

ISIN	JP3571400005
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May 30, 2013

## **NOTICE OF FISCAL YEAR 2013 (the 50<sup>th</sup> FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS**

To Our Shareholders:

We are pleased to announce that the 50th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Limited ("TEL") will be held on Friday, June 21, 2013, at 10:00 a.m. Japan standard time, at the Hotel Okura Tokyo, located at 10-4 Toranomom 2-chome, Minato-ku, Tokyo. Shareholders will also be asked to vote upon the following Agenda:

- 1: Partial Amendments to the Articles of Incorporation concerning the General Meeting of Shareholders**
- 2: Partial Amendment to the Articles of Incorporation concerning the Number of Audit & Supervisory Board Members**
- 3: Election of Eleven Corporate Directors**
- 4: Election of Two Audit & Supervisory Board Members**
- 5: Payment of Bonuses to Corporate Directors for the 50th Fiscal Year**

As part of our ongoing effort to improve the quality of communications with our foreign investors and to increase the participation of those investors at the AGM, **Tokyo Electron Limited** 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) -646-495-5059 or Tokyo Head Quarters at (81) -3-3796-1185, or e-mail to [bn@irjapan.net](mailto:bn@irjapan.net). The English language proxy material is available on Tokyo Electron's website at "<http://www.tel.com/>", for your reference and convenience.

**IT IS IMPORTANT THAT YOU PARTICIPATE AT THE 2013 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,

Tetsuro Higashi  
Chairman of the Board, President & CEO  
Tokyo Electron Limited

***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 voting form or Internet websites etc. by 5:30 p.m. on Thursday, June 20, 2013 (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 FY2013 (the 50th FY; from April 1, 2012 to March 31, 2013), 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 FY2013 (the 50th FY; from April 1, 2012 to March 31, 2013).

### Proposal 1: Partial Amendments to the Articles of Incorporation concerning the General Meeting of Shareholders

#### 1. Reasons for Amendments

- 1) With regards to the location where the General Meeting of Shareholders is to be convened, in order to ensure a greater number of options for location selection, Article 11, Paragraph 2 of the current Articles of Incorporation—which limits the location for the convening of the General Meeting of Shareholders—will be deleted.
- 2) In light of the prevalence of the Internet, and in accordance as provided for in the Ordinance of the Ministry of Justice of Japan, Article 13 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.) will be newly established, thereby allowing for the prompt and efficient disclosure of reference documents for the General Meeting of Shareholders, etc.
- 3) Article numbers will be changed to reflect the above amendments.

#### 2. Details of Amendments

The details of the amendments are as follows.

(Proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;"><b>CHAPTER III GENERAL MEETING OF SHAREHOLDERS</b></p> <p><b>Article 11 Convening of General Meeting of Shareholders, etc.</b></p> <p>The Ordinary General Meeting of Shareholders of the Company shall be convened within three months of the close of each business year and Extraordinary General Meetings of Shareholders shall be convened whenever necessary.</p>	<p style="text-align: center;"><b>CHAPTER III GENERAL MEETING OF SHAREHOLDERS</b></p> <p><b>Article 11 Convening of General Meeting of Shareholders, etc.</b></p> <p>The Ordinary General Meeting of Shareholders of the Company shall be convened within three months of the close of each business year and Extraordinary General Meetings of Shareholders shall be convened whenever necessary.</p>

2. In addition to the location of the head office or a place adjacent thereto, the General Meeting of Shareholders may be convened in Fuchu-shi, Tokyo.

3. Unless otherwise provided by laws and regulations, the General Meeting of Shareholders shall be convened by the director of the Company designated by the Board of Directors in advance by resolution.

4. In the event that the designated director is unable to convene the General Meeting of Shareholders, another director shall act in his place in accordance with the order of priority predetermined by the Board of Directors.

(Newly Established)

**Article 13 ~ Article 37**

(Details omitted)

(Deleted)

2. Unless otherwise provided by laws and regulations, the General Meeting of Shareholders shall be convened by the director of the Company designated by the Board of Directors in advance by resolution.

3. In the event that the designated director is unable to convene the General Meeting of Shareholders, another director shall act in his place in accordance with the order of priority predetermined by the Board of Directors.

**Article 13 Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.**

By disclosing information relating to all matters that shall be described or stated in any reference document for the General Meeting of Shareholders, business report, financial statements and consolidated financial statements upon convening the General Meeting of Shareholders by a method utilizing the Internet in accordance as provided for in the Ordinance of the Ministry of Justice of Japan, the Company may be deemed to have provided such information to the shareholders.

**Article 14 ~ Article 38**

(Not changed)

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## Proposal 2: Partial Amendment to the Articles of Incorporation concerning the Number of Audit & Supervisory Board Members

### 1. Reasons for Amendments

To strengthen the audit functions, the maximum number of the Audit & Supervisory Board Members in the prescription of Articles of Incorporation Article 24 shall be changed from four (4) to five (5).

### 2. Details of Amendments

The details of the amendments are as follows.

(Proposed amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;"><b>CHAPTER V AUDIT &amp; SUPERVISORY BOARD MEMBERS AND AUDIT &amp; SUPERVISORY BOARD</b></p> <p><b><u>Article 24</u> Number of Audit &amp; Supervisory Board Members</b></p> <p>The Audit &amp; Supervisory Board Members of the Company shall not be more than <u>four (4)</u> in number.</p>	<p style="text-align: center;"><b>CHAPTER V AUDIT &amp; SUPERVISORY BOARD MEMBERS AND AUDIT &amp; SUPERVISORY BOARD</b></p> <p><b><u>Article 25</u> Number of Audit &amp; Supervisory Board Members</b></p> <p>The Audit &amp; Supervisory Board Members of the Company shall not be more than <u>five (5)</u> in number.</p>

The number of article in the proposed amendments is based on the assumption that Proposal 1 can be approved in the given form. If Proposal 1 is not approved, the number of article will remain unchanged from the number in the current Articles of Incorporation.

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### Proposal 3: Election of Eleven Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 14 Corporate Directors will expire. Therefore, we ask you to agree to elect 11 Corporate Directors (including two outside Directors).

The candidates for Corporate Directors are as follows.

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	Tetsuro Higashi (August 28, 1949)	<p><u>April 1977</u>            Joined Tokyo Electron Limited</p> <p><u>December 1990</u>            Corporate Director, Tokyo Electron Limited</p> <p><u>April 1994</u>            Managing Director, Tokyo Electron Limited</p> <p><u>June 1996</u>            President &amp; CEO, Tokyo Electron Limited</p> <p><u>June 2003</u>            Chairman of the Board, Tokyo Electron Limited</p> <p><u>April 2013</u>            Chairman of the Board, President &amp; CEO, Tokyo Electron Limited            (Present position)</p> <p>(Position in the Company)            Representative Director, Chairman of the Board, President &amp; CEO</p> <p>(Significant concurrent posts)            Chairman, Tokyo Electron U.S. Holdings, Inc.            Outside Director, Ube Industries, Ltd.</p>	54,228



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
2	Tetsuo Tsuneishi (November 24, 1952)	<p><u>April 1976</u> Joined Tokyo Electron Limited</p> <p><u>June 1992</u> Corporate Director, Tokyo Electron Limited</p> <p><u>June 1996</u> Senior Managing Director, Tokyo Electron Limited</p> <p><u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Limited (Present position)</p> <p>(Position in the Company) Corporate Director, Vice Chairman of the Board, Legal / Intellectual Property / IR</p> <p>(Significant concurrent posts) Outside Director, Media Lario International S.A.</p>	11,158
3	Hirofumi Kitayama (March 28, 1954)	<p><u>December 1983</u> Joined TEL-Thermco Engineering Co., Ltd.</p> <p><u>July 1995</u> Corporate Director, Tokyo Electron Tohoku Limited</p> <p><u>March 1999</u> Corporate Director, Tokyo Electron Yamanashi Limited</p> <p><u>February 2005</u> President, Tokyo Electron AT Limited</p> <p><u>April 2006</u> President, Tokyo Electron Tohoku Limited Vice President &amp; General Manager, Tokyo Electron Limited</p> <p><u>June 2007</u> Corporate Director, Tokyo Electron Limited (Present position)</p> <p><u>April 2009</u> Executive Vice President, Tokyo Electron Limited (Present position)</p> <p>(Position in the Company) Representative Director, Executive Vice President</p> <p>(Significant concurrent posts) Chairman of the Board, Tokyo Electron Tohoku Limited Chairman, Tokyo Electron (Kunshan) Limited</p>	10,000



