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May 28, 2018

NOTICE OF FISCAL YEAR 2018 (the 55th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 55th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Ltd. ("TEL") will be held on Tuesday, June 19, 2018, 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 Twelve Corporate Directors**
- 2: Payment of Bonuses to Corporate Directors for the 55th Fiscal Year**
- 3: Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors**
- 4: Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries**
- 5: Introduction of a Stock Compensation System as Medium-term Performance-linked Compensation for Corporate Directors of the Company**

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 2018 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 18, 2018 (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 FY2018 (the 55th FY; from April 1, 2017 to March 31, 2018), 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 FY2018 (the 55th FY; from April 1, 2017 to March 31, 2018).

Proposal 1: Election of Twelve Corporate Directors

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

The candidates for Corporate Directors are as follows.

No.	Name	Position in the Company and significant concurrent posts
1	<Re-nominated> Tetsuo Tsuneishi	Representative Director Chairman of the Board Member of the Nomination Committee
2	<Re-nominated> Toshiki Kawai	Representative Director President & CEO
3	<Re-nominated> Hirofumi Kitayama	Corporate Director Executive Vice President & General Manager Member of the Nomination Committee
4	<Re-nominated> Masami Akimoto	Corporate Director Executive Vice President & General Manager Member of the Nomination Committee
5	<Re-nominated> Tetsuro Hori	Corporate Director Executive Vice President & General Manager

No.	Name		Position in the Company and significant concurrent posts
6	<Re-nominated>	Sadao Sasaki	Corporate Director Executive Vice President & General Manager
7	<Re-nominated>	Tatsuya Nagakubo	Corporate Director Internal Control, Business Ethics, CSR, Senior Vice President & General Manager Member of the Compensation Committee
8	<Re-nominated>	Kiyoshi Sunohara	Corporate Director, Senior Vice President & General Manager
9	<Re-nominated>	Tetsuro Higashi	Corporate Director Corporate Advisor Member of the Compensation Committee
10	<Re-nominated>	Hiroshi Inoue	[Outside Director] [Independent Director] Outside Director
11	<Re-nominated>	Charles Ditmars Lake II	[Outside Director] [Independent Director] Outside Director Member of the Compensation Committee
12	<Newly nominated>	Michio Sasaki	[Outside Director] [Independent Director] -

* Members of the Nomination Committee and the Compensation Committee are members of internal committees of the Board of Directors established voluntarily by the Company.

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>Tetsuo Tsuneishi (November 24, 1952)</p> <p><Re-nominated></p> <p>[Member of the Nomination Committee]</p>	<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>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. With the expectation of utilizing these experiences and track record 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
2	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	3,000
[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. With the expectation of leveraging these experiences and achievement in decision making concerning the Group management policies at 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
3	<p>Hirofumi Kitayama (March 28, 1954)</p> <p><Re-nominated></p> <p>[Member of the Nomination Committee]</p>	<p><u>December 1983</u> Joined TEL-Thermco Engineering Co., Ltd.</p> <p><u>July 1995</u> Corporate Director, Tokyo Electron Tohoku Ltd.</p> <p><u>March 1999</u> Corporate Director, Tokyo Electron Yamanashi Ltd.</p> <p><u>February 2005</u> President, Tokyo Electron AT Ltd.</p> <p><u>April 2006</u> President, Tokyo Electron Tohoku Ltd.</p> <p>Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2007</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>April 2009</u> Executive Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2013</u> Senior Executive Vice President, Tokyo Electron Ltd.</p> <p><u>June 2016</u> Corporate Director, Tokyo Electron Ltd. (Present position) President, Tokyo Electron Miyagi Ltd. (Present position)</p> <p><u>June 2017</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 and Representative Director, Tokyo Electron Miyagi Ltd.</p>	8,000
<p>[Reason for selection as Corporate Director nominee] Mr. Kitayama has been involved in management duties in manufacturing and technology development among other fields within the Company and Group companies, and has 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>			

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	<p>Masami Akimoto (February 4, 1958)</p> <p><Re-nominated></p> <p>[Member of the Nomination Committee]</p>	<p><u>March 1984</u> Joined Tokyo Electron Ltd.</p> <p><u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd. Vice President & General Manager, Tokyo Electron Kyushu Ltd.</p> <p><u>June 2004</u> Senior Vice President & General Manager, Tokyo Electron Kyushu Ltd.</p> <p><u>June 2007</u> Senior Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>October 2008</u> President, Tokyo Electron Kyushu Ltd.</p> <p><u>June 2011</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>June 2013</u> Expiration of his term of Corporate Director, Tokyo Electron Ltd.</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 2017</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p><u>April 2018</u> Chairman of the Board, Tokyo Electron Kyushu Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Executive Vice President & General Manager</p> <p>(Significant concurrent posts) Chairman and Representative Director, Tokyo Electron Kyushu Ltd.</p>	<p>1,600</p>
<p>[Reason for selection as Corporate Director nominee] Through involvement in management in a Group manufacturing company, Mr. Akimoto has contributed to producing many high value added products, and has ample experiences and record of achievement in the manufacturing and development field. 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
5	Tetsuro Hori (October 20, 1961) <Re-nominated>	<u>April 1985</u> Joined Tokyo Electron Ltd. <u>April 2009</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2013</u> Corporate Director, Tokyo Electron Ltd. <u>June 2015</u> Senior Vice President & General Manager, Tokyo Electron Ltd. <u>June 2016</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position) <u>June 2017</u> Corporate Director & CFO, Tokyo Electron Ltd. <u>April 2018</u> Corporate Director, Tokyo Electron Ltd. (Present Position) (Position in the Company) Corporate Director, Executive Vice President & General Manager	2,357
[Reason for selection as Corporate Director nominee] Mr. Hori has performed duties in the legal, intellectual property, corporate strategy and finance areas as well as in management, and possesses ample experience and a proven track record in these fields. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
6	<p>Sadao Sasaki (September 15, 1960)</p> <p><Re-nominated></p>	<p><u>April 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>October 2008</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd. (currently Tokyo Electron Technology Solutions 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. (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 and Representative Director, Tokyo Electron Technology Solutions Ltd.</p>	<p>1,000</p>
<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
7	Tatsuya Nagakubo (October 7, 1963) <Re-nominated> [Member of the Compensation Committee]	<u>April 1986</u> Joined Tokyo Electron Ltd. <u>July 2011</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) <u>June 2017</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Internal Control, Business Ethics, CSR, Senior Vice President & General Manager	1,955
[Reason for selection as Corporate Director nominee] Mr. Nagakubo has performed duties in the Company's Administrative Division and through overseas postings, has promoted the global expansion of the Company, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
8	Kiyoshi Sunohara (September 8, 1958) <Re-nominated>	<p><u>April 1981</u> Joined Tokyo Electron Ltd.</p> <p><u>April 1998</u> General Manager, Diffusion and Chemical Vapor Deposition Business Unit, Tokyo Electron Ltd.</p> <p><u>July 2000</u> General Manager, Business Development & Account Management, North America & Europe, Tokyo Electron Ltd.</p> <p><u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2007</u> General Manager, Marketing Division, Tokyo Electron Ltd.</p> <p><u>April 2009</u> General Manager, Post Sales Business Unit (currently General Manager, Field Solutions Business Unit), Tokyo Electron Ltd. (Present position)</p> <p><u>July 2016</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p><u>June 2017</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p>	11,396
<p>[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.</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
9	<p>Tetsuro Higashi (August 28, 1949)</p> <p><Re-nominated></p> <p>[Member of the Compensation Committee]</p>	<p><u>April 1977</u> Joined Tokyo Electron Ltd.</p> <p><u>December 1990</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>April 1994</u> Managing Director, Tokyo Electron Ltd.</p> <p><u>June 1996</u> President & CEO, Tokyo Electron Ltd.</p> <p><u>June 2003</u> Chairman of the Board, Tokyo Electron Ltd.</p> <p><u>April 2013</u> Chairman, President & CEO, Tokyo Electron Ltd.</p> <p><u>June 2015</u> President & CEO, Tokyo Electron Ltd.</p> <p><u>January 2016</u> Corporate Director, Corporate Advisor, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Corporate Advisor</p>	<p>42,028</p>
<p>[Reason for selection as Corporate Director nominee] Having served as chairman of the board and president of the Company, Mr. Higashi has ample experiences and record of achievement in management of the Group. Also, he has contributed to the industry through his tenure as chairman of the Semiconductor Equipment Association of Japan. 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
10	<p>Hiroshi Inoue (January 5, 1940)</p> <p><Re-nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>April 1963</u> Joined Tokyo Broadcasting System, Inc.</p> <p><u>June 1993</u> Corporate Director, Tokyo Broadcasting System, Inc.</p> <p><u>June 1996</u> Managing Director, Tokyo Broadcasting System, Inc.</p> <p><u>June 1997</u> Senior Managing Director, Tokyo Broadcasting System, Inc.</p> <p><u>June 2001</u> Executive Vice President, Tokyo Broadcasting System, Inc.</p> <p><u>June 2002</u> President, Tokyo Broadcasting System, Inc.</p> <p><u>June 2006</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>April 2009</u> Chairman of the Board, Tokyo Broadcasting System Holdings, Inc.</p> <p><u>April 2016</u> Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association</p>	0
<p>[Reason for selection as Outside Director nominee] Having served as chairman, etc. of the board of Tokyo Broadcasting System Holdings, Inc. and President of The Japan Commercial Broadcasters Association, Mr. Inoue possesses ample experience and knowhow in corporate management. 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 12 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
11	<p>Charles Ditmars Lake II (January 8, 1962)</p> <p><Re-nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p> <p>[Member of the Compensation Committee]</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</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 2 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
12	Michio Sasaki (March 7, 1957) <Newly nominated> [Outside Director] [Independent Director]	<u>March 1982</u> Joined Lead Electric Co., Ltd. (currently KEYENCE CORPORATION) <u>June 1999</u> Director and General Manager, APSULT (Application Sensor) Business Department and Business Promotion Department, KEYENCE CORPORATION <u>December 2000</u> President and Director, KEYENCE CORPORATION <u>December 2010</u> Director and Special Advisor, KEYENCE CORPORATION <u>May 2017</u> Director, iROHA INC. (Present position) Outside Director, ZUIKO CO., LTD. (Present position) (Significant concurrent posts) Director, iROHA INC. Outside Director, ZUIKO CO., LTD.	0
[Reason for selection as Outside Director nominee] Having served as President and Representative Director KEYENCE CORPORATION, Mr. Sasaki achieved substantial improvements of corporate value and high profitability, engaged in the global management of the company for many years, and possesses ample experience and insight as a corporate manager. To receive advice and opinions on overall management of the Company from the perspective of ensuring objectivity and validity of decisions made by the Company's board of directors by utilizing his experience and knowhow, we newly nominate him as an outside director.			

