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May 27, 2021

NOTICE OF FISCAL YEAR 2021 (the 58th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 58th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Ltd. ("TEL") will be held on Thursday, June 17, 2021, 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: Election of One Audit & Supervisory Board Member
- 3: Payment of Bonuses to Corporate Directors for the 58th Fiscal Year
- 4: Issuance of Share Subscription Rights as Stock-Based Compensation to Corporate Directors
- 5: Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries
- 6: Revision of the Amount of Compensation to Outside Directors

In order to prevent the spread of COVID-19, the Company will hold this AGM after taking appropriate measures to prevent infection.

We give the top priority to the health and safety of our shareholders, and for this reason we ask that you consider refraining from attending this AGM in person and that you exercise your voting rights in advance in writing or via the Internet as much as possible. Please refer to the following Information Relating to Annual General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m. on Wednesday, June 16, 2021 (Japan standard time).

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

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

IT IS IMPORTANT THAT YOU PARTICIPATE AT THE 2021 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.

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

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 Wednesday, June 16, 2021 (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 FY2021 (the 58th FY; from April 1, 2020 to March 31, 2021), 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 FY2021 (the 58th FY; from April 1, 2020 to March 31, 2021).

Proposal 1: Election of Twelve Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 11 Corporate Directors will expire. We believe that the appropriate size of the Board of Directors shall enable high quality, active debate as well as maintain the level of diversity expected from both Inside Directors and Independent Outside Directors. As the optimal composition in line with the current business environment considering the balance of knowledge, experience and skills, 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	Present position in the Company and responsibilities*
1	<Re-nominated> Mr. Tetsuo Tsuneishi	Chairman of the Board
2	<Re-nominated> Mr. Toshiki Kawai	Representative Director President & CEO
3	<Re-nominated> Mr. Sadao Sasaki	Representative Director Executive Vice President & General Manager
4	<Re-nominated> Mr. Yoshikazu Nunokawa	Corporate Director Executive Vice President & General Manager
5	<Re-nominated> Mr. Tatsuya Nagakubo	Corporate Director Senior Vice President & General Manager
6	<Re-nominated> Mr. Kiyoshi Sunohara	Corporate Director Senior Vice President & General Manager
7	<Re-nominated> Mr. Seisu Ikeda	Corporate Director Senior Vice President & General Manager
8	<Re-nominated> Mr. Yoshinobu Mitano	Corporate Director Senior Vice President & General Manager

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

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

World Headquarters
 3-1 Akasaka 5-chome, Minato-ku
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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
1	Mr. Tetsuo Tsuneishi (November 24, 1952) <Re-nominated>	<u>April 1976</u> Joined Tokyo Electron Ltd. <u>June 1992</u> Corporate Director, Tokyo Electron Ltd. <u>June 1996</u> Senior Managing Director, Tokyo Electron Ltd. <u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Ltd. <u>June 2015</u> Chairman of the Board, Tokyo Electron Ltd. (Present position) (Position in the Company) Chairman of the Board (Significant concurrent posts) Corporate Director, Tokyo Electron Device Ltd.	19,658
[Reason for selection as Corporate Director nominee] Other than his involvement in the semiconductor manufacturing equipment business of the Company, Mr. Tsuneishi has been involved in management in a wide range of fields from IR, legal and business strategies, and is equipped with ample experience and a proven track record. We believe that with these many years of experiences he can contribute to decision making that leads to improving shareholder value, and therefore nominate him as a Corporate Director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
2	Mr. Toshiki Kawai (August 26, 1963) <Re-nominated>	<u>April 1986</u> Joined Tokyo Electron Ltd. <u>October 2010</u> Vice President & General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Ltd. Vice President & General Manager, Single Wafer Deposition Business Unit, Tokyo Electron Ltd. <u>April 2012</u> Vice President & General Manager, Surface Preparation Systems Business Unit, Tokyo Electron Ltd. <u>June 2015</u> Senior Executive Vice President & COO, Tokyo Electron Ltd. <u>January 2016</u> President & CEO, Tokyo Electron Ltd. (Present position) (Position in the Company) Representative Director, President & CEO	8,100
[Reason for selection as Corporate Director nominee] Having conducted global sales of semiconductor manufacturing equipment and performing management duties in multiple business units in this business, Mr. Kawai possesses ample experiences and record of achievement. In addition, he has demonstrated strong leadership as CEO in executing management duties. With the expectation of leveraging these experiences and achievement in decision making concerning the Group management policies toward improving shareholder value, we nominate him as a Corporate Director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
3	Mr. Sadao Sasaki (September 15, 1960) <Re-nominated>	<u>April 1985</u> Joined Tokyo Electron Ltd. <u>October 2008</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>April 2011</u> President, Tokyo Electron Tohoku Ltd. (currently Tokyo Electron Technology Solutions Ltd.) (Present position) <u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) Senior Vice President & General Manager, Tokyo Electron Ltd. <u>June 2016</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Representative Director, Executive Vice President & General Manager (Significant concurrent posts) President & Representative Director, Tokyo Electron Technology Solutions Ltd.	10,000
[Reason for selection as Corporate Director nominee] Mr. Sasaki has performed marketing duties for semiconductor manufacturing equipment as well as management duties in technological development and device development among other areas in the Company and a Group manufacturing company, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the Board of Directors, we nominate him as a Corporate Director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
4	Mr. Yoshikazu Nunokawa (June 22, 1959) <Re-nominated>	<u>April 1982</u> Joined Tokyo Electron Ltd. <u>April 2003</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>November 2005</u> Vice President & General Manager, Tokyo Electron Ltd. <u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron AT Ltd. <u>April 2011</u> Senior Vice President & General Manager, Tokyo Electron Miyagi Ltd. <u>June 2017</u> Audit & Supervisory Board Member, Tokyo Electron Ltd. <u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position) Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Executive Vice President & General Manager	10,109
[Reason for selection as Corporate Director nominee] Mr. Nunokawa has been involved in a wide range of fields in the Company including sales, finance, and human resources, and is equipped with ample experience of serving as a Vice President & General Manager supervising the Administrative Division of Group companies, as well as endeavoring to ensure sound and appropriate decision making on the Company's management as an Audit & Supervisory Board Member of the Company. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the Board of Directors, we nominate him as a Corporate Director.			