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4	Kiyoshi Sato (April 2, 1956)	<p><u>April 1979</u> Joined Tokyo Electron Limited</p> <p><u>December 2001</u> General Manager, Clean Track Business Unit, Tokyo Electron Limited</p> <p><u>April 2003</u> Senior Executive Officer, President Office, Tokyo Electron Limited</p> <p><u>June 2003</u> President &amp; CEO, Tokyo Electron Limited</p> <p><u>April 2009</u> Vice Chairman of the Board, Tokyo Electron Limited</p> <p><u>June 2011</u> Corporate Director, Tokyo Electron Limited (Present position)</p> <p>(Position in the company) Corporate Director</p> <p>(Significant concurrent posts) Chairman, Tokyo Electron America, Inc. Chairman, Tokyo Electron Europe Limited President, TEL Solar AG</p>	10,000
5	Kenji Washino (June 7, 1961)	<p><u>April 1984</u> Joined Tokyo Electron Limited</p> <p><u>April 2003</u> Vice President &amp; General Manager, Cleaning Systems Business Unit, Tokyo Electron Limited</p> <p><u>April 2005</u> Vice President &amp; General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Limited</p> <p><u>April 2006</u> Vice President &amp; Deputy General Manager, SPE-2 Division, Tokyo Electron Limited</p> <p><u>June 2007</u> Corporate Director, Tokyo Electron Limited (Present position)</p> <p><u>April 2009</u> Executive Vice President, Tokyo Electron Limited (Present position)</p> <p>(Position in the Company) Corporate Director, Executive Vice President</p> <p>(Significant concurrent posts) Chairman, TEL Venture Capital, Inc. Chairman, TEL Epion Inc. Chairman, TEL NEXX, Inc. Chairman, TEL Solar AG</p>	9,800



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6	Hikaru Ito (August 30, 1961)	<p><u>April 1984</u>            Joined Tokyo Electron Limited</p> <p><u>April 2003</u>            Vice President &amp; General Manager, Clean Track Business Unit, Tokyo Electron Limited</p> <p><u>April 2006</u>            Vice President &amp; Deputy General Manager, SPE-1 Division, Tokyo Electron Limited</p> <p><u>June 2007</u>            Corporate Director, Tokyo Electron Limited            (Present position)</p> <p><u>April 2009</u>            Executive Vice President, Tokyo Electron Limited            (Present position)</p> <p>(Position in the Company)            Corporate Director, Executive Vice President</p> <p>(Significant concurrent posts)            Chairman, TEL FSI, Inc.            Chairman, Tokyo Electron (Shanghai) Ltd.            Chairman, Tokyo Electron (Shanghai) Logistic Center Ltd.</p>	10,600
7	Takaaki Matsuoka (February 11, 1951)	<p><u>April 1975</u>            Joined Tokyo Electron Limited</p> <p><u>April 2001</u>            General Manager, Corporate Marketing, Tokyo Electron Limited</p> <p><u>June 2007</u>            President, Tokyo Electron Technology Development Institute, Inc.</p> <p><u>October 2010</u>            Chairman of the Board, Tokyo Electron Technology Development Institute, Inc.</p> <p><u>June 2011</u>            Corporate Director, Tokyo Electron Limited            (Present position)</p> <p>(Position in the Company)            Corporate Director, Technology and Development</p>	2,500



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	Yoshiteru Harada (April 12, 1958)	<u>April 1983</u> Joined Tokyo Electron Limited <u>April 2003</u> Vice President & General Manager, Tokyo Electron Limited <u>April 2005</u> Vice President & General Manager, Corporate Administration, Tokyo Electron Limited <u>April 2009</u> Senior Vice President, Tokyo Electron Kyushu Limited <u>July 2010</u> Vice President & General Manager, Tokyo Electron Limited (Present position) <u>June 2011</u> Corporate Director, Tokyo Electron Limited (Present position)  (Position in the Company) Corporate Director, Vice President & General Manager	2,000
9	<Newly candidate> Tetsuro Hori (October 20, 1961)	<u>April 1985</u> Joined Tokyo Electron Limited <u>April 2002</u> Director, Corporate Strategic Planning Dept., Tokyo Electron Limited <u>August 2003</u> Director, Legal & Intellectual Property Dept., Tokyo Electron Limited <u>April 2009</u> Vice President & General Manager, Tokyo Electron Limited (Present position)  (Position in the Company) Vice President & General Manager	900



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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
10	[Outside Director] Hiroshi Inoue (January 5, 1940)	<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 Limited            (Present position)</p> <p><u>April 2009</u>            Chairman of the Board, Tokyo Broadcasting System Holdings, Inc.            (Present position)</p> <p>(Position in the Company)            Corporate Director</p> <p>(Significant concurrent posts)            Chairman of the Board, Tokyo Broadcasting System Holdings, Inc.            Chairman of the Board, Tokyo Broadcasting System Television, Inc.            President, The Japan Commercial Broadcasters Association            Outside Director, Mainichi Broadcasting System, Inc.</p>	0

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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
11	[Outside Director] Masahiro Sakane (January 7, 1941)	<p><u>April 1963</u> Joined Komatsu Limited</p> <p><u>June 1989</u> Corporate Director, Komatsu Limited</p> <p><u>June 1994</u> Managing Director, Komatsu Limited</p> <p><u>June 1997</u> Executive Managing Director, Komatsu Limited</p> <p><u>June 1999</u> Executive Vice President, Komatsu Limited</p> <p><u>June 2001</u> President, Komatsu Limited</p> <p><u>June 2003</u> President and Chief Executive Officer, Komatsu Limited</p> <p><u>June 2007</u> Chairman of the Board, Komatsu Limited</p> <p><u>June 2008</u> Corporate Director, Tokyo Electron Limited (Present position)</p> <p><u>April 2013</u> Corporate Director, Councilor, Komatsu Limited (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Corporate Director, Councilor, Komatsu Limited Outside Director, Nomura Holdings, Inc. Outside Director, Nomura Securities Co., Ltd. Outside Director, Asahi Glass Co., Ltd.</p>	0

(Notes)

1. The candidates have no special interests in the Company.
2. The candidates for outside Directors are described below.
  - (1) Hiroshi Inoue and Masahiro Sakane are candidates for outside Directors.
  - (2) TEL appointed Directors Hiroshi Inoue and Masahiro Sakane as independent Directors pursuant to the regulations of Tokyo Stock Exchange Inc. and provided notice to Tokyo Stock Exchange Inc.
  - (3) Hiroshi Inoue is Chairman of the Board, Tokyo Broadcasting System Holdings, Inc., has a wealth of experience and knowledge as a corporate executive. Mr. Inoue is a candidate for outside Director so that his experience and knowledge can be utilized to provide advice for the Company's overall management from the perspective of objectively ensuring the effectiveness of decision-making by the Board of Directors. Mr. Inoue has been an outside Director of the Company since June 2006.
  - (4) Masahiro Sakane, Corporate Director, Councilor at Komatsu Limited, has a wealth of experience and knowledge as a corporate executive. Mr. Sakane is a candidate for outside Director so that his experience and knowledge can be utilized to provide advice for the Company's overall management from the perspective of objectively ensuring the effectiveness of decision-making by the Board of Directors. Mr. Sakane has been an outside Director of the Company since June 2008.
  - (5) In April 2009, Hiroshi Inoue took office as Chairman of the Board, Tokyo Broadcasting System Television, Inc., which received a severe reprimand from the Ministry of Internal Affairs and Communications in respect of forms of expression and other elements contained in a part of the

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programming broadcast in April 2009. Tokyo Broadcasting System Television, Inc., investigated the causes of this problem and has taken measures to prevent a recurrence.

(6) Nomura Securities Co., Ltd. where Masahiro Sakane has been an outside director since June 2008 was the subject of a Business Improvement Order from the Financial Services Agency in August 2012 on the basis of Financial Instruments and Exchange Act due to the recognition of deficiencies in its management of sensitive corporate information relating to public stock offerings. Mr. Sakane has always spoken at board meetings and other occasions on the importance of legal compliance. After the Order was issued, he has offered opinions on measures to prevent reoccurrence.

(7) At the 43rd General Meeting of Shareholders held on June 23, 2006, the Company revised its Articles of Incorporation to include a provision concerning the conclusion of liability-limiting contracts with outside Directors. In accordance with its Articles of Incorporation, the Company has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act with Hiroshi Inoue and Masahiro Sakane. The liability limitation under these agreements is the maximum amount specified in Article 425, Paragraph 1 of the Companies Act, provided that the outside Directors perform their duties in good faith without gross negligence.

