & Supervisory Board Members with diverse insights and experiences engage in lively discussions from the perspective of sustainable enhancement of corporate value.

In addition, risk management is promoted on a group-wide basis under the guidance of a supervising organization. This organization promotes PDCA (plan-do-check-act) activities such as identifying risks, designating key risks, formulating and implementing risk reduction measures, monitoring the effects, and assessing the status of risk control, in cooperation with the departments in charge of each business. Furthermore, an external expert conducted a review of our internal control system and group company controls through a project for enhancement of risk management system during the fiscal year under review.

*Please refer to the Company's Sustainability Report for details on ESG-related initiatives.
<https://www.tel.com/csr/report/>

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
ASSETS		
Current assets		
Cash and deposits	177,634	149,906
Trade notes and accounts receivable	146,971	150,134
Securities	215,000	188,500
Merchandise and finished goods	234,102	267,625
Work in process	62,785	69,514
Raw materials and supplies	57,331	54,924
Prepaid consumption tax	49,617	69,034
Others	39,538	12,949
Allowance for doubtful accounts	(84)	(105)
Total current assets	982,897	962,484
Long-term assets		
Tangible fixed assets		
Buildings and structures	169,682	179,379
Accumulated depreciation	(103,692)	(107,139)
Buildings and structures, net	65,990	72,239
Machinery and carriers	122,206	138,555
Accumulated depreciation	(91,846)	(102,844)
Machinery and carriers, net	30,359	35,710
Land	26,849	26,298
Construction in progress	19,643	29,413
Others	31,623	39,089
Accumulated depreciation	(24,397)	(27,172)
Others, net	7,225	11,917
Total tangible fixed assets	150,069	175,580
Intangible fixed assets		
Others	9,054	10,921
Total intangible fixed assets	9,054	10,921
Investments and other assets		
Investment securities	27,853	38,374
Deferred tax assets	63,925	64,729
Net defined benefit assets	3,065	5,837
Others	22,189	21,980
Allowance for doubtful accounts	(1,426)	(1,413)
Total investments and other assets	115,607	129,509
Total long-term assets	274,730	316,011
Total assets	1,257,627	1,278,495

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	75,448	95,938
Income taxes payable	57,671	52,654
Customer advances	77,247	135,326
Accrued employees' bonuses	33,139	29,139
Accrued warranty expenses	14,097	14,534
Others	47,277	54,986
Total current liabilities	304,882	382,578
Long-term liabilities		
Net defined benefit liabilities	60,600	60,635
Others	4,027	5,588
Total long-term liabilities	64,628	66,224
Total liabilities	369,510	448,802
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	748,827	702,990
Treasury stock, at cost	(11,821)	(29,310)
Total shareholders' equity	869,977	806,652
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	13,024	20,126
Net deferred gains (losses) on hedging instruments	(34)	(52)
Foreign currency translation adjustments	4,366	(4,111)
Accumulated remeasurements of defined benefit plans	(6,585)	(3,313)
Total accumulated other comprehensive income (loss)	10,770	12,648
Share subscription rights	7,368	10,391
Total net assets	888,117	829,692
Total liabilities and net assets	1,257,627	1,278,495

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	1,278,240	1,127,286
Cost of sales	752,057	675,344
Gross profit	526,183	451,941
Selling, general & administrative expenses		
Salaries and allowances	26,035	25,197
Research and development expenses	113,980	120,268
Others	75,595	69,183
Total selling, general and administrative expenses	215,612	214,649
Operating income	310,571	237,292
Non-operating income		
Interest income	783	1,117
Foreign exchange gain	3,623	2,539
Revenue from grants	833	1,330
Others	6,114	3,465
Total non-operating income	11,354	8,452
Non-operating expenses		
Commission for purchase of treasury stock	-	174
Additional payment of custom tax	-	173
Maintenance and operation costs of closed facilities	57	-
Others	206	418
Total non-operating expenses	263	765
Ordinary income	321,662	244,979
Unusual or infrequent profit		
Gain on sales of fixed assets	101	34
Gain on change in equity	-	136
Gain on sales of investment securities	768	-
Total unusual or infrequent profit	870	171
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	967	483
Others	56	41
Total unusual or infrequent loss	1,024	524
Income before income taxes	321,508	244,626
Provision for income taxes and enterprise taxes	72,478	65,177
Deferred income taxes	801	(5,757)
Total income taxes	73,280	59,419
Net income	248,228	185,206
Net income attributable to owners of parent	248,228	185,206

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2020

(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	748,827	(11,821)	869,977
Changes of items during the period					
Cash dividends			(95,513)		(95,513)
Net income attributable to owners of parent			185,206		185,206
Repurchase of treasury stock				(154,096)	(154,096)
Disposal of treasury stock			(1,616)	2,684	1,067
Cancellation of treasury stock			(133,922)	133,922	-
Others			10		10
Net changes except for shareholders' equity					
Total changes of items during the period	-	-	(45,836)	(17,488)	(63,325)
Balance at end of period	54,961	78,011	702,990	(29,310)	806,652

	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	13,024	(34)	4,366	(6,585)	10,770	7,368	888,117
Changes of items during the period							
Cash dividends							(95,513)
Net income attributable to owners of parent							185,206
Repurchase of treasury stock							(154,096)
Disposal of treasury stock							1,067
Cancellation of treasury stock							-
Others							10
Net changes except for shareholders' equity	7,102	(17)	(8,478)	3,271	1,878	3,022	4,900
Total changes of items during the period	7,102	(17)	(8,478)	3,271	1,878	3,022	(58,424)
Balance at end of period	20,126	(52)	(4,111)	(3,313)	12,648	10,391	829,692

Consolidated Statements of Cash Flows

	(Millions of yen)	
	Year ended	Year ended
	March 31, 2019	March 31, 2020
Cash flows from operating activities		
Income before income taxes	321,508	244,626
Depreciation and amortization	24,323	29,107
Amortization of goodwill	354	196
Increase (decrease) in accrued employees' bonuses	(1,165)	(3,802)
Interest and dividend revenue	(2,573)	(1,920)
Decrease (increase) in trade notes and accounts receivable	10,541	(5,370)
Decrease (increase) in inventories	(14,765)	(44,065)
Increase (decrease) in trade notes and accounts payable	(31,752)	22,337
Decrease (increase) in prepaid consumption tax	6,818	(19,508)
Increase (decrease) in accrued consumption tax	(2,845)	6,140
Increase (decrease) in customer advances	(22,077)	58,630
Others	1,399	6,308
Subtotal	289,766	292,679
Receipts from interest and dividends	2,738	2,326
Income taxes paid or refund (paid)	(102,932)	(41,888)
Net cash provided by operating activities	189,572	253,117
Cash flows from investing activities		
Payment into time deposits	-	(10,449)
Payment for purchase of short-term investments	(209,500)	(90,000)
Proceeds from redemption of short-term investments	165,500	170,000
Payment for purchase of fixed assets	(46,517)	(49,369)
Payment for acquisition of intangible assets	(1,563)	(3,383)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	10,754	-
Others	(2,707)	(845)
Net cash provided by (used in) investing activities	(84,033)	15,951
Cash flows from financing activities		
Payment for purchase of treasury stock	(5,004)	(154,096)
Dividends paid	(124,754)	(95,513)
Others	(3)	(764)
Net cash used in financing activities	(129,761)	(250,374)
Effect of exchange rate changes on cash and cash equivalents	(1,020)	(3,369)
Net increase (decrease) in cash and cash equivalents	(25,243)	15,324
Cash and cash equivalents at beginning of period	257,877	232,634
Cash and cash equivalents at end of period	232,634	247,959