World Headquarters
 3-1 Akasaka 5-chome, Minato-ku
 Tokyo 107-6325, Japan
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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
5	Mr. Tatsuya Nagakubo (October 7, 1963) <Re-nominated>	<u>April 1986</u> Joined Tokyo Electron Ltd. <u>July 2011</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) <u>June 2017</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Senior Vice President & General Manager	6,626
[Reason for selection as Corporate Director nominee] Mr. Nagakubo has performed duties in the Company's Administrative Division and through overseas postings, has promoted the global expansion of the Company, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the Board of Directors, we nominate him as a Corporate Director.			

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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
6	Mr. Kiyoshi Sunohara (September 8, 1958) <Re-nominated>	<u>April 1981</u> Joined Tokyo Electron Ltd. <u>April 1998</u> General Manager, Diffusion and Chemical Vapor Deposition Business Unit, Tokyo Electron Ltd. <u>July 2000</u> General Manager, Business Development & Account Management, North America & Europe, Tokyo Electron Ltd. <u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd. <u>June 2007</u> General Manager, Marketing Division, Tokyo Electron Ltd. <u>April 2009</u> General Manager, Post Sales Business Unit, Tokyo Electron Ltd. <u>July 2016</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) <u>June 2017</u> Corporate Director, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Senior Vice President & General Manager	15,696
[Reason for selection as Corporate Director nominee] Mr. Sunohara has promoted global sales of semiconductor manufacturing equipment and contributed to expanding the field services business under his helm, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the Board of Directors, we nominate him as a Corporate Director.			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
7	<p>Mr. Seisu Ikeda (April 9, 1961)</p> <p><Re-nominated></p>	<p><u>April 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>October 2008</u> Vice President & General Manager, Thermal Processing Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>October 2009</u> General Manager, Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>April 2012</u> General Manager, Clean Track Business Unit, Tokyo Electron Ltd.</p> <p><u>July 2016</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) General Manager, Clean Track Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>January 2017</u> Deputy General Manager, Business Division and General Manager, Clean Track Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>July 2018</u> General Manager, Account Sales Division, Tokyo Electron Ltd. (Present position) General Manager, Account Sales, Tokyo Electron Ltd.</p> <p><u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p>	<p>5,981</p>
<p>[Reason for selection as Corporate Director nominee] Mr. Ikeda has been involved in management in multiple business units in the semiconductor production equipment business and has also worked for enhanced profit and share improvement, as well as strengthening relationship with customers as General Manager of the Account Sales Division, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the Board of Directors, we nominate him as a Corporate Director.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
8	Mr. Yoshinobu Mitano (July 4, 1961) <Re-nominated>	<u>April 1985</u> Joined Tokyo Electron Ltd. <u>October 2010</u> General Manager, 3DI Division, Tokyo Electron Ltd. <u>July 2012</u> Vice President & General Manager, Tokyo Electron Ltd. <u>February 2013</u> Deputy General Manager, Etching Systems Business Unit, Tokyo Electron Ltd. <u>June 2015</u> General Manager, Etching Systems Business Unit, Tokyo Electron Ltd. <u>June 2017</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position) <u>July 2018</u> General Manager, Semiconductor Production Equipment Business Division, Tokyo Electron Ltd. (Present position) <u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director, Senior Vice President & General Manager	4,400
[Reason for selection as Corporate Director nominee] Mr. Mitano has been involved in sales, marketing, and management duties in the principle business unit under the semiconductor production equipment business of the Company, making large contribution to the division's growth, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the Board of Directors, we nominate him as a Corporate Director.			