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#### Proposal 4: Election of Two Audit & Supervisory Board Members

At the conclusion of the Annual General Meeting of Shareholders, the term of office of Audit & Supervisory Board Member Togo Tajika will expire. Provided that Proposal 2 “Partial Amendment to the Articles of Incorporation concerning the Number of Audit & Supervisory Board Members” is approved, one additional Audit & Supervisory Board Member will be appointed to strengthen audit functions, and we consequently ask you to agree to elect two Audit & Supervisory Board Members.

If this proposal is approved, the Company will have five Audit & Supervisory Board Members (three of whom will be outside Audit & Supervisory Board Members).

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

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	<Newly candidate> [Outside Audit & Supervisory Board Member] Mikio Akaishi (January 18, 1955)	<u>April 1979</u> Joined NKK Corporation <u>January 1999</u> Group Manager, Automotive Industry Eastern District Sec. Automotive Industry Materials Sales Dept., NKK Corporation <u>January 2006</u> General Manager, (Fukuyama) General Administration Dept., West Japan Works, JFE Steel Corporation <u>April 2009</u> General Manager, Office of Corporate Auditors, JFE Steel Corporation <u>June 2009</u> Statutory Auditor, Gecoss Corporation (Present position)  (Significant concurrent posts) Statutory Auditor, Gecoss Corporation	0
2	<Newly candidate> [Outside Audit & Supervisory Board Member] Takatoshi Yamamoto (October 20, 1952)	<u>April 1975</u> Joined Nomura Research Institute, Limited <u>April 1989</u> Joined Morgan Stanley Japan Limited <u>December 1995</u> Managing Director, Morgan Stanley Japan Limited <u>June 1999</u> Vice Chairman & Managing Director, Morgan Stanley Japan Limited Tokyo Branch <u>July 2005</u> Vice Chairman & Managing Director, UBS Securities Japan Limited <u>June 2009</u> Managing Director, Casio Computer Company, Limited <u>June 2011</u> Advisor, Casio Computer Company, Limited <u>June 2012</u> Corporate Auditor, Fuji Heavy Industries Limited (Present position)  (Significant concurrent posts) Corporate Auditor, Fuji Heavy Industries Limited	0

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(Notes)

1. The candidates have no special interests in the Company.
2. The Audit & Supervisory Board has consented to this proposal.
3. The candidates for outside Audit & Supervisory Board Members are described below.
  - (1) Mikio Akaishi and Takatoshi Yamamoto are candidates for outside Audit & Supervisory Board Members.
  - (2) Mikio Akaishi has experiences as the General Manager of Office of Corporate Auditors at JFE Steel Corporation and as a Statutory Auditor at Gecoss Corporation. Therefore, Mr. Akaishi has been appointed as an outside Audit & Supervisory Board Member because he can objectively ensure the fairness of audits. Mr. Akaishi is also a candidate for independent Audit & Supervisory Board Member pursuant to the regulations of Tokyo Stock Exchange Inc.
  - (3) Takatoshi Yamamoto has a long experience as a financial analyst with particular expertise in the electronics industry. Mr. Yamamoto can put his experience and expertise to excellent use, and has been appointed as an outside Audit & Supervisory Board Member because he can objectively ensure the fairness of audits. Mr. Yamamoto is also a candidate for independent Audit & Supervisory Board Member pursuant to the regulations of Tokyo Stock Exchange Inc.
  - (4) 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.
  - (5) At the 43rd General Meeting of Shareholders held on June 23, 2006, the Company revised its Articles of Incorporation to include a provision concerning the conclusion of liability-limiting contracts with outside Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company will conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act with Mikio Akaishi and Takatoshi Yamamoto after this proposal is approved. The liability limitation under these agreements will be the maximum amount specified in Article 425, Paragraph 1 of the Companies Act, provided that the outside Audit & Supervisory Board Members perform their duties in good faith without gross negligence.

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### **Proposal 5: Payment of Bonuses to Corporate Directors for the 50th Fiscal Year**

Based on the TEL's executive compensation system, consolidated net income and consolidated return on equity (ROE) for the 50th fiscal year, the Company seeks shareholder approval to pay 54,600 thousand yen (including 1 million yen for outside Directors) as the cash bonus portion of annual performance-linked compensation to 14 Corporate Directors in office (including two outside Directors) at the end of the 50th fiscal year.

This proposal is based on the performance-linked compensation in "Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members" in the 50th fiscal year "Business Report" on the sheet appended to this document.

The performance-linked compensation system for Corporate Directors is designed to align compensation more clearly with financial results and increases in shareholder value. It takes into account consolidated ROE and consolidated net income, two performance indicators of consolidated business results. In a normal year, performance-linked compensation comprises cash bonuses and stock-based compensation and the ratio of cash bonuses to stock-based compensation has generally been one to one. This year, however, the performance-linked compensation will be paid as cash bonuses alone.

The performance-linked compensation system for TEL executive officers and subsidiary Directors and executive officers is designed pursuant to the system for TEL Directors. Based on the scale of the performance-linked compensation calculated from profit levels over the 50th fiscal year, it was judged that the stock-based compensation through the granting of share subscription rights in 100 share units would not be appropriate. Therefore with regards to performance-linked compensation for this period, stock-based compensation will not be paid with cash bonuses, even for Corporate Directors.

As was previously the case, the Company does not separately pay employee bonuses to Corporate Directors who also serve as executive officers, because performance as an executive officer has been reflected in the Corporate Director's bonuses.

## **Business Report (From April 1, 2012 to March 31, 2013)**

### **1. Current Status of the TEL Group**

#### **(1) Business Developments and Results**

##### General Overview

Concerns regarding the economy increased globally, including uncertainty regarding the future due to the prolonging debt crisis in Europe and financial problems in the United States as well as slowing growth in China and other emerging economies, but there were signs of a moderate recovery at the end of the fiscal year. Significant correction was made to yen appreciation at the end of the fiscal year, but the Japanese economy trended sluggishly and the recovery was only moderate when considered from a whole-year perspective, due to the impact of the long-term high value of the yen and concerns about a global economic recession.

In the electronics industry, the primary area of the Tokyo Electron Group's business activities, smartphone penetration rates were high and were a driving force in the industry, but demand for PCs and televisions was sluggish and the business environment remained challenging.

Under these circumstances, profit and losses for the fiscal year were as follows.

Consolidated net sales for the fiscal year decreased by 21.4% from the previous fiscal year, to 497,299 million yen, operating income was down 79.2% to 12,548 million yen, and ordinary income was down 73.9% to 16,696 million yen. As a result, net income decreased 83.5% to 6,076 million yen.

##### By division

#### **(1) Semiconductor Production Equipment**

Demand for semiconductors used in smartphones was favorable, but overall, the phase of inventory adjustments continued as a result of sluggish PC sales. Capital investment by semiconductor manufacturers in logic-based products was robust, but investment in memory continued to slump. In the second half of the year, however, manufacturers made production and inventory adjustments including a shift from PC semiconductors to mobile device semiconductors, and the balance of supply and demand for memory semiconductors began to improve. The strong demand for mobile memory is expected to lead to orders for production equipment in the future. Given these circumstances, net sales from external customers in this segment were 392,026 million yen (down 18.0% compared to the previous year).

During the fiscal year, the TEL Group launched the "NT333™" atomic layer deposition system, "Triase+™ EX-II™ TiN" single wafer deposition system, and other new products.

#### **(2) FPD/PV (Flat Panel Display/Photovoltaic Panel) Production Equipment**

In the television market, sales were sluggish, particularly in developed countries, as a result of cooling consumer confidence caused by uncertainty concerning future economic developments and a reversal of the replacement demand created in the lead-up to the switch to digital broadcasting. Sales of panels for smartphones and tablet PCs, primarily high-performance units, were robust, but the downturn in PC sales continued, and as a result panel manufacturers did not invest to increase production capacity and the FPD production equipment market remained slow. Demand in low-latitude regions is expected to grow for thin-film silicon photovoltaic panel production equipment, a business which the TEL Group entered from a medium- to long-term perspective, and the Group reinforced development to achieve higher conversion efficiency. Given these circumstances, net sales from external customers in this segment were 20,160 million yen (down 71.2% compared to the previous year).