(Notes)

1. The candidates have no special interests in the Company.
2. The candidates for outside Directors are described below.
 - (1) Hiroshi Inoue, Charles Ditmars Lake II and Michio Sasaki are candidates for outside Directors.
 - (2) As Hiroshi Inoue and Charles Ditmars Lake II meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 18) 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. As Michio Sasaki also meets the same criteria, TEL intends to notify the Tokyo Stock Exchange Inc. that he has been appointed as independent director.
 - (3) In April 2017, improper accounting treatments were revealed in a consolidated subsidiary of FUJIFILM Holdings Corporation, where Hiroshi Inoue served as an Outside Director from June 2014 to June 2017. Although he was not aware of this fact in advance; he has given proper advice about the importance and thorough implementation of compliance at meetings of the Board of Directors of FUJIFILM Holdings Corporation. Furthermore, after this fact was revealed, he stated his opinion about FUJIFILM Holdings Corporation' efforts towards thorough confirmation of facts and investigation on causes of the improper accounting until June 2017 while he was in office.
 - (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 Hiroshi Inoue and Charles Ditmars Lake II, and will continue the contract if their reappointment is approved. For Michio Sasaki, the Company will conclude the contract if his appointment is approved and assumes his office as outside Director. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the outside Directors perform their duties in good faith without gross negligence.

[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, objectivity based on a social and capital markets perspectives, knowledge of finance and accounting, and knowledge of laws in general.

* For the "Independence Requirements for Outside Directors and Outside Supervisory Board Member" see page 18.

[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" 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.
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 1. through 3. above;
 - (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. 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 2 to 5>

Proposals 2 to 5 concern compensation linked to business performance. Below is an overview of the relation between the these proposals and the Tokyo Electron Groups executive compensation system

TEL, aiming to strengthen corporate competitiveness at the global level and increase the transparency of management, adopted an executive compensation system closely linked to performance and shareholder value. Compensation of Corporate Directors currently comprises fixed basic compensation and annual performance-linked compensation. However, in order to realize further growth by creating a closer link between director compensation and medium-term performance and thereby achieve further growth, TEL has decided to introduce a new medium-term performance-linked compensation. Accordingly, if Proposal 5 is approved, the compensation of Corporate Directors will comprise fixed basic compensation, annual performance-linked compensation and medium-term performance-linked compensation. For Audit & Supervisory Board Members, in order to maintain independence from management, compensation consists only of fixed basic compensation.

Composition of compensation and their relation to proposals

	Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation
	Cash	Cash bonuses	Stock-based compensation (Stock option) (Note 2)	Stock-based compensation (Performance share)
Corporate Directors (excluding outside Directors)	Approved at the 48th Annual General Meeting of Shareholders (Note 1)	Proposal 2	Proposal 3	Proposal 5
Outside Directors		Proposal 2	Not eligible	Not eligible
Audit & Supervisory Board Members		Not eligible	Not eligible	Not eligible

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

- 2 Proposal 4 is brought before the General Meeting of Shareholders with the aim of issuing new share subscription rights as stock-based compensation (stock option) to executive officers and senior employees of TEL, as well as Directors, executive officers, and senior employees of subsidiaries.
- 3 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 2]

- We propose payment of cash bonuses of no more than 1,980 million yen (of which the amount for outside directors is 38 million yen) for 12 Corporate Directors as of the final day of the 55th 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-based compensation (stock option) [Proposal 3 & Proposal 4]

- Since stock-based compensation (stock options) involves the issuance of share subscription rights, it will be brought before the General Meeting of Shareholders as Proposal 3 and Proposal 4 in accordance with the provisions of the Companies Act.
- If Proposal 1 is resolved as originally proposed, we propose in Proposal 3 to pay the 9 eligible Corporate Directors a total of not more than 1,819 million yen as stock-based compensation

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

(stock options) as Proposal 3. Outside directors are not eligible for stock-based compensation (stock options).

Medium-term performance-based compensation: stock-based compensation (performance share) [Proposal 5]

In order to better link director compensation to medium-term performance, for Corporate Directors of TEL, we propose to offer medium-term performance-based compensation paying no more than 480 million and no more than 23,800 shares for 3 business years as stock-based compensation (performance shares). Outside Directors are not eligible for stock-based compensation (performance shares).

■The Role of the Compensation Committee

In order to ensure transparency and fairness in management and adequacy of compensation, TEL has established a Compensation Committee which comprises 3 or more Corporate Directors including Outside Directors. The Compensation Committee analyzes and compares compensation levels and systems with companies in the industry inside and outside Japan. Based on this analysis, it makes proposals to the Board of Directors for the policy and the system for the compensation of Corporate Directors and executive officers, as well as individual compensation amounts for Representative Directors.

■Method of calculation for performance-linked compensation

- The amount of annual performance-linked compensation

In order to better link compensation of Corporate Directors to medium-term performance, TEL has designated the actual net income attributable to owners of parent and Return on Equity consolidated (consolidated ROE) for the current period as the main calculation benchmarks in the annual performance-linked compensation system for the Chief Executive Officer (CEO) and other Corporate Directors, adjusting it as necessary for extraordinary income/losses and other special factors that should be considered.

In principle, annual performance-linked compensation consists of cash bonuses and stock-based compensation(stock option); the composition is roughly 1:1 for Corporate Directors, and single year performance is appropriately reflected in the annual performance-linked compensation of the CEO and other Corporate Directors. Stock-based compensation (stock option) is awarded in the form of share subscription rights with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment. The annual performance-linked compensation system for TEL executive officers and senior employees, as well as subsidiary Directors, executive officers and senior employees is designed pursuant to the system for TEL Corporate Directors, but in light of the difference in work duties from TEL Corporate Directors, the ratio of cash bonuses to stock-based compensation (stock option) has generally been 2:1.

- Medium-term performance-linked compensation

Medium-term performance-linked compensation consists of stock-based compensation (performance share) with the objective of having the Corporate Directors share the shareholder perspective by holding Company shares and raising awareness towards enhancing corporate value. The payout rate varies between 0% and 150% of a standard amount calculated based on the position and responsibilities of each Corporate Director according to performance goal achievement levels for the covered three-year period. In order to properly link director compensation to the increasing of medium-term corporate value, we use the consolidated operating margin, consolidated ROE, and the like as performance indicators.

We plan to introduce incentive plans linked to medium-term performance similar to the plan for Corporate Directors at TEL, for executive officers, senior employees and mid-level employees of TEL, as well as Directors, executive officers, senior employees and mid-level employees of subsidiaries in Japan and abroad.

We are introducing such medium-term incentive plan, considering, at TEL, that dynamism and variety is created by an entrepreneurial spirit, especially among senior employees and mid-level employees, keeping in mind a common purpose shared with the executive management team to realize TEL's business targets in line with the executive management team.

Proposal 2: Payment of Bonuses to Corporate Directors for the 55th Fiscal Year

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 55th fiscal year, the Company seeks shareholder approval to pay 1,980 million yen (including 38 million yen for outside Directors) as the cash bonus portion of annual performance-linked compensation to 12 Corporate Directors in office (including two outside Directors) at the end of the 55th fiscal year.

Proposal 3: 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 55th 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 the stock-based compensation (stock option) portion of annual performance-linked compensation to Corporate Directors.

Of annual performance-linked compensation, cash bonuses for Corporate Directors will be brought before the General Meeting of Shareholders as Proposal 2. Since stock-based compensation (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 the stock-based compensation (stock option) portion of annual performance-linked compensation of no more than 1,819 million yen annually to Corporate Directors (excluding outside Directors), in addition to Proposal 2. If Proposal 1 is approved as proposed, there will be 9 Corporate Directors (excluding three outside Directors) covered by this Proposal.

The amount of stock-based compensation (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-based compensation (stock option), based on the financial results in the fiscal year ended March 2018, 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 98,000 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

World Headquarters
3-1 Akasaka 5-chome, Minato-ku
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Tel:+81-3-5561-7000

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 980

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

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 to TEL executive officers, senior employees, and subsidiary Directors and executive officers, senior employees.

The amount of stock-based compensation (stock option) actually issued is the fair value on one option, multiplied by the total number of options allocated as well as in Proposal 3.

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-based compensation (stock option) based on the consolidated performance for the term ended March 2018, 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, senior employees as of the final day of the 55th 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 55th 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 121,900 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 a meeting of the Board of Directors.