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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
9	<p>Mr. Charles Ditmars Lake II (January 8, 1962)</p> <p><Re-nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>August 1992</u> Director for Japan Affairs, Office of the U.S. Trade Representative (USTR)</p> <p><u>July 1993</u> Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, Office of the U.S. Trade Representative</p> <p><u>January 1995</u> Attorney-at-Law, Dewey Ballantine LLP</p> <p><u>June 1999</u> Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus</p> <p><u>July 2001</u> Deputy President, Japan Branch, American Family Life Assurance Company of Columbus</p> <p><u>January 2003</u> President and Representative in Japan, American Family Life Assurance Company of Columbus</p> <p><u>April 2005</u> Vice Chairman and Representative in Japan, American Family Life Assurance Company of Columbus</p> <p><u>July 2008</u> Chairman and Representative in Japan, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)</p> <p><u>January 2014</u> President, Aflac International, Incorporated (Present position)</p> <p><u>June 2016</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>April 2018</u> Chairman and Representative Director, Aflac Life Insurance Japan Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Chairman and Representative Director, Aflac Life Insurance Japan Ltd. President, Aflac International, Incorporated Outside Director, Japan Post Holdings Co., Ltd.</p>	0
<p>[Reason for selection as Outside Director nominee and outline of expected roles] After holding important positions of the U.S. government and working at a law firm in the U.S., Mr. Charles Ditmars Lake II has successively served in positions including Chairman and Representative Director of Aflac Life Insurance Japan Ltd. and President of Aflac International, Incorporated, and he has a wealth of experience and knowledge as a corporate manager of companies that cover both Japan and the 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 perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing his experience and knowledge. Note that he has served for 5 years as an Outside Director of the Company as of the end of this General Meeting.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
10	<p>Mr. Michio Sasaki (March 7, 1957)</p> <p><Re-nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>March 1982</u> Joined Lead Electric Co., Ltd. (currently KEYENCE CORPORATION)</p> <p><u>June 1999</u> Director and General Manager, APSULT (Application Sensor) Business Department and Business Promotion Department, KEYENCE CORPORATION</p> <p><u>December 2000</u> President and Director, KEYENCE CORPORATION</p> <p><u>December 2010</u> Director and Special Advisor, KEYENCE CORPORATION</p> <p><u>May 2017</u> Director, iROHA INC. Outside Director, ZUIKO CO., LTD. (Present position)</p> <p><u>June 2018</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>November 2018</u> Outside Director, SHIFT, Inc.</p> <p><u>November 2019</u> Outside Director (Audit & Supervisory Committee Member), SHIFT, Inc.</p> <p><u>November 2020</u> Director and Vice President, SHIFT, Inc. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Director and Vice President, SHIFT, Inc. Outside Director, ZUIKO CO., LTD.</p>	0
<p>[Reason for selection as Outside Director nominee and outline of expected roles] Having served as President and Representative Director of KEYENCE CORPORATION, Mr. Sasaki achieved substantial improvements of corporate value and high profitability, engaged in the global management of the company for many years. We nominate him as an Outside Director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing his wealth of experience and knowledge as a corporate manager. Note that he has served for 3 years as an Outside Director of the Company as of the end of this General Meeting.</p>			

World Headquarters
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 Tokyo 107-6325, Japan
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No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
11	Ms. Makiko Eda (August 2, 1965) <Re-nominated> [Outside Director] [Independent Director]	<u>September 2000</u> Joined Intel Japan, K.K. <u>July 2005</u> General Manager, Marketing Headquarters, Intel Japan, K.K. <u>August 2010</u> Director, Intel Semiconductor Limited <u>October 2013</u> President and Director, Intel Japan, K.K. and Vice President, Intel Corporation (Retired in March 2018) <u>April 2018</u> Chief Representative Officer, World Economic Forum Japan (Present position) <u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position) (Position in the Company) Corporate Director (Significant concurrent posts) Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation	0
<p>[Reason for selection as Outside Director nominee and outline of expected roles] Having been involved in marketing in the Asia-Pacific region for Intel Corporation, a major U.S. semiconductor manufacturer, Ms. Eda possesses deep insight into the future and needs regarding the semiconductors business. She also served as a President and Representative Director at the Japanese subsidiary of Intel Corporation and has ample experience and extensive insight as a corporate manager. In addition, she serves as Chief Representative Officer of the World Economic Forum Japan, exchanging wide-ranging opinion with leaders from various fields to work on solving a variety of issues faced by international society. We nominate her as an Outside Director, expecting her to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing her experience in the semiconductor industry as well as global and multifaceted perspective. Note that she 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	<p>Ms. Sachiko Ichikawa (January 17, 1967)</p> <p><Newly nominated></p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>April 1997</u> Registered as an attorney-at-law Joined Tanabe & Partners</p> <p><u>January 2005</u> Registered as an attorney-at-law in the State of New York, the U.S.</p> <p><u>November 2009</u> Statutory Auditor, The Board Director Training Institute of Japan</p> <p><u>June 2015</u> Outside Director, Anritsu Corporation Director, The Board Director Training Institute of Japan</p> <p><u>April 2018</u> Registered as a U.S. certified public accountant</p> <p><u>May 2018</u> Outside Corporate Auditor, Ryohin Keikaku Co., Ltd. (Present position)</p> <p><u>June 2020</u> Statutory Auditor, The Board Director Training Institute of Japan (Present position)</p> <p>(Significant concurrent posts) Outside Corporate Auditor, Ryohin Keikaku Co., Ltd. Statutory Auditor, The Board Director Training Institute of Japan</p>	0
<p>[Reason for selection as Outside Director nominee and outline of expected roles] Having served as a Partner of Tanabe & Partners, Ms. Ichikawa possesses ample experience and expertise as an attorney-at-law mainly in corporate legal affairs. In addition, she also has global and advanced specialization, holding qualifications as an attorney-at-law in the State of New York, the U.S. and a U.S. certified public accountant. We newly nominate her as an Outside Director, expecting her to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing her experience above as well as knowledge in fields such as corporate governance, risk management, and compliance. Although Ms. Ichikawa has never been engaged in corporate management except as Outside Director and Outside Audit & Supervisory Board Member in the past, we believe that she can adequately fulfill duties as Outside Director based on the abovementioned reasons.</p>			