#### **(3) Electronic Components and Computer Networks**

In the electronic components segment, demand in Japan for semiconductor products was low, as was demand for consumer electronic devices and industrial equipments, but overseas business grew as a result of an expansion of commercial rights in Asia. In the computer networks segment, sales of computer network products and maintenance services were strong. Given these circumstances, net sales from external customers in this segment were 84,664 million yen (down 0.2% compared to the previous year).



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#### (4) Other

In the segment not included into the above three segments, net sales from external customers in this segment were 448 million yen (down 2.9% compared to the previous year).

### (2) Capital Investment and Procurement of Funds

The Group acquired a total of 21,773 million yen in tangible fixed assets during the consolidated fiscal year. Capital investments were aimed mainly to strengthen our development capabilities in the semiconductor production equipment business and in the FPD/PV production equipment business. These were implemented for assessment and other equipment, focusing on areas where high growth can be expected. With the aim of bolstering the global development framework, development sites in Japan, the U.S. and Taiwan were augmented by a process development center for semiconductor production equipment in South Korea that went into operation during the consolidated fiscal year. Furthermore, the Technology Center established during the previous year in Tsukuba, Ibaraki acquired various research and development related equipment that will promote basic research and help accelerate development of PV production equipment.

All necessary funds were financed with internally generated funds, and no financing was conducted.

### (3) Management Tasks

The Group, one of the world's leading suppliers of semiconductor and FPD production equipment, engages in dynamic business activities in the electronics industry, a field characterized by rapid technological innovation, with its corporate philosophy to strive to distribute the development of a dream-inspiring society through our leading-edge technologies and reliable services.

In the markets in which we operate, the increasing market domination by our customers (semiconductor manufacturers and others) has continued, and so it is vital that we acquire and maintain our high position in terms of market share in the fields in which we are already operating. At the same time, it is important that we develop products and establish businesses that can serve as new sources of earnings. To realize these aims, differentiation by technology, along with a thorough reduction of costs, are key factors that will enable us to boost competitiveness. With regard to the business operations of the four overseas companies that were acquired during the consolidated fiscal year, we intend to harness the synergy effect to enhance the TEL Group's technological and marketing service capabilities. With these issues in mind, we have adopted the following priority policies.

#### (i) Improving product strength to expand market share

To acquire and maintain a high share in markets where we are already operating, further improvements to the processing performance, productivity and reliability of our products are required to resolve issues faced by our customers. The TEL Group will continue to increase market share by improving the competitiveness of our products such as etching equipment, cleaning equipment, coater/developer, and wafer deposition equipment.

In particular, we are aiming to substantially expand our market share in the field of etching equipment, a market expected to grow in future years, by distinguishing our technology from competitors, increasing the pace of development, promoting cost reductions, and other measures. We are building an integrated framework encompassing the entire process from development to production, and have concentrated the development for RLSA™ etch systems at the Miyagi Plant during the consolidated fiscal year.

In the cleaning equipment business unit, we will generate synergy effects between our existing "CELLESTA™" single-wafer cleaning system series and the products and technologies of TEL FSI, Inc., which was recently acquired, and work to increase sales of the "Certas™" series of best-selling gas chemical etching system. We will accelerate development of semiconductor production equipment compatible with large-diameter silicon wafers (450 mm size) to solidify our position.

In the FPD production equipment business, we will use our plant in Kunshan City, China to raise profitability.

#### (ii) Technological innovation for continuous growth

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The TEL Group is focusing its efforts on the establishment of equipment and technologies for mass production of MRAM, which is gaining prominence as next-generation memory, through collaboration between industry, academia and government. We are also actively engaged in the development of new business, such as creating mass production technologies for large organic EL panels.

The thin film silicon photovoltaic panel production equipment business is expected to become a new core business in the medium- to long-term, and an integrated evaluation line at the Technology Center Tsukuba has been established as we are accelerating development to achieve high conversion rates at the earliest possible time, the key to low-cost electricity generation based on the technological capabilities of TEL Solar which was recently acquired.

In addition, we are selecting and consolidating research development topics based on future business feasibility and investment efficiency.

(iii) Pursuit of best solutions

As increasing market domination by our customer base continues, we are taking measures to reinforce our sales and service systems and thereby quickly provide them with the best solution. We are working to bolster partnerships with customers by reorganizing our systems so that we can perform assessment and development in close proximity to customers in order to understand their future needs from an early stage.

In back end of line fields such as test systems and wafer level packaging handled by TEL NEXX—a new company formed by acquisition—we are also providing best solutions through proposals that include multiple products to make use of our strengths.

In addition to the marketing and sale of cutting edge equipment, we are also active in the field solutions business, covering areas such as the moving and remodeling and improvement of sold equipment and the spare parts business. By utilizing data about our products in use all over the world, and by harnessing the extensive know-how gained in the field, we provide products and services in a global and timely manner, and thereby aim to expand the scope of our business activities.

(iv) Measures to fulfill our corporate social responsibility

Based on our "Safety First" principle, the TEL Group believes that ensuring that all individuals involved in our business activities can work safely, use safe equipment, and remain healthy is an important part of our corporate social responsibility.

Based on the principle of "addressing environmental issues with technology," to promote more environmentally friendly practices at customer factories, we are developing manufacturing equipment which will lead to reduced emission of greenhouse gases, reduced power consumption and lower water usage. Moreover, as a group, we will promote activities such as the introduction of photovoltaic power generation equipment in our main factories to reduce the environmental impact of our business practices and logistics.

Furthermore, we are building relationships built on trust through communications with local residents and various other stakeholders to maintain our status as a good corporate citizen with strong community ties and to achieve growth in tandem with society.

The concept of Corporate Social Responsibility (CSR) is becoming ever more important in recent years. We are building a new CSR policy and are establishing the organization to promote CSR initiatives even more effectively.

In addition to the priority policies described above, for the human resources who will be the source of growth, we think that the placement of the right people in the right positions and proactive development of training programs to educate our human resources to equip them to respond to changes in the business environment will help the Group to make rapid progress in the future. We will also continue to provide evaluation and compensation which fairly recognize the extent of individual contributions, and seek to create a company that is brimming with dreams and vitality.

The Group will continue, on the basis of its profit-oriented management, to further enhance its corporate value by means of placing the customers first, improving product and technology development capabilities, strengthening international competitiveness, and motivating employees. The continued support and understanding of shareholders will be greatly appreciated.

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#### (4) Changes in the business performance and property

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

Items	FY2010 (47th FY; From April 1, 2009 to March 31, 2010)	FY2011 (48th FY; From April 1, 2010 to March 31, 2011)	FY2012 (49th FY; From April 1, 2011 to March 31, 2012)	FY2013 (50th FY; current fiscal year) (From April 1, 2012 to March 31, 2013)
Net sales (million yen)	418,636	668,722	633,091	497,299
Operating income(loss) (million yen)	(2,180)	97,870	60,443	12,548
Ordinary income (million yen)	2,558	101,919	64,046	16,696
Net income(loss) (million yen)	(9,033)	71,924	36,725	6,076
Net income(loss) per share (yen)	(50.47)	401.73	205.04	33.91
Total assets (million yen)	696,351	809,205	783,610	775,527
Net assets (million yen)	523,369	584,801	598,602	605,127

##### (Notes)

1. In the 47th consolidated fiscal year, demand for final products such as PCs, mobile phones, and flat-panel display televisions recovered, but capital investment by semiconductor manufacturers had yet to make a full recovery, and sales in the main semiconductor production equipment segment were down, leading to lower revenues and income. The Group was able to generate positive ordinary income, but extraordinary losses recorded in conjunction with the consolidation and closure of business sites resulted in a net loss.
2. In the 48th consolidated fiscal year, thanks to amazing growth in demand for consumer electronics, including smartphones and tablet computers, sales in the markets for semiconductors and FPDs—key components in these products—were generally brisk. The Group is actively working to enter markets for high added-value products and to increase their sales, and both sales and income were up sharply from the previous year.
3. In the 49th consolidated fiscal year, demand for smartphones and tablet computers reached high penetration levels, resulting in overall positive performance, but sales of PCs and televisions continued to be sluggish. Consequently, sales of semiconductors and LCD panels that are key components in these products were not sufficient to cover capital investments, leading to a decrease of profits in the consolidated results.
4. The business performance and property of TEL group for FY2013 (the 50th FY; current fiscal year) are described in (1) “Business Developments and Results.”