(3) Aggregate number of subscription rights

Up to 1,219

(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 5: Introduction of a Stock Compensation System as Medium-term Performance-linked Compensation for Corporate Directors of the Company

The compensation for Corporate Directors (excluding outside Directors, hereinafter the same in this proposal) of the Company is currently comprised of a fixed basic compensation and an annual performance-linked compensation. However, the Company proposes to introduce a new medium-term performance-linked stock-based compensation plan (hereinafter the “Plan”) for Corporate Directors, as an incentive plan that links compensation to medium-term performance.

Also, if this proposal is approved, the executive compensation system of the Company will be set as described in page 19 <Regarding Proposals 2 to 5>.

This proposal requests approval to pay stock-based compensation (performance share) as an incentive plan for Corporate Directors, which is separate from the amount of fixed basic compensation for Corporate Directors approved at the 48th Annual General Meeting of Shareholders (no more than 750 million yen each fiscal year), the bonus payment which approval is requested for in Proposal 2 of this General Meeting, and the new share subscription rights compensation which approval is requested for in Proposal 3 of this General Meeting. If Proposal 1, “Election of Twelve Corporate Directors,” is approved as proposed, the number of Corporate Directors during the initial period covered by the Plan will be 9.

The Company plans to introduce an incentive plan linked to medium-term performance similar to this system for Corporate Directors of subsidiaries of the Company in Japan and abroad, as well as for executive officers, senior employees and mid-level employees of the Company and subsidiaries of the Company in Japan and abroad

1. Reasons for the proposal and justification for such compensation

The Plan is designed to underline for Corporate Directors the importance of contributing to the Group’s medium-term performance and increasing the enterprise value, and help them share a shareholder perspective. Therefore the Company believes that the introduction of the Plan to be justified. The introduction of the Plan has been deliberated by the Compensation Committee comprising three or more Corporate Directors, including outside Directors.

2. Amounts of the compensation and details of the Plan, etc.

(1) Outline of the Plan

The Plan is a stock-based compensation plan under which the Company’s shares will be acquired through a trust using money contributed by the Company from compensation for Corporate Directors; and the Company’s shares and the amount of money equivalent to the conversion value of the Company’s shares (hereinafter the “Company’s Shares, etc.”) will be delivered and provided (hereinafter “Delivery, etc.” or “delivered, etc.”) to the Corporate Directors through the trust. (See (2) below for details.)

(i) Persons eligible for the Delivery, etc. of the Company’s Shares, etc. covered by this Proposal	- Corporate Directors of the Company (excluding outside Directors) (including new Corporate Directors appointed on or after the starting date of the Plan)
(ii) The effect of the Company’s shares covered by this Proposal on the number of the total number of issued shares Maximum amount of money to be contributed by the Company for the acquisition of the Company’s shares for Delivery, etc. to Corporate Directors (as specified in (2) below)	- Total of 480 million yen for each Covered Period of three fiscal years (The initial Covered Period will be three fiscal years from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021) - Every fiscal year, a Trust (as specified in (2) below) will be set up with a trust period of about three years - One Trust may be set up for Corporate Directors of the Company each fiscal year, and if a Trust were to be set up every fiscal year, a maximum of three Trusts coexist

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

<p>Acquisition method of the Company's shares (as specified in (2) below) and the maximum number of the Company's Shares, etc. to be delivered, etc. to Corporate Directors (as specified in (3) below)</p>	<ul style="list-style-type: none"> - 23,800 shares for each Covered Period - Approximately 0.015% of the total number of the issued shares (As of March 31, 2018, after deducting treasury shares) - The Trust will acquire the Company's shares from the Company or the stock market. As we plan to acquire shares for the Trust which is to be set for the fiscal year ending March 31, 2019 from the stock market, the company's shares will not be diluted
<p>(iii) Details of the conditions for performance achievement (as specified in (3) below)</p>	<ul style="list-style-type: none"> - The payout rate will be variable within a range of 0% to 150% according to the degree of accomplishment of performance goals for the Covered Period decided by the Board of Directors - Indicators which evaluate the degree of achievement in performance goals in the initial Covered Period will be a three-year average of consolidated operating margin and three-year average of consolidated ROE, and will be calculated as follows: reference points x 1/2 x consolidated operating margin attainment factor + reference points x 1/2 x level of factors in consolidated ROE attainment
<p>(iv) Timing of the Delivery, etc. of the Company's Shares, etc. to Corporate Directors (as specified in (4) below)</p>	<ul style="list-style-type: none"> - After the end of the covered period (three fiscal years)

(2) Maximum amount of money to be contributed by the Company

The period covered by the Plan will be the three consecutive fiscal years ("Covered Period") and the initial Covered Period will be the three fiscal years from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021.

As compensation for Corporate Directors, the Company will contribute trust money up to a total of 480 million yen for each Covered Period and the Company will establish a trust with a trust period equivalent to the Covered Period wherein Corporate Directors who meet the beneficiary requirements will be the beneficiaries (hereinafter the "Trust"). The maximum amount of the trust money is calculated based on stock acquisition funds in case of the maximum payout, trust fees and trust expenses. The Trust will acquire the Company's shares from the Company or the stock market using the entrusted money in accordance with instructions of a trust administrator. During the Covered Period, the Company will grant points to Corporate Directors (as specified in (4) below), and the Company's Shares, etc. equivalent to such points will be delivered, etc. to Corporate Directors from the Trust at a predetermined time.

As the Company establishes a new Trust each fiscal year after the fiscal year ending March 31, 2019 with a trust period of approximately three years, and the Company may pay stock-based compensation to Corporate Directors as an incentive plan based on the Plan. In such case, the three fiscal years after the establishment of each Trust will be the Covered Period, and the Company will contribute trust money up to a total of 480 million yen for each Covered Period. During the trust period, the Company will grant points and deliver, etc. the Company's Shares, etc. to Corporate Directors.

The Company may continue the Trust by modifying the Trust agreement and entrusting additional money at the expiry of the trust period of the Trust, in lieu of creating a new Trust. In such case, the trust period will be extended for another three years, the three fiscal years from the extension of the trust period shall be the Covered Period, the Company will make additional contributions of trust money within the limit of 480 million yen for each Covered Period. However, in cases where such additional contributions are to be made, if there are any shares of the Company (excluding the Company's Shares, etc. equivalent to points granted to Corporate Directors and yet to be delivered, etc.) and money remaining in the trust asset (hereinafter "Residual Shares, etc.") as of the last day of

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the trust period prior to the extension, the sum of the amount of the Residual Shares, etc. and additional trust money to be contributed by the Company will be within the limit of 480 million yen.

(3) Calculation method and maximum number of the Company's Shares, etc. will be delivered, etc., to Corporate Directors

The number of share delivery points will be calculated by applying the following formula and the Company's Shares, etc. will be delivered, etc. to Corporate Directors will be based on 1 Company Share per 1 point. If the Company's shares in the Trust are subjected to a split or merger, the number of the Company's Shares, etc. will be delivered, etc. per point and the maximum number of shares will be delivered shall be adjusted according to the Company share split or merger ratio, etc.

(Stock delivering point formula)

Reference Base points (*1) x Performance-linked factor (*2)

*1 The reference point is determined by deducting the share price at the time the Trust acquired the Company stock from the reference amount determined according to the position in the first year of the relevant term (if the Trust period of the Trust has been extended through changes in the trust agreement or putting it in an additional trust, then the average acquisition unit price for the Company stock that will be obtained by the Trust after the extension).

*2 The performance-linking factor fluctuates between 0% and 150% according to the attainment level of performance targets during the Covered Period (e.g. target consolidated operating margin or consolidated ROE etc.). However, if Corporate Director are delivered the Company Shares etc. before the end of the Covered Period (see (4) below), the performance-linking factor shall be deemed to be 100% for calculating the number of points for the delivery of shares. The indicators for evaluating the attainment level of performance targets for the initial Covered Period shall be the three-year average consolidated operating margin and three-year average consolidated ROE, and the formula for stock delivering points is "reference points x 1/2 x consolidated operating margin attainment factor + reference points x 1/2 x level of factors in consolidated ROE attainment".

The maximum number of the Company's Shares, etc. to be delivered, etc. to Corporate Directors during each Covered Period will be 23,800 shares. This maximum number of the Company's Shares, etc. has been set in reference to the maximum amount of the trust money to be contributed by the Company in (2) above and the current share prices.

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

The Company's Shares, etc. in the Company will be delivered, etc. after the Covered Period is over (in the event that an Corporate Director dies before the end of the Covered Period, then the Company's Shares, etc. will be delivered, etc. at that time).

In principle, Corporate Directors shall be able to receive the Company's Shares, etc. equivalent to stock delivering points after undergoing certain beneficiary right confirmation procedures, on the condition that they satisfy the following beneficiary requirements after the Covered Period ends.

(i) He/she was in position and working as an Corporate Director during the first fiscal year in the relevant Covered Period.

(ii) The number of stock delivering points set out in (3) above has been determined

(iii) The person has not committed certain illegal acts while in office or left the position due to termination etc.

(iv) Other requirements that are deemed necessary to achieve the purpose of the Stock Delivering Scheme

Corporate Directors who meet the beneficiary requirements above will receive the delivery of the Company's shares in the number equivalent to a certain percentage of the stock delivering points (shares constituting less than one share unit will be disregarded), and receive money equivalent to the Company's shares corresponding to the number of remaining stock delivering points that are converted into cash in the Trust. However, in principle, if the Corporate Director does not have a securities transaction account that can handle Japanese shares, all the share delivery points may be converted to cash within the Trust, and then paid to such Corporate Director. In the event of the death of the Corporate Director prior to the end of the Covered Period, the Company's shares that correspond to the

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Tokyo 107-6325, Japan
Tel:+81-3-5561-7000

stock delivering points at the time of his/her death will be converted entirely into cash in the Trust, and the heir of said Corporate Director will receive such cash.

