

Q&A of fiscal year 2020 annual general meeting of shareholders
(including answers to questions submitted in advance)

<p>Q. Amidst concerns around deteriorating US-Chinese relations, I think it is inevitable that the semiconductor industry will be impacted. However, will there be any advantages that TEL can gain from this changing situation? (Question submitted in advance)</p>
<p>A. As a company, we will refrain from commenting on political trends and policies between nations. Although we do need to keep a watchful eye on future developments, we are increasingly getting the impression that semiconductors are positioned to be an essential of the 4th industrial revolution with regard to IoT, AI, and 5G.</p> <p>This is to say that the importance of semiconductors for the future will remain unchanged, and the market will keep growing as long as technological innovation continues. Therefore, it is essential that we continue to be a world leader in technological innovation and continue to pursue the best products and best services.</p>
<p>Q. Three outside directors were re-appointed in the first item on the agenda. I would like the outside directors to also feel committed to the company and to support the company. However, could you explain the reason why they hold zero shares?</p>
<p>A. Outside directors fulfill oversight and monitoring functions and provide valuable advice for the growth of our company. Under the belief that outside directors should hold shares in order to contribute to improving our future corporate value from the same perspective as shareholders, we have now decided to provide them with shares, rather than the previous cash bonuses, as remuneration not linked to performance.</p>
<p>A. (Statement from the outside directors) All of the outside directors share the opinion that, in our positions as outside directors, we will make significant contributions to medium- to long-term growth as well as providing operational oversight. TEL is a global technology company that values its people and its medium- to long-term growth. We intend to fulfill our duties as outside directors with full commitment to the company.</p>
<p>Q. There was a presentation (presentation materials p. 24) on how four companies, including TEL, hold a 60% market share in terms of revenue rankings for semiconductor production equipment. Could you tell us who the other three companies are, and what unique strengths TEL has among the four companies?</p>
<p>A. The three other companies in the top four, besides TEL, are Applied Materials, ASML, and Lam Research. (Source: VLSI Research, May 2020)</p> <p>The driving forces of our company consist of abundant technical expertise cultivated as an industry-leading company, the trust from customers based on our reliable technical services, and the pioneering spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.</p> <p>We have an equipment portfolio that has the largest and second-largest international market shares across the four manufacturing processes that are key in deciding semiconducting properties—deposition, lithography, etching, and cleaning.</p>
<p>Q. Regarding the earnings forecast published on June 18, reports by securities companies indicated that our market share would again increase with the increase in demand for memory. Which equipment specifically do you think our market share will increase in?</p>
<p>A. There are three main areas to focus on to carry out our medium-term management plan. As we think that the equipment markets for etching, deposition, and cleaning systems will continue to grow, we should be able to outperform the market once they are in position.</p> <p>All of these etching, deposition, and cleaning systems were certified for customer use last year, which will be the key to increasing their market share.</p>