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(ii) Changes in the business performance and assets of TEL

Items	FY2010 (47th FY; From April 1, 2009 to March 31, 2010)	FY2011 (48th FY; From April 1, 2010 to March 31, 2011)	FY2012 (49th FY; From April 1, 2011 to March 31, 2012)	FY2013 (50th FY; current fiscal year) (From April 1, 2012 to March 31, 2013)
Net sales (million yen)	318,236	569,298	516,524	375,485
Operating income(loss) (million yen)	(16,111)	30,620	7,131	5,717
Ordinary income(loss) (million yen)	(13,985)	40,978	44,286	27,314
Net income(loss) (million yen)	(16,838)	31,928	39,144	22,984
Net income(loss) per share (yen)	(94.08)	178.34	218.55	128.28
Total assets (million yen)	533,081	629,215	599,411	570,042
Net assets (million yen)	334,495	359,135	375,761	390,303

**(5) Major business of the TEL Group** (As of March 31, 2013)

The major business of the TEL Group includes the manufacture and sale of Semiconductor, FPD(Flat Panel Display) and PV(Photovoltaic Panel) production equipment using electronic technology, as well as the purchase and sales of Electronic components and Computer networks. Major product items handled by each division are as follows:

Business	Major products
Semiconductor production equipment	Coater/Developer, Plasma Etch system, Thermal Processing system, Single Wafer Deposition system, Cleaning system, Wafer Prober
FPD/PV production equipment	FPD Coater/Developer, FPD Plasma Etch/Ash system, End-to-end manufacturing line for the production of thin film silicon photovoltaic panels
Electronic Components and Computer Networks	Semiconductor products, Board Computer products, General Electronic Components, Computer Network products, Software

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**(6) Major subsidiaries** (As of March 31, 2013)

Company	Capital fund	Investment ratio (Indirect investment ratio)	Main business
Tokyo Electron Yamanashi Ltd.	4,000 million yen	(%) 100.00	Manufacture of Semiconductor and FPD production equipment
Tokyo Electron Kyushu Ltd.	2,000 million yen	100.00	Manufacture of Semiconductor and FPD production equipment
Tokyo Electron Tohoku Ltd.	1,000 million yen	100.00	Manufacture of Semiconductor production equipment
Tokyo Electron TS Ltd.	100 million yen	100.00	Manufacture of Semiconductor production equipment
Tokyo Electron Miyagi Ltd.	100 million yen	100.00	Manufacture of Semiconductor production equipment
Tokyo Electron FE Ltd.	100 million yen	100.00	Maintenance services for, modification of and relocation of Semiconductor and FPD production equipment, etc.
Tokyo Electron Device Ltd.	2,495 million yen	55.42	Sales of electronic components and computer networks
Tokyo Electron America, Inc.	10 U.S. dollars	0.00 (100.00)	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Europe Ltd.	17 million euros	100.00	Sales of and maintenance services for Semiconductor production equipment, etc.
TEL Solar AG	100 thousand Swiss francs	0.00 (100.00)	Manufacture and sales of PV production equipment
Tokyo Electron Korea Ltd.	6,000 million won	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Taiwan Ltd.	200 million NT dollars	96.00 (98.00)	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron (Shanghai) Ltd.	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 consolidated fiscal year, the number of consolidated subsidiaries including the above listed companies was 58.
- Tokyo Electron Korea Solution Ltd. acquired and merged with Tokyo Electron Korea Ltd. and changed its name to Tokyo Electron Korea Ltd. effective April 2, 2012.
- Tokyo Electron Technology Development Institute, Inc. implemented a corporate split and a division-merger with Tokyo Electron Miyagi Ltd. as the succeeding company effective October 1, 2012, and a portion of its business was transferred.
- Tokyo Electron Europe Ltd. acquired all shares of Magnetic Solutions Ltd., an Irish corporation, effective December 3, 2012. Magnetic Solutions Ltd. changed its name to TEL Magnetic Solutions Ltd.
- The liquidation of Tokyo Electron PV Ltd. was completed effective February 28, 2013.
- Tokyo Electron Ltd. acquired and merged with Tokyo Electron Technology Development Institute, Inc. effective April 1, 2013.

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7. Tokyo Electron Ltd. acquired and merged with Tokyo Electron Software Technologies Ltd. effective April 1, 2013.
8. Tokyo Electron America, Inc. acquired and merged with Timbre Technologies, Inc. effective April 1, 2013.
9. TEL Solar AG is a subsidiary of the Swiss corporation Oerlikon Solar Holding AG (now TEL Solar Holding AG) whose total shares were acquired by Tokyo Electron Ltd. effective November 26, 2012.

### (7) Major Business Combinations

1. Tokyo Electron Korea Solution Ltd. acquired and merged with Tokyo Electron Korea Ltd. and changed its name to Tokyo Electron Korea Ltd. effective April 2, 2012.
2. Tokyo Electron U.S. Holdings, Inc. acquired all shares of NEXX Systems, Inc., an American corporation, effective May 1, 2012. NEXX Systems, Inc., changed its name to TEL NEXX, Inc.
3. Tokyo Electron Technology Development Institute, Inc. implemented a corporate split and a division-merger with Tokyo Electron Miyagi Ltd. as the succeeding company effective October 1, 2012, and a portion of its business was transferred.
4. Tokyo Electron U.S. Holdings, Inc. acquired all shares of FSI International, Inc., an American corporation, effective May 1, 2012. FSI International Inc., changed its name to TEL FSI, Inc.
5. Tokyo Electron Ltd. acquired all shares of Oerlikon Solar Holding AG, a Swiss corporation, effective November 26, 2012. Oerlikon Solar Holding AG changed its name to TEL Solar Holding AG.
6. Tokyo Electron Europe Ltd. acquired all shares of Magnetic Solutions Ltd., an Irish corporation, effective December 3, 2012. Magnetic Solutions Ltd. changed its name to TEL Magnetic Solutions Ltd.
7. Tokyo Electron Ltd. acquired and merged with Tokyo Electron Technology Development Institute, Inc. effective April 1, 2013.
8. Tokyo Electron Ltd. acquired and merged with Tokyo Electron Software Technologies Ltd. effective April 1, 2013.
9. Tokyo Electron America, Inc. acquired and merged with Timbre Technologies, Inc. effective April 1, 2013.

### (8) Employees at TEL and in the TEL Group

(As of March 31, 2013)

#### (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	7,861	771
FPD/PV production equipment	1,175	458
Electronic Components and Computer Network	948	48
Other	362	18
Common to all companies	1,855	222
Total	12,201	1,517

#### (Notes)

1. The number of employees indicates the number of persons employed by TEL and its consolidated subsidiaries.
2. "Other" refers to persons employed in transportation, facilities management, equipment leasing and insurance, etc.
3. "Common to all companies" refers to employees of administration, fundamental research, and other such divisions.
4. The increase in number of employees is mainly due to acquisitions of other companies during the consolidated fiscal year.



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## (ii) Number of employees in the Company

Number of employees	Variance from the end of the previous fiscal year
1,293	76

Average age	Average length of service in years
40.9	14.3

(Note)

The number of employees indicates the number of persons employed by TEL.

**(9) Major lenders** (As of March 31, 2013)

There is no relevant item.

**(10) Major offices of the TEL Group** (As of March 31, 2013)

## (i) Tokyo Electron Ltd.

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

## (ii) Subsidiaries

Name	Location
Tokyo Electron Yamanashi Ltd. Yamanashi Plant (Fujii) (Hosaka)	Nirasaki City, Yamanashi Nirasaki City, Yamanashi
Tokyo Electron Kyushu Ltd. Koshi Plant Ozu Plant	Koshi City, Kumamoto Ozu-machi, Kikuchi-gun, Kumamoto
Tokyo Electron Tohoku Ltd.	Oshu City, Iwate
Tokyo Electron TS Ltd.	Nirasaki City, Yamanashi
Tokyo Electron Miyagi Ltd. Taiwa Plant Matsushima Plant	Taiwa-cho, Kurokawa-gun, Miyagi Matsushima-machi, Miyagi-gun, Miyagi
Tokyo Electron FE Ltd.	Fuchu City, Tokyo
Tokyo Electron Device Ltd.	Yokohama City, Kanagawa
Tokyo Electron America, Inc.	Austin, Texas, U.S.A.
Tokyo Electron Europe Ltd.	Crawley, West Sussex, U.K.
TEL Solar AG	Trübbach, St. Gallen, Switzerland
Tokyo Electron Korea Ltd.	Hwaseong-City, Gyeonggi-Do, Korea
Tokyo Electron Taiwan Ltd.	Hsin-chu City, Taiwan
Tokyo Electron (Shanghai) Ltd.	Shanghai, China

(Notes)

1. Tokyo Electron Korea Solution Ltd. acquired and merged with Tokyo Electron Korea Ltd. and changed its name to Tokyo Electron Korea Ltd. effective April 2, 2012.
2. The liquidation of Tokyo Electron PV Ltd. was completed effective February 28, 2013.
3. Tokyo Electron Ltd. acquired and merged with Tokyo Electron Technology Development Institute, Inc. effective April 1, 2013. The name of the Sendai Regional Office of Tokyo Electron Ltd. was changed to Technology Center Sendai.