(5) Voting rights accompanying the Company's shares within Trust

For the Company's shares within Trust, no voting rights shall be exercised during the Covered Period, in order to ensure neutrality towards management.

(6) Handling of dividends of surplus pertaining to the Company's shares under the Trust

Dividends of surplus pertaining to the Company's shares under the Trust will be received by the Trust and used for trust fees and trust expenses of the Trust. After the dividends of surplus are used for trust fees and trust expenses, if there are any dividends remaining at the termination of the Trust, the remainder will be donated to groups that have no vested interest with the Company and the Corporate Directors.

(7) Other details of the Plan

Other details concerning the Plan will be determined at a meeting of the Board of Directors when establishing the Trust, modifying the trust agreement, or making additional contributions to the Trust.

(Reference)

For information regarding the Plan, please refer to the "Notice Regarding Introduction of Stock Delivering Scheme for the TEL Group Officers in Japan and Abroad" dated May 11, 2018 published in our press release (timely disclosure).

Business Report (From April 1, 2017 to March 31, 2018)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

For the fiscal year under review, the global economy remained stable, with economic recovery progressing steadily in the U.S. and Europe, and solid economy in the Asian region, as well as in China.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, demand for memory increased dramatically as 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 every kind of cloud services. In addition, the semiconductor and electronic components market was buoyant against the background of robust demand for semiconductors in products such as increased demand for uses in automobiles and industrial equipment.

In this environment, with respect to the consolidated business results for the fiscal year under review, net sales for the fiscal year increased 41.4% from the previous fiscal year to 1,130,728 million yen; operating income increased 80.6% to 281,172 million yen; ordinary income increased 78.2% to 280,737 million yen; extraordinary losses totaled 5,495 million yen, compared to a loss of 8,433 million yen in the previous fiscal year, due mainly to the recording of an extraordinary loss resulting from the partial migration from a defined benefit corporate pension system to a defined contribution corporate pension system as of April 1, 2018; and net income attributable to owners of the parent was 204,371 million yen, a year-on-year increase of 77.4%.

(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

DRAM memory manufacturer's capital investments expanded in response to the favorable DRAM supply-demand conditions driven by increased demand for servers used in data centers. Investment in 3D NAND flash memory to boost production capacity rose as well because of the increase in installations of SSDs (Solid State Drives) in servers. In addition, investments in logic semiconductor used in the development of advanced technology also expanded in response to growth in demand for servers. As a result, demand for semiconductor production equipment was strong. Consequently, the net sales to external customers in this segment for the fiscal year under review were 1,055,234 million yen, and increased 40.7% compared to the previous fiscal year.

Major products

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

(ii) FPD (Flat Panel Display) Production Equipment

Together with increased capital investment in large-sized LCD panels used for televisions in China, capital investment also continued for small to medium-sized LCD panels used in mobile devices, and the FPD production equipment market remained strong. As a result, net sales to external customers in this segment for the fiscal year under review were 75,068 million yen (year-on-year growth of 52.0%).

In this segment, TEL also introduced the dry etching equipment "BetelexTM 1800 PICPTM" for use in high-definition flat panel displays for the fiscal year under review.

Major products

FPD Etch/Ash system, FPD Coater/Developer

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(iii) Other

For businesses that are not included in the above two segments, sales to external customers during the fiscal year under review totaled 425 million yen.

(3) Capital Investment and Procurement of Funds

In the current consolidated period, the TEL Group acquired 45,603 million yen in tangible fixed assets. The main capital investments were as indicated below.

- Acquired machinery and equipment for use in evaluations and machinery and equipment for use in research and development, primarily in fields in which technical innovation and market growth are expected, to handle production expansion in response to increased sales and to accelerate the development of cutting-edge technologies in order to achieve our Medium-term Management Plan.
- Built logistics building in the Tokyo Electron Miyagi Ltd. Taiwa Plant to efficiently utilize resources by consolidating logistics bases. At the same plant, started construction of a development building to strengthen technology development capabilities.
- Renovated cleanrooms in the Yamanashi Regional Office (Hosaka) and Tokyo Electron Kyushu Ltd. Koshi Plant to promote the development of new products.
- Acquired land in Pyeongtaek City, Gyeonggi Province, South Korea, for the purpose of opening a new office.

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 and flat panel display (FPD) production equipment, engages in dynamic business activities in the electronics industry, a field characterized by rapid 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 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 in semiconductor production equipment and related areas using its original technology, among others, where innovations in technology will generate new value, and high earnings can be expected.

The driving forces of our company are comprised of the belief that the customer comes first, which has been part of our corporate culture since the founding of TEL, a high level of technical expertise capable of achieving technical innovation, 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 apply leading-edge technologies TEL has cultivated over the years in growth areas based on electronics technology which value creation through technical innovation can be expected.

(ii) Medium-term 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.

Measures to Achieve the Medium-term Vision

Market Environment

With the development of IoT, it is expected that the number of things connected to the Internet would almost double compared to the status quo by 2020, to over 30 billion devices, and data communication is expected to grow by an average of 24% per annum. Accordingly, concepts such as

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Tokyo 107-6325, Japan
Tel:+81-3-5561-7000

“big data” and applications such as virtual reality, augmented reality, and mixed reality are appearing. With the addition of artificial intelligence (AI), business models and lifestyles are expected to develop. Furthermore, in addition to e-commerce and the sharing economy, which are already widespread, various other developments, such as medical care and automated driving are also forecasted. From the latter half of this year there are plans to construct base stations for the next-generation telecommunications standard (5G), and the infrastructure that will support the era of the IoT and big data is being put in place. The main actor in supporting such social evolution is indeed semiconductor.

In order to achieve high capacity, high speed, high reliability, sophisticated sensing technology with lower power consumption that is expected of semiconductor devices, it is necessary for the semiconductor manufacturing devices to have ultimate machining precision, and there are expectations for the support of next generation devices including new structures, new materials, and new memory. Unlike conventional market models driven by individual products such as PCs and mobile phones, we believe that the semiconductor manufacturing device market has entered a higher growth phase in terms of demand and technological innovation, in order to support a new society centered on big data in servers and networks. In addition, increases in display size, display resolution, and organic EL usage are driving the display market, and technical changes are being accompanied by a growth of business opportunities, such as wider ranging design factors and application areas.

Situations of Customers

As the technical requirement level expected of devices grows more sophisticated, customers have higher and higher expectations of the TEL Group, which is an equipment manufacturer. Marketing leading customers demand that we develop products based on performance requirements by sharing development plans up to three generations in advance and collaborating from the early stages of development. We are also expected to shorten the period from development to mass production by conducting development side by side with our customers. In addition, the following are important customer concerns in order to reduce production costs.

- Execute upgrades so that products can be used for a longer time
- Build models utilizing artificial intelligence (AI) and big data with the goal of realizing higher utilization rates and ultimate machining precision of our equipment.

Business Strategy

As customer's demands are rising due to this higher growth phase, the TEL Group aims to become a global leader in the industry by creating greater value. We will endeavor to establish a solid foundation for growth to achieve the goal we aim at based on the following three areas to strengthen:

3 areas to strengthen

- **Strengthening product competitiveness....to create next-generation products with high added value**
- **Strengthening response to customers....to become the sole strategic partner of customers**
- **Improving productivity....to continuously pursue management efficiency improvements**

It is essential to continuously create next generation products with high added value in order to strengthen product competitiveness. When developing production equipment, by collaborating from the initial phase of development, it is not only possible to achieve the most efficient marketing, but also have equipment employed in the customer's manufacturing process at an earlier stage, avoid design changes caused by introducing the customer's specifications in the final stage, secure evaluation time for engineers, and shorten the development period. We will also strive to achieve deeper collaboration with customers and secure a position as the one and only strategic partner by clarifying issues to be addressed by the TEL Group for next generation devices and enhancing our ability to make proposals and offer support for customers.

In our businesses in Singapore and the Southeast Asia region, we had used HERMES-Epitek Singapore as our agent, but in order to further enhance our customer support system, we have changed to a system in which our local subsidiaries take over equipment sales support, parts sales, and service work in the region, to deal directly with customers. We will strive to further improve customer satisfaction by realizing faster and more precise customer support than ever.

Meanwhile, we are improving IT infrastructure within the TEL Group to promote unified management of resources including people, goods, and money, as well as business progress with the aim of eliminating redundancies and waste of resources and improving productivity. Moreover, we will

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continue to select and concentrate resources and make continuous reviews to priority allocation fields of management resources, in order to improve our profitability.

We will assess return on investment when making capital investment for expanding size and share of the market. Our primary capital investments conducted or decided in the consolidated fiscal year under review are as follows. Tokyo Electron Miyagi Ltd., which is responsible for manufacturing and development in the growing etching equipment market, built a new logistics building in order to expand production capacity by shortening lead time. The company also started construction work on a development building in order to strengthen its technological development capabilities. In addition, Tokyo Electron Technology Solutions Ltd., which is responsible for manufacturing and development of deposition equipment, expected to become a growth market, decided to build new buildings (production buildings) at its Yamanashi Regional Office (Fujii) and Tohoku Regional Office. Through these capital investments, we will respond quickly to market demand.

Environment

In 2015, the United Nations adopted Sustainable Development Goals (SDG) as a global development goal for sustaining and developing the society toward year 2030. The TEL Group will take one-step-ahead approach in environmental protection by deciding its product strategy based on global efforts for the environment and energy savings, and enhancing the creation of products and technology that reduce environmental impact.