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(Notes)

1. Each of the candidates has no special interest in the Company.
2. The Company has concluded a Directors and Officers Liability Insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company. The insurance contract covers damages, such as compensation for damages, settlements, and litigation expenses, arising from acts and nonperformance of acts committed in relation to the execution of duties by the insured. If each candidate is elected and appointed as Corporate Director, they will be included as insured under this insurance contract. In addition, the Company plans to renew the insurance contract with the same terms at the time of next renewal.
3. The candidates for Outside Directors are described below.
 - (1) Charles Ditmars Lake II, Michio Sasaki, Makiko Eda and Sachiko Ichikawa are candidates for Outside Directors.
 - (2) As Charles Ditmars Lake II, Michio Sasaki and Makiko Eda meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 22 to 23) 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. In addition, as Sachiko Ichikawa meets the same criteria, TEL plans to notify the Tokyo Stock Exchange Inc. of her appointment as an Independent Director. Makiko Eda has worked for Intel Corporation, a major business partner of the Company (specified associated company). However, she meets the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" of the Company, because she retired from Intel Corporation in March 2018. The Company determined that there would be no conflict of interest with general shareholders, as an Outside Director of the Company.
 - (3) Japan Post Holdings Co., Ltd., of which Charles Ditmars Lake II has been serving as Outside Director since June 2016, received a business improvement order pursuant to the Act on Japan Post Holdings Co., Ltd. from the Minister for Internal Affairs and Communications and a business improvement order pursuant to the Insurance Business Act from the Financial Services Agency in December 2019, on the grounds of findings that its subsidiaries, JAPAN POST INSURANCE Co., Ltd. and JAPAN POST Co., Ltd., were engaged in inappropriate solicitations of insurance products of JAPAN POST INSURANCE Co., Ltd., and that such solicitations were attributable to the institutional issues such as dysfunctional group governance and inadequate group compliance. Regarding this issue, Japan Post Group has announced that it is carrying out investigations into the cause of the problem by utilizing third party organizations, and adopting measures for preventing recurrence. Since his appointment as Outside Director of Japan Post Holdings Co., Ltd., Charles Ditmars Lake II has been providing the management with advice based on his personal insight, while engaging in supervision of its business execution, in the areas of management policies, business improvement, governance framework, and internal control, with a view to contributing to the sustainable growth of Japan Post Group and the enhancement of its corporate value over the medium- to long-term. He has been continuously striving to fulfill his duties as Outside Director even after the abovementioned incident became known.
 - (4) At the 52nd Annual General Meeting of Shareholders held on June 19, 2015, the Company revised its Articles of Incorporation so that TEL can conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Directors who do not execute business and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded such contract with Charles Ditmars Lake II, Michio Sasaki and Makiko Eda, and will continue the contract if their reappointment is approved. In addition, the Company plans to conclude such contract with Sachiko Ichikawa after her appointment as Outside Director upon approval of this proposal. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the Directors perform their duties in good faith without gross negligence.

World Headquarters
 3-1 Akasaka 5-chome, Minato-ku
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Proposal 2: Election of One Audit & Supervisory Board Member

At the conclusion of the Annual General Meeting of Shareholders, the term of office for Audit & Supervisory Board Member Kyosuke Wagai will expire. Therefore, we ask you to agree to elect one Audit & Supervisory Board Member.

The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
<p>Mr. Kyosuke Wagai (February 5, 1953)</p> <p><Re-nominated></p> <p>[Outside Audit & Supervisory Board Member]</p> <p>[Independent Audit & Supervisory Board Member]</p>	<p><u>October 1977</u> Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p><u>September 1982</u> Registered as a certified public accountant</p> <p><u>July 1991</u> Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p><u>July 1999</u> Representative Partner, Tohmatsu & Co.</p> <p><u>July 2010</u> Executive Board Member, The Japanese Institute of Certified Public Accountants</p> <p><u>May 2016</u> Resigned from Deloitte Touche Tohmatsu LLC</p> <p><u>June 2016</u> Established Wagai CPA Office (Present position)</p> <p>Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd. (Present position)</p> <p><u>July 2016</u> Auditor, The Japanese Institute of Certified Public Accountants</p> <p><u>June 2017</u> Audit & Supervisory Board Member, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Audit & Supervisory Board Member</p> <p>(Significant concurrent posts) Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.</p>	0
<p>[Reason for selection as Outside Audit & Supervisory Board Member nominee] Having served as a certified public accountant at an auditing firm for a long time, Mr. Wagai reflects his ample expertise in finance and accounting, as well as knowledge in auditing and related fields, in the Company's audits. At meetings of the Board of Directors and the Audit & Supervisory Board of the Company, he has contributed to the Company's audits such as by providing opinions and advice on matters including information security. We nominate him as an Outside Audit & Supervisory Board Member with a view to continually utilizing his experience and insight while objectively ensuring the appropriateness of audits. Although Mr. Wagai has never been engaged in corporate management in the past except as Outside Audit & Supervisory Board Member, we believe that he can adequately fulfill duties as Outside Audit & Supervisory Board Member based on the abovementioned reasons. Note that he has served for 4 years as an Outside Audit & Supervisory Board Member of the Company as of the end of this General Meeting.</p>		