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4. Tokyo Electron Ltd. acquired and merged with Tokyo Electron Software Technologies Ltd. effective April 1, 2013. The Sapporo Technology Center has become the Sapporo Regional Office of Tokyo Electron Ltd.
5. TEL Solar AG is a subsidiary of the Swiss corporation Oerlikon Solar Holding AG (now TEL Solar Holding AG) whose total shares were acquired by Tokyo Electron Ltd. effective November 26, 2012.

## 2. TEL shares (As of March 31, 2013)

- |  |             |
|--|-------------|
| (i) Total number of shares authorized to be issued | 300,000,000 |
| (ii) Total number of issued shares                 | 180,610,911 |
| (iii) Number of shareholders                       | 41,287      |
| (iv) Major shareholders                            |             |

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	19,146	10.68
Japan Trustee Services Bank, Ltd. (trust account)	13,824	7.71
Tokyo Broadcasting System Holdings, Inc.	7,727	4.31
Mellon Bank Treaty Clients Omnibus	5,247	2.92
State Street Bank and Trust Company 505225	4,389	2.44
SSBT OD05 Omnibus Account - Treaty Clients	3,744	2.08
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	3,623	2.02
The Bank of New York - Jasdectreaty Account	3,465	1.93
Northern Trust Co. (AVFC) Sub A/C American Clients	2,697	1.50
State Street Bank and Trust Company 505017	2,650	1.47

### (Notes)

1. Any fractional sum of less than 1,000 shares is disregarded when the number of shares owned is indicated.
2. The shareholding ratios are calculated after eliminating treasury stock (1,424,203 shares). Figures are rounded down to the second decimal place.
3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. and three of its affiliated companies submitted a report of change dated April 18, 2011 to the Director-General of the Kanto Local Finance Bureau to inform that they held 13,856 thousand shares in the Company as of April 11, 2011. Similarly, The Sumitomo Mitsui Trust Bank, Ltd. and two of its affiliated companies submitted a report of change dated September 21, 2012 to the Director-General of the Kanto Local Finance Bureau to inform that they held 11,361 thousand shares in the Company as of September 14, 2012. But the table above does not include the portion of shares that the Company cannot confirm that it practically holds as of March 31, 2013.



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### 3. Matters concerning Share Subscription Rights

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

	4th share subscription rights	5th share subscription rights
Allocation date	August 8, 2005	August 8, 2005
Allocation number of share subscription rights	852 units	920 units
Balance at end of fiscal year	97 units	579 units
Ownership by Corporate Directors of the Company (excluding outside Directors)	-	-
Ownership by outside Directors of the Company	-	-
Ownership by Audit & Supervisory Board Members of the Company	13 units (2 persons)	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 9,700 shares	Common stock of the Company 57,900 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	6,468 yen per share
Exercise period of Share Subscription Rights	From August 1, 2008 to June 30, 2025 (Note 1)	From August 1, 2007 to June 28, 2013

	6th share subscription rights	7th share subscription rights
Allocation date	June 24, 2006	June 23, 2007
Allocation number of share subscription rights	669 units	1,004 units
Balance at end of fiscal year	163 units	299 units
Ownership by Corporate Directors of the Company (excluding outside Directors)	10 units (1 person)	20 units (1 persons)
Ownership by outside Directors of the Company	-	-
Ownership by Audit & Supervisory Board Members of the Company	10 units (1 person)	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 16,300 shares	Common stock of the Company 29,900 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2009 to May 29, 2026 (Note 2)	From July 1, 2010 to May 31, 2027 (Note 3)

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	8th share subscription rights	9th share subscription rights
Allocation date	June 21, 2008	June 18, 2011
Allocation number of share subscription rights	1,779 units	2,342 units
Balance at end of fiscal year	793 units	2,342 units
Ownership by Corporate Directors of the Company (excluding outside Directors)	141 units (4 persons)	973 units (12 persons)
Ownership by outside Directors of the Company	-	-
Ownership by Audit & Supervisory Board Members of the Company	-	20 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 79,300 shares	Common stock of the Company 234,200 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, 2011 to May 31, 2028 (Note 4)	From July 1, 2014 to May 30, 2031 (Note 5)

	10th share subscription rights
Allocation date	June 23, 2012
Allocation number of share subscription rights	1,307 units
Balance at end of fiscal year	1,307 units
Ownership by Corporate Directors of the Company (excluding outside Directors)	538 units (12 persons)
Ownership by outside Directors of the Company	-
Ownership by Audit & Supervisory Board Members of the Company	13 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 130,700 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2015 to May 31, 2032 (Note 6)

(Notes)

1. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to August 1, 2008.
2. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2009.
3. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2010.
4. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2011.
5. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2014.

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6. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2015.

(ii) Share subscription rights granted to TEL employees, etc. during the current fiscal year

	10th share subscription rights
Allocation date	June 23, 2012
Allocation number of share subscription rights	1,307 units
Number allocated to TEL employees	248 units (16 persons)
Number allocated to officers and employees of TEL subsidiaries	508 units (46 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of the Company 130,700 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2015 to May 31, 2032 (Note 1)

(Note)

1. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2015.

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

##### (i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2013)

Position in the Company	Name	Responsibilities, Significant concurrent posts
Chairman of the Board	Tetsuro Higashi	Outside Director, Ube Industries, Ltd.
Vice Chairman of the Board	Tetsuo Tsuneishi	Legal / Intellectual Property / IR Outside Director, Media Lario International S.A.
Representative Director, President & CEO	Hiroshi Takenaka	Chairman, Tokyo Electron U.S. Holdings, Inc.
Representative Director	Hirofumi Kitayama	Executive Vice President Chairman of the Board, Tokyo Electron Tohoku Ltd. Chairman, Tokyo Electron (Kunshan) Ltd.
Corporate Director	Kiyoshi Sato	Chairman, Tokyo Electron America, Inc. Chairman, Tokyo Electron Europe Ltd. President, TEL Solar AG
Corporate Director	Kenji Washino	Executive Vice President Chairman, TEL Venture Capital, Inc. Chairman, TEL Epion Inc. Chairman, TEL NEXX, Inc. Chairman, TEL FSI, Inc. Chairman, TEL Solar AG
Corporate Director	Hikaru Ito	Executive Vice President Chairman, Timbre Technologies, Inc. Chairman, Tokyo Electron (Shanghai) Ltd. Chairman, Tokyo Electron (Shanghai) Logistic Center Ltd.
Corporate Director	Takashi Nakamura	Senior Vice President Business Ethics / Internal Control
Corporate Director	Takaaki Matsuoka	Technology and Development Chairman of the Board, Tokyo Electron Technology Development Institute, Inc.
Corporate Director	Masami Akimoto	Senior Vice President President, Tokyo Electron Kyushu Ltd.
Corporate Director	Yoshiteru Harada	Vice President & General Manager
Corporate Director	Hideyuki Tsutsumi	President, Tokyo Electron Korea Ltd.
Corporate Director	Hiroshi Inoue	Chairman of the Board, Tokyo Broadcasting System Holdings, Inc. Chairman of the Board, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, Mainichi Broadcasting System, Inc.
Corporate Director	Masahiro Sakane	Chairman of the Board, Komatsu Ltd. Outside Director, Nomura Holdings, Inc. Outside Director, Nomura Securities Co., Ltd. Outside Director, Asahi Glass Co., Ltd.

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Audit & Supervisory Board Member	Mitsutaka Yoshida	
Audit & Supervisory Board Member	Shojiro Mori	
Audit & Supervisory Board Member	Togo Tajika	
Audit & Supervisory Board Member	Ryuji Sakai	Attorney-at-Law Outside Auditor, Kobayashi Pharmaceutical Co. Ltd.