Human Resources

The TEL Group develops its business on a global basis, and the overseas sales ratio exceeds 80% of its overall sales. We believe that human resources are more important than anything else to develop our business in this global market to maintain our position as a global leading company. We have introduced a global human resources system that allows us to maintain and acquire human resources core to the TEL Group, evaluate them fairly and encourage personal development.

(iii) Capital Policy

Based on the management strategy and business strategy stated above, TEL's objective in our capital policy is as follows.

View regarding Capital Efficiency

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

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 consolidated 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.

Through the above efforts, the TEL Group will generate high added value in the semiconductor and FPD industries through proprietary proposals that integrate innovative technical know-how and diverse technologies. 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

(i) Changes in the business performance and assets of the TEL Group

Items	FY2015 (52nd FY; From April 1, 2014 to March 31, 2015)	FY2016 (53rd FY; From April 1, 2015 to March 31, 2016)	FY2017 (54th FY; From April 1, 2016 to March 31, 2017)	FY2018 (55th FY; current fiscal year) (From April 1, 2017 to March 31, 2018)
Net sales (million yen)	613,124	663,948	799,719	1,130,728
Operating income (million yen)	88,113	116,788	155,697	281,172
Operating Margin (%)	14.4	17.6	19.5	24.9
Ordinary income (million yen)	92,949	119,399	157,549	280,737
Net income (loss) attributable to owners of parent (million yen)	71,888	77,891	115,208	204,371
Net income (loss) per share (yen)	401.08	461.10	702.26	1,245.48
Total assets (million yen)	876,153	793,367	957,447	1,208,705
Net assets (million yen)	641,162	564,239	645,999	771,509
ROE (%)	11.8	13.0	19.1	29.0

(Notes)

- In the 52nd consolidated fiscal year, due to an increase in the number of chips per handset accompanying the enhancement of smartphone functions, robust sales of new models of smartphones with advanced features, and an increase in demand for servers used for data centers, among others, sales in the semiconductor production equipment business, our key line of business, remained solid resulting in significantly increased profit.
- In the 53rd consolidated fiscal year, due to the increasing number of chips used per handset as mobile device functions become more advanced and the growing demand for servers for data centers accompanying the growing use of big data, sales in the semiconductor production equipment business, our key line of business, remained strong resulting in significantly increased revenue and profit.
- In the 54th consolidated fiscal year, due to greater demand for data center servers to handle the increase in the amount and volume of data communications produced by the growth of the IoT, functionality advances in Chinese smartphones, and unit sales growth, sales in the semiconductor production equipment business segment, our key line of business, remained strong resulting in significantly increased revenue and profit.
- The business performance and property of the TEL Group for the 55th fiscal year are described in (1) "Business Developments and Results."

(6) Major subsidiaries (As of March 31, 2018)

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

(Notes)

- At the end of the current consolidated fiscal year, the number of consolidated subsidiaries including the above listed companies was 33.
- Tokyo Electron Yamanashi Ltd. and Tokyo Electron Tohoku Ltd. executed an absorption-type merger on July 1, 2017, with Tokyo Electron Yamanashi Ltd. as the surviving company and with Tokyo Electron Tohoku Ltd. as the absorbed company. The company name was changed to Tokyo Electron Technology Solutions Ltd.

(7) Important Business Mergers

- Tokyo Electron Yamanashi Ltd. and Tokyo Electron Tohoku Ltd. executed an absorption-type merger on July 1, 2017, with Tokyo Electron Yamanashi Ltd. as the surviving company and with Tokyo

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Tokyo 107-6325, Japan
Tel:+81-3-5561-7000

Electron Tohoku Ltd. as the absorbed company. The company name was changed to Tokyo Electron Technology Solutions Ltd.

2. Tokyo Electron U.S. Holdings, Inc. executed an agreement to transfer all the shares of its U.S. subsidiary TEL NEXX, Inc. to ASM Assembly Systems, Inc., and U.S. subsidiary of ASM Pacific Technology Ltd. in Singapore on April 1, 2018. This share transfer requires approval of relevant authorities in order to be effective, which is expected to complete by the end of December 2018.

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(8) Employees at TEL and in the TEL Group (As of March 31, 2018)

(i) Number of employees in the TEL Group

Business segment	Number of employees	Variance from the end of the previous fiscal year
Semiconductor production equipment	9,108	646
FPD production equipment	567	40
Other	370	8
Common to all companies	1,901	11
Total	11,946	705

(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
1,396	(135)	44.2	18.5

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

(9) Major lenders (As of March 31, 2018)

There is no relevant item.

(10) Major offices of the TEL Group (As of March 31, 2018)

(i) Tokyo Electron Ltd.

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

(ii) Subsidiaries

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

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2. TEL shares (As of March 31, 2018)

- | | |
|--|-------------|
| (i) Total number of shares authorized to be issued | 300,000,000 |
| (ii) Total number of issued shares | 165,210,911 |
| (iii) Number of shareholders | 35,186 |
| (iv) Major shareholders | |

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan Limited (trust account)	28,747	17.51
Japan Trustee Services Bank Limited (trust account)	18,432	11.23
Tokyo Broadcasting System Holdings, Inc.	7,727	4.70
JP Morgan Chase Bank 380055	4,536	2.76
Trust & Custody Services Bank, Limited (securities investment trust account)	3,220	1.96
State Street Bank West Client Treaty 505234	2,932	1.78
Japan Trustee Services Bank Limited (trust account 5)	2,548	1.55
Japan Trustee Services Bank Limited (trust account 4)	2,446	1.49
Japan Trustee Services Bank Limited (trust account 7)	2,206	1.34
JP Morgan Chase Bank 385151	2,099	1.27

(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 (1,097,342 shares). Figures are rounded down to the second decimal place.
- Change reports from Nomura Securities Co., Ltd. available for public inspection as of September 25, 2017, indicated that Nomura International plc and 1 other joint holder held 13,686 thousand shares as of September 15, 2017. Change reports from Sumitomo Mitsui Trust Bank, Limited available for public inspection as of July 21, 2017, indicated that it and 2 other joint holders held 13,588 thousand shares as of July 14, 2017. Change reports from Mitsubishi UFJ Financial Group, Inc. available for public inspection as of June 19, 2017, indicated that the Bank of Tokyo-Mitsubishi UFJ, Ltd. and 3 other joint holders held 12,214 thousand shares as of June 12, 2017. Change reports from BlackRock Japan Co., Ltd. available for public inspection as of February 4, 2016, indicated that it and 6 other joint holders held 10,252 thousand shares as of January 29, 2016. Large shareholding reports from Asset Management One Co., Ltd. available for public inspection as of March 23, 2018, indicated that it held 8,735 thousand shares as of March 15, 2018. The table above does not include the portion of shares whose ownership TEL cannot confirm as of March 31, 2018.

3. Matters concerning Share Subscription Rights

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

	4th share subscription rights	6th share subscription rights
Allocation date	August 8, 2005	June 24, 2006
Allocation number of share subscription rights	852 units	669 units
Balance at end of fiscal year	29 units	62 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	-	10 units (1 person)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	-	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 2,900 shares	Common stock of TEL 6,200 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 August 1, 2008 to June 30, 2025. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to August 1, 2008.	From July 1, 2009 to May 29, 2026. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2009.

	7th share subscription rights	8th share subscription rights
Allocation date	June 23, 2007	June 21, 2008
Allocation number of share subscription rights	1,004 units	1,779 units
Balance at end of fiscal year	83 units	177 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	20 units (1 person)	38 units (1 person)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	-	15 (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 8,300 shares	Common stock of TEL 17,700 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2010 to May 31, 2027. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2010.	From July 1, 2011 to May 31, 2028. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2011.

	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	245 units	292 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	37 units (1 person)	58 units (2 persons)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	34 units (2 persons)	40 units (2 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 24,500 shares	Common stock of TEL 29,200 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	1,357 units	1,944 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	490 units (10 persons)	907 units (10 persons)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	60 units (2 persons)	17 (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 135,700 shares	Common stock of TEL 194,400 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
Allocation date	June 21, 2017
Allocation number of share subscription rights	1,447 units
Balance at end of fiscal year	1,447 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	785 units (10 persons)
Ownership by outside Directors of TEL	-
Ownership by Audit & Supervisory Board Members of TEL	12 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 144,700 shares
Amount paid for the exercise of Share Subscription Rights	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.

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

World Headquarters
3-1 Akasaka 5-chome, Minato-ku
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4. Matters concerning TEL's Corporate Directors and other officers

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2018)

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
Representative Director	Tetsuro Hori	CFO Internal Control Executive Vice President & General Manager
Corporate Director	Sadao Sasaki	Executive Vice President & General Manager President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Corporate Director	Hirofumi Kitayama	Executive Vice President & General Manager President and Representative Director, TokyoElectron Miyagi Ltd.
Corporate Director	Masami Akimoto	Executive Vice President & General Manager President and Representative Director, TokyoElectron Kyushu Ltd.
Corporate Director	Gishi Chung	Senior Vice President & General Manager Chairman of the Board, TEL Technology Center, America, LLC Chairman of the Board, TEL Venture Capital, Inc. Chairman of the Board, TEL NEXX, Inc.
Corporate Director	Tatsuya Nagakubo	Business Ethics CSR Promotion Senior Vice President & General Manager
Corporate Director	Kiyoshi Sunohara	Senior Vice President & General Manager
Corporate Director Corporate Advisor	Tetsuro Higashi	
Corporate Director	Hiroshi Inoue	Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association
Corporate Director	Charles Ditmars Lake II	Chairman and Representative in Japan, American Family Life Assurance Company of Columbus President, Aflac International, Incorporated Outside Director, Japan Post Holdings, Co., Ltd.
Audit & Supervisory Board Member	Yoshiteru Harada	
Audit & Supervisory Board Member	Yoshikazu Nunokawa	
Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd.
Audit & Supervisory Board Member	Ryuji Sakai	Attorney-at-Law, Partner, Nagashima, Ohno & Tsunematsu Outside Auditor, Kobayashi Pharmaceutical Co., Ltd.