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

(Notes)

1. The candidate has no special interest in the Company.
2. The Audit & Supervisory Board has consented to this proposal.
3. The Company has concluded a Directors and Officers Liability Insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company. The insurance contract covers damages, such as compensation for damages, settlements, and litigation expenses, arising from acts and nonperformance of acts committed in relation to the execution of duties by the insured. If the candidate is elected and appointed as Audit & Supervisory Board Member, he will be included as insured under this insurance contract. In addition, the Company plans to renew the insurance contract with the same terms at the time of next renewal.
4. The candidate for Outside Audit & Supervisory Board Member is described below.
 - (1) Kyosuke Wagai is a candidate for Outside Audit & Supervisory Board Member.
 - (2) At the 52nd Annual General Meeting of Shareholders held on June 19, 2015, the Company revised its Articles of Incorporation so that TEL can conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Directors who do not execute business and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded such contract with Kyosuke Wagai, and will continue the contract if his reappointment is approved. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the Audit & Supervisory Board Members perform their duties in good faith without gross negligence.
 - (3) As Kyosuke Wagai meets TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 22 to 23) established based on the requirements for Independent Standards set forth by Tokyo Stock Exchange Inc., TEL has notified the Tokyo Stock Exchange Inc. that he has been appointed as an Independent Audit & Supervisory Board Member.

[Reference] Skill Matrix – Planned after this AGM

TEL is committed, 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,” to ensuring management focused on enhancing governance structure and sustainability in order to achieve sustainable growth and enhancement of its corporate value over the medium- to long-term, by adapting to global changes in the environment and achieving success in competition, thereby fulfilling the stakeholder mandate. The Company believes that its Corporate Directors and Audit & Supervisory Board Members are the team of management with the necessary talents for fulfilling the above initiatives. While the details are as summarized below, the Company believes that all Corporate Directors and Audit & Supervisory Board Members have insight in the areas such as global business, governance and sustainability.

Diversity of the Board of Directors as a whole is disclosed in a manner that is easy to understand, along with their individual skill matrix.

	Name	Expertise and experience					Legal affairs / risk management
		Corporate management	Semiconductor / FPD	Manufacturing / development	Sales / marketing	Finance, accounting / dialogue with capital markets	
Corporate Directors	Mr. Tetsuo Tsuneishi <Re-nominated>	X	X		X	X	
	Mr. Toshiki Kawai <Re-nominated>	X	X	X	X		
	Mr. Sadao Sasaki <Re-nominated>	X	X	X	X		
	Mr. Yoshikazu Nunokawa <Re-nominated>		X	X	X	X	
	Mr. Tatsuya Nagakubo <Re-nominated>		X			X	X
	Mr. Kiyoshi Sunohara <Re-nominated>		X	X	X		
	Mr. Seisu Ikeda <Re-nominated>		X	X	X		
	Mr. Yoshinobu Mitano <Re-nominated>		X	X	X		
	Mr. Charles Ditmars Lake II <Re-nominated> [Outside]	X	X			X	X
	Mr. Michio Sasaki <Re-nominated> [Outside]	X		X	X		
	Ms. Makiko Eda <Re-nominated> [Outside]	X	X		X		
	Ms. Sachiko Ichikawa <Newly nominated> [Outside]					X	X

	Name	Expertise and experience					Legal affairs / risk management
		Corporate management	Semiconductor / FPD	Manufacturing / development	Sales / marketing	Finance, accounting / dialogue with capital markets	
Audit & Supervisory Board Members	Mr. Yoshiteru Harada		X			X	X
	Mr. Kazushi Tahara	X	X	X	X		
	Mr. Kyosuke Wagai <Re-nominated> [Outside]					X	X
	Mr. Masataka Hama [Outside]	X				X	
	Mr. Ryota Miura [Outside]						X