Members of the Compensation Committee:

Tetsuo Tsuneishi, Yoshiteru Harada, Masahiro Sakane

Members of the Nomination Committee:

Tetsuro Higashi, Takashi Nakamura, Mitsutaka Yoshida

(Notes)

1. Corporate Directors Hiroshi Inoue and Masahiro Sakane are outside Directors.
2. Audit & Supervisory Board Members Togo Tajika and Ryuji Sakai are outside Audit & Supervisory Board Members.
3. TEL appointed Directors Hiroshi Inoue and Masahiro Sakane as independent Directors pursuant to the regulations of Tokyo Stock Exchange Inc. and provided notice to Tokyo Stock Exchange Inc. Also, TEL appointed Audit & Supervisory Board Member Togo Tajika as an independent Audit & Supervisory Board Member pursuant to the regulations of Tokyo Stock Exchange Inc. and provided notice to Tokyo Stock Exchange Inc.
4. Audit & Supervisory Board Member Shojiro Mori has experience as the Director of the Accounting Department and as the Vice President & General Manager of corporate administration for the Company's subsidiaries and has the appropriate level of knowledge relating to finance and accounting.
5. On April 1, 2013, new responsibilities in other legal entities were assigned as follows:

Position in the Company	Name	Responsibilities, Significant concurrent posts
Corporate Director	Hikaru Ito	Executive Vice President Chairman, Tokyo Electron (Shanghai) Ltd. Chairman, Tokyo Electron (Shanghai) Logistic Center Ltd.
Corporate Director	Takaaki Matsuoka	Technology and Development
Corporate Director	Masahiro Sakane	Corporate Director, Councilor, Komatsu Ltd. Outside Director, Nomura Holdings, Inc. Outside Director, Nomura Securities Co., Ltd. Outside Director, Asahi Glass Co., Ltd.

6. On April 4, 2013, new positions in the Company and responsibilities in other legal entities were assigned as follows:

Position in the Company	Name	Responsibilities, Significant concurrent posts
Representative Director, Chairman of the Board, President & CEO	Tetsuro Higashi	Chairman, Tokyo Electron U.S. Holdings, Inc. Outside Director, Ube Industries, Ltd.
Corporate Director	Hiroshi Takenaka	

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7. On April 4, 2013, Members of the Nomination Committee were changed as follows:

Members of the Nomination Committee:

Takashi Nakamura, Tetsuo Tsuneishi, Mitsutaka Yoshida

8. On May 1, 2013, new responsibilities in other legal entities were assigned as follows:

Position in the Company	Name	Responsibilities, Significant concurrent posts
Corporate Director	Kenji Washino	Executive Vice President Chairman, TEL Venture Capital, Inc. Chairman, TEL Epion Inc. Chairman, TEL NEXX, Inc. Chairman, TEL Solar AG
Corporate Director	Hikaru Ito	Executive Vice President Chairman, TEL FSI, Inc. Chairman, Tokyo Electron (Shanghai) Ltd. Chairman, Tokyo Electron (Shanghai) Logistic Center Ltd.

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(ii) Condition of Executive officers (As of March 31, 2013)

Name	Position & Responsibilities
Hiroshi Takenaka	President & CEO
Hirofumi Kitayama	Executive Vice President, General Manager, Manufacturing Division, (Quality)
Kenji Washino	Executive Vice President, General Manager, Corporate Business Strategy Division Executive Vice President, FPD / Organic EL / PVE
Hikaru Ito	Executive Vice President, SPE Executive Vice President, Senior General Manager, SPE Sales Division Executive Vice President, General Manager, Etching Systems BU
Takashi Nakamura	Senior Vice President, General Manager, Corporate Administration Division, Compliance / Internal Control
Masami Akimoto	Senior Vice President, General Manager, System Development Division
Takashi Ito	Senior Vice President, General Manager, PVE Division
Chiaki Yamaguchi	Senior Vice President, General Manager, SPE Sales Division
Gishi Chung	Senior Vice President, General Manager, SPE Process Development Division
Shigetoshi Hosaka	Senior Vice President, General Manager, Corporate Development Division
Yoshiteru Harada	VP & Deputy General Manager, Corporate Administration Division, HR / General Affairs / Accounting / Export and Logistics Control
Tatsuya Nagakubo	VP & General Manager, HR / Human Resources Development Center / Corporate Branding Promotion / CSR Promotion
Tetsuro Hori	VP & General Manager, Corporate Strategic Planning / Finance / Legal / Intellectual Property
Keisuke Koizumi	VP & General Manager, Corporate Procurement VP & General Manager, IT
Seisu Ikeda	VP & General Manager, Clean Track BU
Toshiki Kawai	VP & General Manager, Surface Preparation Systems BU
Yoshinobu Mitano	VP & Deputy General Manager, Etching Systems BU
Shingo Tada	VP & General Manager, Thermal Processing Systems BU,
Takeshi Okubo	VP & General Manager, Single Wafer Deposition BU
Yuichi Abe	VP & General Manager, Test Systems BU VP & General Manager, 3DI Division
Kiyoshi Sunohara	VP & General Manager, Field Solutions BU
Tsuguhiko Matsuura	VP & General Manager, FPD BU
Shinichi Sasahara	VP & General Manager, FPD / PV Sales

(Notes)

1. FPD stands for "Flat Panel Display Production Equipment". PVE stands for "Photovoltaic Panel Production Equipment". SPE stands for "Semiconductor Production Equipment". 3DI stands for "3 dimensional integration." PV stands for "Photovoltaic Panel." BU stands for "business unit".
2. With effect from April 1, 2013, Kazushi Tahara and Satoru Kawakami were newly appointed as executive officers, and the following changes were made to appointments:

Name	Position & Responsibilities
Hirofumi Kitayama	Executive Vice President, General Manager, Production Division, (Quality)
Keisuke Koizumi	VP & General Manager, IT
Kazushi Tahara	VP & Deputy General Manager, System Development Division
Satoru Kawakami	VP & General Manager, TEL Technology Center Sendai

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3. With effect from April 4, 2013, Hiroshi Takenaka resigned from his position as President & CEO, and Tetsuro Higashi was appointed Chairman of the Board, President & CEO.

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

	Fixed Compensation (Monthly Remuneration)	Compensation linked to business performance (Annual)	
	Amount paid during FY2013	Bonus (Note 3)	Stock options for stock-based compensation (Note 4)
Total amount of Corporate Director compensation (15 persons)	(million yen) 664	(million yen) 54	(million yen) 154
Portion of outside Director compensation (2 persons)	24	1	
Total amount of Audit & Supervisory Board Member compensation (6 persons)	128		
Portion of outside Audit & Supervisory Board Member compensation (3 persons, including one full-time Audit & Supervisory Board Member)	44		

(Reference)

Individual Compensation of Representative Directors during FY2013

Name and Position (Note 6)	Fixed Compensation (Monthly Remuneration)	Compensation linked to business performance (Annual)	
	Amount paid during FY2013	Bonus (Note 3)	Stock options for stock-based compensation (Note 4)
Hiroshi Takenaka Representative Director, President & CEO	(million yen) 96	(million yen) 9	(million yen) 27
Hirofumi Kitayama Representative Director, Executive Vice President	66	6	15

(Notes)

1. It was resolved at the 48th Annual General Meeting of Shareholders held on June 17, 2011 that the maximum amount of Corporate Director fixed compensation for a fiscal year should be 750 million yen (including 30 million yen for outside Directors). The Company does not pay a remuneration to Corporate Directors as employees in addition to their Corporate Director compensation.
2. 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 (156 million yen annually).



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3. The amount indicated is the amount of Director compensation that will be proposed at the annual general meeting of shareholders for fiscal year 2013 (the 50th fiscal year) scheduled to be held on June 21, 2013.
4. The amount of expenses incurred during the current fiscal year by the 9th share subscription rights issued to Corporate Directors (stock-based compensation type of stock options) in accordance with a resolution of the 48th Annual Meeting of Shareholders and the 10th share subscription rights issued to Corporate Directors (stock-based compensation type of stock options) in accordance with a resolution of the 49th Annual Meeting of Shareholders, is indicated. Specifically, in accordance with the Accounting Standard for Stock Options (ASBJ Statement No. 8), the fair market value is distributed to the fiscal years during the period from the date the options are granted up to the date the options are exercised, based on calculations by a third party agency fair market value of the stock option.
5. Compensation Committee has been proposed within the Board of Directors to set the compensation of Representative Directors.
6. The amount indicated is the individual compensation for the two Representative Directors at the end of the current fiscal year, for the fiscal year. On April 4, 2013, Hiroshi Takenaka resigned from his position as President & CEO and became a Corporate Director.
7. Concerning the payment of officers' retirement allowances, a system abolished in and after the 43rd fiscal year, at the 42nd General Meeting of Shareholders held on June 24, 2005, the Company sought shareholder approval for settlement of retirement allowances for terms of office until the 42nd fiscal year (ended March 2005). Besides the above list, a retirement allowance of 1 million yen was paid to an Audit & Supervisory Board Member who retired during the current fiscal year with respect to the director's term of office held until the 42nd fiscal year.