Audit & Supervisory Board Member	Kyosuke Wagai	Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.
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Members of the Nomination Committee:

Tetsuo Tsuneishi, Masami Akimoto, Hirofumi Kitayama

Members of the Compensation Committee:

Tatsuya Nagakubo, Tetsuro Higashi, Charles Ditmars Lake II

(Notes)

1. Corporate Directors Hiroshi Inoue and Charles Ditmars Lake II are Outside Directors.
2. Audit & Supervisory Board Members Takatoshi Yamamoto, Ryuji Sakai and Kyosuke Wagai are Outside Audit & Supervisory Board Members.
3. As Directors Hiroshi Inoue and Charles Ditmars Lake II and Audit & Supervisory Board Members Takatoshi Yamamoto and Kyosuke Wagai meet the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" established based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange, Inc., TEL appointed Hiroshi Inoue and Charles Ditmars Lake II as independent Directors as well as Takatoshi Yamamoto and Kyosuke Wagai as independent Audit & Supervisory Board Members pursuant to the regulations of Tokyo Stock Exchange, Inc. and provided notice to Tokyo Stock Exchange, Inc.
4. TEL has entered into agreements with Corporate Directors Hiroshi Inoue and Charles Ditmars Lake II as well as with Audit & Supervisory Board Members Yoshiteru Harada, Yoshikazu Nunokawa, Takatoshi Yamamoto, Ryuji Sakai and Kyosuke Wagai to limit liability for damages of Article 423, Paragraph 1 of the Companies Act. The limit of liability under the said agreements is the minimum liability amount stipulated under Article 425, Paragraph 1 of the Companies Act, provided they carry out their responsibilities in good faith with no gross negligence.
5. Audit & Supervisory Board Member Yoshiteru Harada has led the Group's administrative division as Vice President and General Manager, and has ample experience in operations and management and considerable degree of knowledge in finance and accounting.
6. Audit & Supervisory Board Member Yoshikazu Nunokawa has led the Group's administrative division as Vice President and General Manager of the subsidiaries, and has ample experience in operations and management and considerable degree of knowledge in finance and accounting.
7. Audit & Supervisory Board Member Takatoshi Yamamoto is a chartered member of The Securities Analysts Association of Japan and has the appropriate level of knowledge relating to finance and accounting.
8. Audit & Supervisory Board Member Kyosuke Wagai has many years of experience as a Certified Public Accountant at an auditing firm and has also held positions including Executive Board Member of the Japanese Institute of Certified Public Accountants, and has the appropriate level of knowledge relating to finance and accounting.
9. Audit & Supervisory Board Member Shojiro Mori completed his term of office and retired from office at the conclusion of the 54th Annual General Meeting of Shareholders, held on June 20, 2017.
10. Positions in TEL and responsibilities and significant concurrent posts have changed as indicated below as of April 1, 2018.

Position in TEL	Name	Responsibilities, Significant concurrent posts
Corporate Director	Tetsuro Hori	Executive Vice President & General Manager
Corporate Director	Masami Akimoto	Executive Vice President & General Manager Chairman and Representative Director, Tokyo Electron Kyushu Ltd.
Corporate Director	Tatsuya Nagakubo	Internal Control Business Ethics CSR Promotion Senior Vice President & General Manager

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(ii) Condition of Executive Officers (As of March 31, 2018)

Name	Position & Responsibilities
Tetsuo Tsuneishi	Chairman of the Board
Toshiki Kawai	President & CEO, General Manager, Business Division
Tetsuro Hori	Executive Vice President, CFO General Manager, Finance, Legal & IT Division Compliance & Internal Control
Sadao Sasaki	Executive Vice President, General Manager, Development & Production 1st Division President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Hirofumi Kitayama	Executive Vice President, General Manager, Development & Production 2nd Division EHS, Quality, Procurement President and Representative Director, Tokyo Electron Miyagi Ltd.
Masami Akimoto	Executive Vice President, General Manager, Development & Production 3rd Division President and Representative Director, Tokyo Electron Kyushu Ltd.
Gishi Chung	Senior Vice President, General Manager, Technology Strategy Division
Tatsuya Nagakubo	Senior Vice President, General Manager, Human Resources & General Affairs Division Human Resources, General Affairs, CSR Promotion Chairman of the Ethics Committee
Kiyoshi Sunohara	Senior Vice President, General Manager, Field Solutions Business Unit
Hideyuki Tsutsumi	Senior Vice President, General Manager, Global Field Division President and Representative Director, Tokyo Electron FE Ltd.
Takeshi Okubo	Senior Vice President, Deputy General Manager, Global Field Division Planning of Region Strategy Division
Barry Mayer	Senior Vice President, General Manager, Global Strategy
David Brough	Senior Vice President, General Manager, Global Strategy, Europe Region Division, President and Managing Director, Tokyo Electron Europe Ltd.
Seisu Ikeda	Senior Vice President, Deputy General Manager, Business Division General Manager, Coat & Clean Business Unit
Kenji Washino	Senior Vice President, General Manager, Assemble and Test Systems Business Unit
Yoshinobu Mitano	Senior Vice President, General Manager, Etching Systems Business Unit
Yoshifumi Tahara	Senior Vice President, General Manager, Development & Production 4th Division
Takeo Sasaki	VP & General Manager, Legal, Export & Logistics Control
Yutaka Nanasawa	VP & General Manager, IT Division President, TEL Solar Services AG
Masayuki Kojima	VP & Deputy General Manager, Development & Production 2nd Division
Akihisa Sekiguchi	VP & Deputy General Manager, General Manager, Technology Strategy Division Advanced Semiconductor Technology Division, Global R&D
Kazushi Tahara	VP & System Development System Development Departments
Toshihiko Nishigaki	VP & Technology Strategy Division, Business Innovation President, TEL FSI, Inc.
Shingo Tada	VP & General Manager, Thin Film Formation Business Unit
Tsuguhiko Matsuura	VP & General Manager, Flat Panel Display Business Unit

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(Note)

1. Responsibilities have changed as indicated below as of April 1, 2018.

Position in TEL	Name	Responsibilities, Significant concurrent posts
Executive Vice President	Tetsuro Hori	Special Mission
Executive Vice President	Masami Akimoto	General Manager, Development & Production 3rd Division Chairman and Representative Director, Tokyo Electron Kyushu Ltd.
Senior Vice President	Tatsuya Nagakubo	General Manager, Human Resources & General Affairs Internal Control & Compliance Chairman of the Ethics Committee
VP & General Manager	Takeo Sasaki	Legal , Export & Logistics Control , Intellectual Property

(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	
				Bonus (Note 1)	Stock-based compensation (Stock option) (Note 2)
	(persons)	(million yen)	(million yen)	(million yen)	(million yen)
Corporate Directors (excluding outside Directors)	10	4,494	604	1,942	1,948
Outside Directors	2	62	24	38	-
Directors total	12	4,556	628	1,980	1,948
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) (Note 4)	3	79	79	-	-
Outside Audit & Supervisory Board Members (Note 4)	4	48	48	-	-
Audit & Supervisory Board Members total (Note 4)	7	128	128	-	-

(Reference)

Individual Compensation of Representative Directors during FY2018

Name and Position (Note 7)	Total compensation, etc.	Total compensation by type		
		Fixed Basic Compensation	Annual performance-linked compensation	
			Bonus (Note 1)	Stock-based compensation (Stock option) (Note 2)
	(million yen)	(million yen)	(million yen)	(million yen)
Tetsuo Tsuneishi Chairman of the Board (Note 8)	610	80	265	265
Toshiki Kawai Representative Director, President & CEO	763	101	331	331
Tetsuro Hori Representative Director, Executive Vice President	491	71	210	210

(Notes)

- The amount indicated is the amount of Director compensation that will be proposed at the 55th Annual General Meeting of Shareholders for fiscal year 2018 scheduled to be held on June 19, 2018.
- The amount indicated is the amount equivalent to the expenses associated with the share subscription rights that will be proposed at the 55th Annual General Meeting of Shareholders for fiscal year 2018 scheduled to be held on June 19, 2018.
- It was resolved at the 48th Annual General Meeting of Shareholders held on June 17, 2011 that the maximum amount of Corporate Director fixed basic compensation for a fiscal year should be 750 million yen (including a maximum of 30 million yen per fiscal year for Outside Directors). 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 the Audit & Supervisory Board Member and outside Audit & Supervisory Board Member compensation are payable includes the number of Audit & Supervisory Board Members who retired from office at the close of the 54th Annual General Meeting of Shareholders held on June 20, 2017.
- It was resolved at the 48th Annual General Meeting of Shareholders held on June 17, 2011 that the maximum amount of Audit & Supervisory Board Member fixed compensation for a fiscal year should be 13 million yen per month (a maximum of 156 million yen annually).
- A Compensation Committee has been established within the Board of Directors to deliberate on the individual compensation for Representative Directors, to be proposed to the Board of Directors.
- The table contains individual compensation for the fiscal year for the three Representative Directors as of the end of the fiscal year. Tetsuro Hori resigned as Representative Director on March 31, 2018, becoming a Corporate Director.
- The amount of compensation, etc. for the current fiscal year, including compensation as Corporate Directors before their assumption of office of Representative Directors paid from April 2017 to May 2017 is shown.
- The medium-term performance-linked compensation that will be proposed at the 55th Annual General Meeting of Shareholders scheduled to be held on June 19, 2018, is to be paid for the three fiscal years from fiscal year 2019 (the 56th fiscal year) onwards, and it is not included in the total amount of compensation in the above table.