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

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

- (iii) A person who has recently fallen under either of (i) or (ii) above; or
 - ※ “A person who has recently fallen under either of (i) or (ii) above” means a person who could be substantially deemed to fall under either of (i) or (ii) above. Concretely, it means a person who fell under (i) or (ii) above at the time when the Board of Directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an Outside Director or an Outside Audit & Supervisory Board Member.
 - (b) an employee or an executive officer of subsidiary of Tokyo Electron;
 - (c) a non-executive director of subsidiary of Tokyo Electron; or
 - (d) a person who has recently fallen under (b) or (c) above or who was an employee or an executive officer, or in the case of an Outside Audit & Supervisory Board Member, a non-executive officer, of Tokyo Electron.
- ※ Whether an Immediate Family Member holds an important position or not shall be determined according to ho item 7, paragraph 4, Article 74, of the Ordinance for Enforcement of the Companies Act. For instance, with respect to 1. and 4. (a) (i) above, a director or an employee who is above head of department level of a business partner company, and with respect to 2. above, a certified public accountant who belongs to an auditing firm and a lawyer (including associate lawyer) who belongs to a law firm are considered to hold an important position.
- ※ “Immediate Family Member” means a relative within the second degree of relationship. If a person is no longer a relative within the second degree of relationship as a result of divorce, dissolution of adoption, or death, etc., such a person shall not be considered as “Immediate Family Member”.

<Regarding Proposals 3 to 6>

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

Please see page 52 to 59 for details of the Company's executive compensation system.

TEL Group, aiming to strengthen corporate competitiveness at the global level and increase the transparency of management, adopted an executive compensation system closely linked to short-term performance and medium- to long-term enhancement of corporate value. The compensation of Inside Directors comprises fixed basic compensation, annual performance-linked compensation, and medium-term performance-linked compensation. For Outside Directors, the Company has introduced non-performance-linked stock-based compensation system as a compensation system more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision. The compensation of Outside Directors comprises fixed basic compensation and non-performance-linked compensation (stock-based compensation). For Audit & Supervisory Board Members, in light of their primary roles to audit and supervise management, compensation consists only of fixed basic compensation.

Composition of compensation and their relation to proposals

	Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation	Non-performance-linked compensation
	Cash	Cash bonuses	Stock compensation-based stock option (Note 3)	Performance share (Stock-based compensation)	Restricted stock units (Stock-based compensation)
Corporate Directors (excluding Outside Directors)	Approved at the 48th Annual General Meeting of Shareholders (Note 1)	Proposal 3	Proposal 4	Approved at the 55th Annual General Meeting of Shareholders (Note 4)	-
Outside Directors	Proposal 6	-	-	-	Approved at the 57th Annual General Meeting of Shareholders (Note 5)
Audit & Supervisory Board Members	Approved at the 48th Annual General Meeting of Shareholders (Note 2)	-	-	-	-

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

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

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

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

5. Non-performance-linked compensation for Outside Directors was resolved to be no more than 50 million yen and no more than 5,000 shares for 3 business years.

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

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

- We propose payment of cash bonuses of no more than 1,515 million yen for 8 Corporate Directors (excluding 3 Outside Directors) in office as of the final day of the 58th fiscal year.
- For Corporate Directors who also serve as executive officers, TEL only pays Corporate Director's bonuses and does not separately pay employee bonuses.

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

- Since stock options involves the issuance of share subscription rights, it will be brought before the General Meeting of Shareholders as Proposal 4 and Proposal 5 in accordance with the provisions of the Companies Act.
- If Proposal 1 is resolved as originally proposed, we propose in Proposal 4 to grant share subscription rights as stock compensation-based stock option of a total of not more than 1,515 million yen and a total of not more than 33,300 shares to 8 eligible Corporate Directors (excluding 4 Outside Directors).
- We propose in Proposal 5 to grant share subscription rights as stock compensation-based stock option of a total of not more than 37,500 shares to TEL executive officers and senior employees, as well as subsidiary Directors, executive officers and senior employees.
- The annual performance-linked compensation system for TEL Corporate Directors (excluding Outside Directors) is designed so that the ratio of cash bonuses to stock compensation-based stock option is generally 1:1. For TEL executive officers and senior employees, as well as subsidiary Directors, executive officers and senior employees, in light of the difference in work duties from TEL Corporate Directors, the ratio of cash bonuses to stock option has generally been 2:1.

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

- We propose that the maximum total amount of fixed basic compensation for Outside Directors per fiscal year be revised to 100 million yen. Furthermore, policies concerning determination of individual compensation for Corporate Directors of TEL are as stated in page 52 to 59. However, TEL plans to change them as proposed, subject to the approval of this proposal.
- The maximum amount of fixed basic compensation for Corporate Directors (including Outside Directors) remains at 750 million yen per fiscal year.

Proposal 3: Payment of Bonuses to Corporate Directors for the 58th Fiscal Year

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 58th fiscal year, the Company seeks shareholder approval to pay 1,515 million yen as the cash bonus portion of annual performance-linked compensation to 8 Corporate Directors in office (excluding 3 Outside Directors) at the end of the 58th fiscal year.

The Company believes this proposal is appropriate, as the amount of bonuses to be paid is linked to business performance in the 58th fiscal year, with a view to motivating recipients to contribute to improving the business performance in each fiscal year, in accordance with TEL's executive compensation system.

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

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 58th fiscal year, the Company seeks shareholder approval to authorize the Board of Directors to make decisions related to solicitation of applications for the share subscription right to be issued in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, with the objective of granting share subscription rights as stock compensation-based stock option portion of annual performance-linked compensation to Corporate Directors.