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

The Company has adopted the following executive compensation program with the intention of tying compensation more closely to financial results and shareholder value, raising corporate competitiveness, and enhancing management transparency. Corporate Director compensation consists of a monthly fixed remuneration and performance-linked compensation. Audit & Supervisory Board Member compensation consists only of a monthly fixed remuneration 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 the 43rd fiscal year (ended March 2006).

The Compensation Committee, which is made up of external and internal Directors, compared compensation levels at representative technology firms in Japan and overseas and made proposals to the Board of Directors concerning the content of the system of executive compensation for Corporate Directors and the amount of compensation for representative Directors.

The performance-linked compensation system for Corporate Directors is designed to align compensation more clearly with financial results and increases in shareholder value. It takes into account consolidated return on equity (ROE) and consolidated net income, two performance indicators of consolidated business results. Necessary adjustments are then made when there are special factors that should be taken into account, such as principal performance indicators for the term under review, including profits and losses, and so on. Performance-linked compensation basically comprises cash bonuses and stock-based compensation. The ratio of cash bonuses to stock-based compensation has generally been one to one. Performance-linked compensation is limited to five times fixed compensation. Stock-based compensation will consist of granting share subscription rights with a set strike price of one yen per share and setting unexercisable period for three years.

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(v) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members  
 a. Outside Director positions, Outside Audit & Supervisory Board Member and other significant positions held concurrently in other corporations or organizations and relationships of the Company with the relevant other corporations or organizations. (As of March 31, 2013)

Position in the Company	Name	Significant concurrent posts	Relationship with the company
Outside Director	Hiroshi Inoue	Chairman of the Board, Tokyo Broadcasting System Holdings, Inc. Chairman of the Board, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, Mainichi Broadcasting System, Inc.	No significant business relation
Outside Director	Masahiro Sakane	Chairman of the Board, Komatsu Ltd. Outside Director, Nomura Holdings, Inc. Outside Director, Nomura Securities Co., Ltd. Outside Director, Asahi Glass Co., Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Ryuji Sakai	Outside Auditor, Kobayashi Pharmaceutical Co. Ltd.	No significant business relation

b. Main activities during the current fiscal year

Position in the Company	Name	Main activities
Outside Director	Hiroshi Inoue	Hiroshi Inoue attended 11 of the 12 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	Masahiro Sakane	Masahiro Sakane attended all 12 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 Audit & Supervisory Board Member	Togo Tajika	Togo Tajika attended all 12 meetings of the Board of Directors and all 7 meetings of the Audit & Supervisory Board held in the year, and, drawing on his global knowledge based on experience of overseas employment at other enterprises, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Ryuji Sakai	Since being appointed on June 22, 2012, Ryuji Sakai attended all 10 meetings of the Board of Directors held after his appointment, and all 5 meetings of the Audit & Supervisory Board held after his appointment, and, drawing on his specialist perspective as a lawyer, made appropriate comments on proposals and other matters of deliberation.

c. Overview of liability-limiting agreements

The Company revised its Articles of Incorporation at the 43rd Annual General Meeting of Shareholders held on June 23, 2006 to include a provision concerning the conclusion of liability-limiting contracts with outside Directors and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act with its outside Directors and Audit & Supervisory Board Members. The limitation of liability under these agreements is the maximum amount specified in Article 425,

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Paragraph 1 of the Companies Act, provided that the individuals in question perform their duties in good faith and without gross negligence.

## 5. Condition of accounting auditors

### (1) Name of accounting auditors

KPMG AZSA LLC

### (2) Amount of Compensation Paid to Accounting Auditors

(million yen)

i	Amount of compensation to be paid by the Company for audit services pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law	148
ii	Total monetary compensation and other benefits to be paid to accounting auditors by the Company and its subsidiaries	249

(Notes)

- The audit agreement concluded by the Company and its accounting auditors does not distinguish between compensation to be paid for audits pursuant to the Companies Act, and that pursuant to the Financial Instruments and Exchange Law and these amounts cannot practically be separated, and as a result the amount indicated in (i) above is the total of these two amounts.
- Of the Company's main subsidiaries, the following subsidiaries undergo audits by certified public accountants or audit companies other than the Company's accounting auditors.
  - Tokyo Electron America, Inc.
  - Tokyo Electron Europe Limited
  - TEL Solar AG
  - Tokyo Electron Korea Limited
  - Tokyo Electron Taiwan Limited
  - Tokyo Electron (Shanghai) Limited

### (3) Policy Concerning Decisions to Discharge or to Not Reappoint the Accounting Auditors

If any of the circumstances set forth in Article 340, Paragraph 1 of the Companies Act apply to the accounting auditors, the Audit & Supervisory Board may discharge the accounting auditors with the unanimous consent of all Audit & Supervisory Board Members. In addition, if it is determined that it would be difficult for the accounting auditors to perform proper audits, the Board of Directors may, with the consent of or upon request from the Audit & Supervisory Board, submit to the General Meeting of Shareholders the resolution to discharge or not to reappoint the accounting auditors.

## 6. Corporate Structures and Policies

### (1) Structures for Ensuring the Proper Performance of Business

The content of resolutions made by the Company at meetings of the Board of Directors 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

- Systems to ensure that actions by Directors and employees in the performance of their duties comply with applicable laws and the Articles of Incorporation
  - 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.
  - 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.
  - The Chief Business Ethics Director shall have as his 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.
  - 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.

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- (5) 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.
  - (6) 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.
  - (7) 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.
  - (8) 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 and management of information relating to actions taken by Directors in the performance of their duties
- (1) 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.
  - (2) Documents, etc. relating to actions taken by Directors in the performance of their duties shall be maintained in a format that can viewed immediately.
3. Regulations concerning management of the risk of loss and other structures
- (1) Risk Management Regulations shall be formulated, the types of risks that should be managed shall be identified, and risk management systems clarified.
  - (2) 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.
  - (3) Efforts to develop preparedness for risks related to such events as earthquakes, in order to ensure the continuity of business, shall be continually promoted.
  - (4) The responsible Directors shall report periodically to the Board of Directors concerning the status of major risks and measures taken to counter them.
4. Structures to ensure the efficient performance of the duties of Directors
- (1) The Board of Directors shall determine key items of the company’s management including management policies and matters specified by law and shall oversee the status of their implementation.
  - (2) The company shall take measures to have outside (independent) Directors join the Board to objectively ensure efficient decision-making by the Board of Directors.
  - (3) The Board of Directors shall by resolution of the Board have representative Directors, executive Directors, and executive officers carry out their respective duties.
5. Structures to ensure the appropriateness of operations by the corporate group consisting of TEL and its subsidiaries
- (1) 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.
  - (2) 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.
  - (3) 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 Members’ duties and matters relating to the independence of such employees from Directors

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- (1) 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.
  - (2) Employees assigned to the Audit & Supervisory Board Members shall perform work duties in accordance with instructions from the Audit & Supervisory Board Members.
  - (3) 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 Member.
7. Structures for reports by Directors and employees to the Audit & Supervisory Board Members and for other reports to the Audit & Supervisory Board Members
- (1) If a Director or employee 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 or employee must immediately report to the Audit & Supervisory Board Members.
  - (2) 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.
  - (3) The 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
- (1) 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.
  - (2) The Audit & Supervisory Board shall share information with the accounting auditors and the Internal Audit Dept. with the objective of creating effective internal controls.
  - (3) 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.
  - (4) 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.
- (2) Policy concerning decisions regarding the distribution of surplus earnings
- The Company's dividend policy is to link dividend payments to business performance and earnings on a continual basis. The basic policy is to increase the dividend payout ratio to around 35% based on consolidated net income.
- The Company effectively uses internal capital reserves to raise corporate value through earnings growth, concentrates investment in growth areas and provides returns directly to shareholders by linking dividend payments to business performance and earnings.
- For the current fiscal year, the figures announced on July 30, 2012 remain unchanged. A year-end dividend of 26 yen per share (16 yen ordinary dividend and 10 yen commemorative dividend) is planned with payment to commence on May 31, 2013. Consequently, the annual dividend, including the interim dividend of 25 yen per share, will be 51 yen per share.