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

a. Policies on compensation

The TEL Group emphasizes following points with regard to policies on compensation:

1. Composition and levels of compensation with global competitiveness
2. Link with business performance in the short term, sustainable growth, and medium-and-long term increase of corporate value
3. Securement of transparency and fairness in management and appropriateness of compensation

Based on the above policies, TEL has adapted a director compensation system that is closely linked to performance and shareholder value. The compensation of Corporate Directors and executive officers is currently comprised of a fixed basic compensation and an annual performance-linked compensation. However, we have decided to propose the introduction of new medium-term performance-based compensation at the 55th Annual General Meeting of Shareholders in order to better link director compensation to medium-term performance and thereby achieve further growth. As a result of this, if proposal 5 is approved, director compensation will consist of fixed basic compensation, annual performance-linked compensation, and medium-term performance-linked compensation. Audit & Supervisory Board Members' compensation consists only of a basic fixed compensation to maintain independence from management. Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors and Audit & Supervisory Board Members, was abolished in and after ended March 2006.

b. Roles of 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, including outside Director. The Compensation Committee performs an analysis of wage levels and structures compared to other companies in our industry in Japan, and proposes a policy and system for compensation of Corporate Directors and executive officers and individual compensation amounts for the Representative Directors to the Board of Directors.

c. Calculation formula of performance-linked compensation

- Annual performance-linked compensation

In order to better link factors that increase corporate value and shareholder value to compensation, TEL has designated the actual net income attributable to owners of parent and consolidated ROE for the current period as the main calculation benchmarks in the annual performance-linked compensation system for the CEO and other Corporate Directors, adjusting it as necessary for extraordinary income/losses and other special factors that should be considered.

In principle, it consists of a cash compensation and compensation in shares (stock options); the composition is roughly 1:1 for Corporate Directors, and single year performance is appropriately reflected in the annual performance-linked compensation of the CEO and other Corporate Directors. Share compensation (stock option) is awarded in the form of share subscription rights with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment. Annual performance-linked compensation for executive officers and senior employees of TEL, as well as Corporate Directors, executive officers, and senior employees of subsidiaries of TEL, uses a formula based on the compensation system for Corporate Directors of TEL, but taking into consideration differences of responsibilities with the Corporate Directors of TEL, the cash bonus and stock remuneration (stock option) ratio is set roughly 2 to 1.

- Medium-term performance-linked compensation (to be newly proposed at the 55th Annual General Meeting of Shareholders)

Medium-term performance-linked compensation consists of stock compensation (performance share) with the objective of sharing a shareholder perspective by holding Company Shares and raising awareness towards enhancing corporate value. The payout rate varies between 0% and 150% according to performance goal achievement levels for the three-year covered period, relative to a base amount calculated based on the position and responsibilities of each Corporate Director. In order to

World Headquarters
3-1 Akasaka 5-chome, Minato-ku
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properly link director compensation amounts on medium-term corporate value improvements, we use the consolidated operating margin, consolidated ROE, and the like as performance indicators.

We plan to introduce incentive plans linked to medium-term performance similar to the plan for Corporate Directors at TEL, for executive officers , senior employees and mid-level employees of TEL, as well as Directors, executive officers, senior employees and mid-level employees of subsidiaries in Japan and abroad.

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

(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, 2018)

Position in TEL	Name	Significant concurrent posts	Relationship with TEL
Outside Director	Hiroshi Inoue	Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association	No significant business relation
Outside Director	Charles Ditmars Lake II	Representative and Chairman in Japan, American Family Life Assurance Company of Columbus President, Aflac International Incorporated Outside Director, Japan Post Holdings, Co., Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Ryuji Sakai	Attorney-at-Law, Partner, Nagashima, Ohno & Tsunematsu Outside Auditor, Kobayashi Pharmaceutical Co., Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Kyosuke Wagai	Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.	No significant business relation

b. Main activities during the current fiscal year

Position in TEL	Name	Main activities
Outside Director	Hiroshi Inoue	Hiroshi Inoue attended all 11 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge as a business entrepreneur, made appropriate comments on proposals and other matters of deliberation.
Outside Director	Charles Ditmars Lake II	Charles Ditmars Lake II attended all 11 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 Audit & Supervisory Board Member	Takatoshi Yamamoto	Takatoshi Yamamoto attended 10 of the 11 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 11 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 8 meetings of the Board of Directors and all 4 meetings of the Audit & Supervisory Board held in the year following his assumption of office on June 20, 2017, and, drawing on his expertise as a certified public accountant, made appropriate comments on proposals and other matters of deliberation.

5. Condition of accounting auditor

(1) Name of accounting auditor
KPMG AZSA LLC

(2) Amount of Compensation Paid to Accounting Auditors

(million yen)

Classification	Current fiscal year	
	Compensation for audit certification work	compensation for non-audit work
TEL	168	-
Subsidiaries of TEL	31	-
Total	199	-

(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.
- 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.

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

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

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

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

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

6. Corporate Structures and Policies

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

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

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

Fundamental Policies concerning Internal Controls within the Tokyo Electron Group

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

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

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

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

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

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

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Tokyo 107-6325, Japan
Tel:+81-3-5561-7000

- (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) Efforts have been made so that the importance of compliance is thoroughly made understood within the Group based on Code of Ethics of the TEL Group and Compliance Regulations.
- (ii) As for compliance-related education, based on each theme, education is provided according to positions or otherwise as a compulsory education to all employees. The topics of the education include corporate ethics and compliance, export compliance, insider trading prevention, and Act against delay in payment of subcontract proceeds, etc. Global face-to-face compliance training was also provided to Corporate Directors and Executive Directors of the Company during the current fiscal year.
- (iii) The TEL Group has established two internal-reporting contact offices, an ethics hotline and a compliance hotline, that employees can use to report concerns related to any activity which may violate laws, regulations, or principles of business ethics. Internal-reporting contact offices are also in place at each overseas base. During the current fiscal year a new outside internal-reporting contact office was established in Japan, and a new dedicated reporting office was established for customers to report compliance violations by the TEL Group as means of receiving information directly from partners. Along with this, relevant internal regulations including the "Compliance Regulations" were reviewed and revised in the current fiscal year.

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

3. Management of the TEL Group companies' business

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

4. Performance of duties by Directors

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

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.

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

(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.

(2) 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 347 yen per share, applying the aforementioned policy. Its payment date will be May 29, 2018. As a result, the annual dividend will be 624 yen per share, which includes an interim dividend of 277 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 and FPD production equipment leader, we believe our role is to contribute to the solving of societal problems through our business activities and to increase our corporate value over the medium- and long-term. Moreover, in a capital market, the environmental, social, and governance (ESG) factors having influence on evaluation of and investment in companies. We actively implement activities in the ESG fields based on the following activity themes. Furthermore, in order to carry out these activities in alignment with international frameworks, the TEL Group signed the U.N. Global Compact* in 2013 and began initiatives related in the U.N.'s sustainable development goals (SDGs) in 2016.

In the future, we will continue to reinforce our activities in the ESG fields through the following initiatives, contributing to the creation of a sustainable society.

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

ESG field activity themes

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

Theme	Activity Contents
Environmental contributions by products Environmental management	<ul style="list-style-type: none"> * Contribute to reduce environmental impact by innovation * Reduce environmental impact of product usage * Operate environmental management system based on ISO14001. Define targets and implement improvement actions for environment * Comply with related laws and regulations and implement environmental compliance
Human rights Diversity Work-life balance Career development Health and society Supply chain management	<ul style="list-style-type: none"> * Operate global personnel system to be a company that is rewarding to work for its employees * Establish pleasant working environments by improving the various leave systems. * Promote human rights-related measures based on human rights policy, newly established. * Join the RBA*, as a member company and deploy systems for managing labor, safety and health, the environment, and ethics including requesting suppliers to comply the code of conduct.
Corporate governance	<ul style="list-style-type: none"> * Adopt an Audit & Supervisory Board System, and carry out highly effective governance based on free and lively debate * Ensure the fairness, effectiveness, and transparency of management through lively activity by Nomination Committee and Compensation Committee * Implement internal controls based on our Fundamental Policies concerning Internal Controls * Promote activities and implement internal reporting systems based on the Compliance Regulations and Code of Ethics,

* Short for "Responsible Business Alliance" which promotes CSR activities on supply chain.

Environmental activities

Within the TEL Group's value chain, which includes material procurement, manufacturing, delivery, product usage, and disposal, product usage accounts for 90% of total CO2 emissions. This is why we believe that it is important that we contribute to the environment through our corporate activities by implementing environmentally-friendly product design, and we work to lower product energy consumption in order to reduce the environment impact of product usage. So, we are working to cut the amount of energy used by our products and improve throughput.

In the future, in addition to efficient equipment operation, we will also focus efforts on energy monitoring and control, as overall customer plant energy-saving operation is also expected to play an important role. The TEL Group is developing promoting further reductions in energy, water, and chemical substance usage, as well as actively implementing greenhouse gas countermeasures and engaging in environmentally-friendly manufacturing.

Social activities

The TEL Group aims to be replete with dreams and vitality where employees are energized with hopes and expectations. To realize this goal, it has implemented new job level and assessment systems and established personnel and compensation systems. We are reducing overtime hours, promoting the taking of paid leave, and enriching our leave systems to create highly flexible workstyles that fit the lifestyles and life stages of each and every employee.