Of annual performance-linked compensation, cash bonuses for Corporate Directors (excluding Outside Directors) will be brought before the General Meeting of Shareholders as Proposal 3. The Company seeks shareholder approval to grant share subscription rights as stock compensation-based stock option portion of annual performance-linked compensation of no more than 1,515 million yen annually to Corporate Directors (excluding Outside Directors), in addition to Proposal 3. If Proposal 1 is approved as proposed, there will be 8 Corporate Directors (excluding 4 Outside Directors) covered by this Proposal.

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

1. Reason for granting share subscription rights to Corporate Directors as stock-based compensation and 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 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 to the Company's Corporate Directors (excluding Outside Directors) is non-monetary (stock-based compensation) in order for executives to have incentive for share prices to rise through better business performance and to share the risks of share price fluctuations with shareholders. We will issue share subscription rights with a set strike price of one yen per share as stock compensation-based stock option, based on the financial results in the 58th fiscal year, which will have the same effect.

2. Overview of issued subscription rights

(1) People eligible for the allotment of subscription rights

TEL Corporate Directors (excluding Outside Directors)

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

TEL common stocks up to 33,300 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

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

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 333

(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) Notwithstanding the Exercise Period, when any of the following (a) through (d) become applicable to the Optionee, the Optionee may not exercise the Subscription Rights thereafter and the Subscription Rights will lapse immediately.

i) When the Optionee becomes subject to an imprisonment;

ii) When the Board of Directors of TEL determines that the Optionee has intentionally or through gross negligence caused material damages to be incurred by TEL, or subsidiaries or affiliated

companies of TEL;

iii) When the Optionee becomes a director or an employee of a competitor of TEL, or subsidiaries or affiliated companies of TEL (excluding the case where TEL gives prior written consent to the Optionee); or

iv) When the Optionee offers in writing to waive the Subscription Rights in whole or in part.

(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 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

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

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

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

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

- g) Restrictions on acquisition of subscription rights by assignment

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

- h) Conditions for the exercise and acquisition of subscription rights

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

- (12) Entrustment of decisions concerning offering

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

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

The Company seeks shareholder approval as in Proposal 4 to authorize the Board of Directors to make decisions related to solicitation of applications for the share subscription right to be issued, with the objective of granting share subscription rights to TEL executive officers, senior employees, and subsidiary Directors, executive officers, and senior employees. The total number of eligible persons under this proposal will be 91.

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

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

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

Options shall be allocated free of charge as stock compensation-based stock option based on the consolidated performance for the 58th fiscal year, and the number of options allocated shall be calculated in view of the company's pay scale for directors.

2. Overview of issued subscription rights

(1) People eligible for the allotment of subscription rights

- People who are judged as necessary among TEL executive officers and senior employees of the final day of the 58th 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 58th 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 37,500 shares

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

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

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

(3) Aggregate number of subscription rights

Up to 375

(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) Notwithstanding the Exercise Period, when any of the following (a) through (d) become applicable to the Optionee, the Optionee may not exercise the Subscription Rights thereafter and the Subscription Rights will lapse immediately.
 - i) When the Optionee becomes subject to an imprisonment;
 - ii) When the Board of Directors of TEL determines that the Optionee has intentionally or through gross negligence caused material damages to be incurred by TEL, or subsidiaries or affiliated companies of TEL;
 - iii) When the Optionee becomes a director or an employee of a competitor of TEL, or subsidiaries or affiliated companies of TEL (excluding the case where TEL gives prior written consent to the Optionee); or
 - iv) When the Optionee offers in writing to waive the Subscription Rights in whole or in part.
- (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 c), the number of shares for one subscription right of shares of the restructuring company, and other circumstances.

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

Common stock of the restructuring company

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

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

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

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

e) Exercise period of the subscription rights

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

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

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

h) Restrictions on acquisition of subscription rights by assignment

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

i) Conditions for the exercise and acquisition of subscription rights

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

(12) Entrustment of decisions concerning offering

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

Proposal 6 Revision of the Amount of Compensation to Outside Directors

It was approved at the 56th Annual General Meeting of Shareholders held on June 18, 2019 that the maximum total amount of fixed basic compensation for Outside Directors of the Company per fiscal year shall be 60 million yen. In consideration of the fact that the number of Outside Directors will be increased by one if Proposal 1 is approved as proposed, and in light of the expanding roles expected of an Outside Director from the perspective of strengthening the corporate governance system, the Company seeks shareholder approval to revise the maximum total amount of fixed basic compensation for Outside Directors per fiscal year to 100 million yen, which is the amount considered to be appropriate.

Furthermore, TEL shall not change the total amount of fixed basic compensation (750 million yen per fiscal year) for Corporate Directors (including Outside Directors).

TEL does not pay the employee portion of compensation other than director compensation to Corporate Directors concurrently serving as Executive Officers. The current number of Corporate Directors is 11 (including 3 Outside Directors), and if Proposal 1 is approved as proposed, the number of Corporate Directors will be 12 (including 4 Outside Directors).