We are also promoting human rights activities aimed at creating workplaces free of discrimination which are pleasant for all. We have formulated a Human Rights Policy that embodies our approach to human rights, and positioned "freedom, equality, and non-discrimination," "product society and workplace health and society," and "appropriate work hours and securing of breaks, holidays, and leave" and so on as critical human rights issues. We also promote evaluation and rectification processes, operate internal reporting systems, and establish effective initiatives for the promotion of human rights.

In addition to these activities, we also strive build a sustainable supply chain for suppliers that calls for compliance with industry codes of conduct, including respect for human rights.

Governance activities

In order to win among global competition and achieve sustainable growth, the TEL Group believes that it is important to create a highly effective governance system.

Led by the institutional design of our Audit & Supervisory Board System, composed of a Board of Directors and Audit & Supervisory Board, we have established systems that contribute to the achievement of aggressive governance aimed at producing sustainable growth, such as:

- * A Board of Directors with functions for making major operational decisions and supervising operations
- * A Nomination Committee and Compensation Committee that ensure the fairness, effectiveness, and transparency of management
- * Corporate Senior Staff (CSS), an organization that formulates and implements company strategies

Under these structures, at Board of Directors meetings, inside directors, outside directors, and Audit & Supervisory Members Board alike actively share their opinions, creating vigorous debate within the Board of Directors. This enables it to appropriately carry out its roles and responsibilities of "Establishing management strategy and vision," "Making major operational decisions based on strategic direction," and "Engaging in constructive, open-minded debate."

Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2017	March 31, 2018
ASSETS		
Current assets		
Cash and deposit	70,866	87,377
Trade notes and accounts receivable	133,858	159,570
Securities	244,500	286,500
Merchandise and finished goods	152,629	220,497
Work in process	51,112	75,504
Raw materials and supplies	32,514	48,069
Deferred income taxes	36,892	50,505
Others	53,628	69,137
Allowance for doubtful accounts	(63)	(59)
Total current assets	<u>775,938</u>	<u>997,102</u>
Long-term assets		
Tangible fixed assets		
Buildings and structures	145,901	159,474
Accumulated depreciation	(100,003)	(103,229)
Buildings and structures , net	<u>45,898</u>	<u>56,245</u>
Machinery and carriers	102,144	109,064
Accumulated depreciation	(83,804)	(84,918)
Machinery and carriers , net	<u>18,340</u>	<u>24,145</u>
Land	24,855	28,030
Others	35,925	40,928
Accumulated depreciation	(24,577)	(23,397)
Others, net	<u>11,347</u>	<u>17,530</u>
Total tangible fixed assets	<u>100,441</u>	<u>125,952</u>
Intangible fixed assets		
Others	15,401	15,882
Total intangible fixed assets	<u>15,401</u>	<u>15,882</u>
Investments and other assets		
Investment securities	24,119	33,128
Deferred income taxes	19,128	17,846
Net asset for defined benefits	4,818	-
Others	19,416	20,215
Allowance for doubtful accounts	(1,816)	(1,422)
Total investments and other assets	<u>65,666</u>	<u>69,768</u>
Total long-term assets	<u>181,508</u>	<u>211,603</u>
Total assets	<u>957,447</u>	<u>1,208,705</u>

Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2017	March 31, 2018
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	79,217	108,607
Income taxes payable	31,069	66,046
Accrued employees' bonuses	21,853	34,467
Customer advances	67,976	100,208
Others	47,653	59,122
Total current liabilities	247,770	368,452
Long-term liabilities		
Net liability for defined benefits	55,825	59,309
Others	7,851	9,433
Total long-term liabilities	63,677	68,742
Total liabilities	311,447	437,195
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,011
Retained earnings	503,325	625,390
Treasury stock, at cost	(7,766)	(7,518)
Total shareholders' equity	628,543	750,843
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	10,788	17,134
Net deferred gains (losses) on hedging instruments	59	278
Foreign currency translation adjustments	5,789	5,507
Accumulated remeasurements of defined benefit plans	(2,086)	(6,618)
Total accumulated other comprehensive income (loss)	14,551	16,302
Share subscription rights	2,620	4,363
Non-controlling interests	284	-
Total net assets	645,999	771,509
Total liabilities and net assets	957,447	1,208,705

Consolidated Statements of Income

	(Millions of yen)	
	Year ended	Year ended
	March 31, 2017	March 31, 2018
Net sales	799,719	1,130,728
Cost of sales	477,427	655,695
Gross profit	<u>322,291</u>	<u>475,032</u>
Selling, general & administrative expenses		
Salaries and allowances	23,724	24,079
Research and development expenses	83,800	97,103
Others	59,069	72,677
Total selling, general and administrative expenses	<u>166,594</u>	<u>193,860</u>
Operating income	<u>155,697</u>	<u>281,172</u>
Non-operating income		
Interest income	722	533
Dividend income	310	325
Share of profit of associates accounted for using the equity method	342	571
Dividend income of insurance	300	334
Others	1,255	992
Total non-operating income	<u>2,931</u>	<u>2,758</u>
Non-operating expenses		
Foreign exchange loss	791	2,897
Others	287	295
Total non-operating expenses	<u>1,079</u>	<u>3,193</u>
Ordinary income	<u>157,549</u>	<u>280,737</u>
Unusual or infrequent profit		
Gain on sales of fixed assets	55	77
Gain on sales of investment securities	6	-
Total unusual or infrequent profit	<u>61</u>	<u>77</u>
Unusual or infrequent loss		
Loss on impairment of fixed assets, goodwill and other assets	362	925
Loss on disaster	7,521	-
Loss on revision of retirement benefit plan	-	3,154
Others	610	1,492
Total unusual or infrequent loss	<u>8,494</u>	<u>5,572</u>
Income before income taxes	<u>149,116</u>	<u>275,242</u>
Provision for income taxes and enterprise taxes	40,633	83,434
Deferred income taxes	(6,765)	(12,591)
Total income taxes	<u>33,867</u>	<u>70,842</u>
Net income	<u>115,248</u>	<u>204,399</u>
Net income attributable to non-controlling interests	39	28
Net income attributable to owners of parent	<u>115,208</u>	<u>204,371</u>

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,023	503,325	(7,766)	628,543
Changes of items during the period					
Cash dividends			(82,203)		(82,203)
Net income attributable to owners of parent			204,371		204,371
Repurchase of treasury stock				(16)	(16)
Disposal of treasury stock			(102)	264	161
Change in equity of parent arising from transactions with non-controlling shareholders		(12)			(12)
Net changes except for shareholders' equity					
Total changes of items during the period	-	(12)	122,064	247	122,300
Balance at end of period	54,961	78,011	625,390	(7,518)	750,843

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	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	10,788	59	5,789	(2,086)	14,551	2,620	284	645,999
Changes of items during the period								
Cash dividends								(82,203)
Net income attributable to owners of parent								204,371
Repurchase of treasury stock								(16)
Disposal of treasury stock								161
Change in equity of parent arising from transactions with non-controlling shareholders								(12)
Net changes except for shareholders' equity	6,345	219	(281)	(4,531)	1,751	1,742	(284)	3,209
Total changes of items during the period	6,345	219	(281)	(4,531)	1,751	1,742	(284)	125,509
Balance at end of period	17,134	278	5,507	(6,618)	16,302	4,363	-	771,509

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from operating activities		
Income before income taxes	149,116	275,242
Depreciation and amortization	17,872	20,619
Loss on impairment	362	925
Amortization of goodwill	631	600
Increase (decrease) in accrued employees' bonuses	10,112	12,710
Increase (decrease) in accrued directors' bonuses	623	2,573
Increase (decrease) in accrued warranty expenses	(220)	2,769
Interest and dividend revenue	(1,032)	(859)
Decrease (increase) in trade notes and accounts receivable	(17,411)	(25,971)
Decrease (increase) in inventories	(44,102)	(109,846)
Increase (decrease) in trade notes and accounts payable	24,053	28,535
Decrease (increase) in prepaid consumption tax	(12,350)	(13,896)
Increase (decrease) in accrued consumption tax	359	1,297
Increase (decrease) in customer advances	34,444	31,684
Others	5,843	8,851
Subtotal	<u>168,304</u>	<u>235,238</u>
Receipts from interest and dividends	1,266	1,115
Income taxes paid or refund (paid)	(32,622)	(49,771)
Net cash provided by operating activities	<u>136,948</u>	<u>186,582</u>
Cash flows from investing activities		
Payment into time deposits	(25,000)	-
Proceeds from time deposits	50,034	-
Payment for purchase of short-term investments	(177,200)	(131,000)
Proceeds from redemption of short-term investments	142,198	166,000
Payment for purchase of fixed assets	(17,557)	(41,750)
Payment for acquisition of intangible assets	(1,116)	(4,431)
Others	(252)	(651)
Net cash provided by (used in) investing activities	<u>(28,893)</u>	<u>(11,833)</u>
Cash flows from financing activities		
Payment for purchase of treasury stock	(6)	(16)
Dividends paid	(39,371)	(82,203)
Others	(2)	(329)
Net cash used in financing activities	<u>(39,380)</u>	<u>(82,549)</u>
Effect of exchange rate changes on cash and cash equivalents	53	1,312
Net increase (decrease) in cash and cash equivalents	<u>68,728</u>	<u>93,511</u>
Cash and cash equivalents at beginning of period	<u>95,638</u>	<u>164,366</u>
Cash and cash equivalents at end of period	<u>164,366</u>	<u>257,877</u>