58th FY Business Report (From April 1, 2020 to March 31, 2021)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

During the fiscal year under review, although the global economy was affected by the novel coronavirus (COVID-19) pandemic, there are signs of a return to positive economic growth, driven by the implementation of economic stimulus policies by national governments.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, the market for semiconductor production equipment is expanding as demand for semiconductors increases, driven by the transition to a data society due to the expansion of the use of communications technologies such as IoT, AI and 5G. Although it will be necessary to continue to monitor the impact of COVID-19, the market for semiconductor production equipment is expected to grow further.

In this environment, with respect to the consolidated business results for the fiscal year under review, net sales for the fiscal year increased 24.1% from the previous fiscal year to 1,399,102 million yen; operating income increased 35.1% to 320,685 million yen; ordinary income increased 31.5% to 322,103 million yen, and net income attributable to owners of parent was 242,941 million yen, a year-on-year growth of 31.2%.

(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

Due to the expanded use of communications technologies mentioned above, capital investment in semiconductors for logic/foundries has been robust in a wide range of areas, from the cutting-edge to mature generations of semiconductors. In addition, capital investment in NAND flash memory increased significantly during the fiscal year under review, reflecting the transition to a data society. Furthermore, capital investments in DRAM that had been adjusted also started to recover due to an improvement in the balance between supply and demand toward the second half of the fiscal year under review. Consequently, net sales to external customers in this segment during the fiscal year under review were 1,315,200 million yen (year-on-year growth of 24.0%).

Major products

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

(ii) FPD (Flat Panel Display) Production Equipment

The FPD production equipment market underwent positive growth year-on-year, with an increase in capital investment in small to medium-sized OLED panels for mobile devices in addition to robust capital investment in large-sized LCD panels for televisions. Consequently, net sales to external customers in this segment during the fiscal year under review were 83,772 million yen (year-on-year growth of 26.8%).

Major products

FPD Coater/Developer, FPD Etch/Ash system, Inkjet Printing System for Manufacturing OLED Display

(iii) Other

For businesses that are not included in the above two segments, sales to external customers during the fiscal year under review totaled 129 million yen.

(3) Capital Investment and Procurement of Funds

In the current consolidated period, the TEL Group acquired 53,868 million yen in tangible fixed assets. The main capital investments were as indicated below.

- Acquired machinery and equipment for use in research and development, primarily in fields in which technical innovation and market growth are expected, to accelerate the development of cutting-edge technologies.
- Constructed new production buildings at the Headquarters Office (Yamanashi) and the Tohoku Regional Office (Iwate) of Tokyo Electron Technology Solutions Ltd. for the purpose of further enhancing product competitiveness and increasing production capabilities of the deposition systems, etc. in order to prepare for the expansion of the market for semiconductor production equipment associated with an increase in demand for semiconductors, and began operations in August 2020 (Headquarters Office) and July 2020 (Tohoku Regional Office), respectively.
- At Tokyo Electron Miyagi Ltd., in anticipation of the medium- to long-term growth of the etch system market, began construction of the Miyagi Technology Innovation Center in June 2020 to attain breakthrough technologies and higher productivity.

The funding required for this investment came entirely from our own resources; there is nothing to be stated regarding fund procurement.

(4) Challenges and Opportunities

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

(i) Business Policies

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

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

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

(ii) Vision

The TEL Group aims to be "a truly global company generating high added value and profits in semiconductor and flat panel display industries through innovative technologies and groundbreaking proactive solutions that integrate diverse technologies."

(iii) Business Environment

With the spread of information and communication technology (ICT), the progress of digital transformation (DX), and the movement toward the realization of decarbonization, the world is now making various efforts to build "a digital and green society", which will be supported by the technological innovation of semiconductors. There is no stopping the pursuit for the evolution of semiconductors, including the aspects of high capacity, high speed, high reliability, and low power consumption. It has been approximately 70 years since the birth of transistors. While the semiconductor device market has achieved steady growth to date and reached approximately 440 billion dollars in 2020, it is projected to grow at a high rate and reach 1 trillion dollars by around 2030, more than double the current market size. Furthermore, FPDs, as the interface between people and ICT, also require new advances and continue

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

to undergo technological innovation. As OLED becomes more widespread, their applications will further expand to incorporate higher resolution, lower power consumption, and larger sizes and improved designs that take advantage of their thin and flexible characteristics. As the transition to a data society accelerates, the two businesses in which the TEL Group participates are expected to grow significantly in the future, supporting semiconductors and FPDs which comprise critical social infrastructure, and contributing to the development of a dream-inspiring society.

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

We have formulated a Medium-Term Management Plan in May 2019 in light of the future growth potential described above. The Plan establishes a financial model to be aimed for that shows the relationship between operating margin and return on equity (ROE) by the scale of net sales, with net sales of 2 trillion yen, an operating margin of 30% or more, and ROE of 30% or more as the core targets to be achieved by the fiscal year ending March 31, 2025. In order to achieve these targets, the TEL Group will continuously pursue the best products and best technical services as a manufacturer.

- Ahead of others, we will launch into the market state-of-the-art technological products with high added-value required by customers in the future, and provide the best technology services.
- In order to create the best products, we operate business in the fields where we have strength and can leverage our accumulated technologies and management know-hows.
- In order to maintain and improve our world-leading technological innovation capabilities, we are planning to invest approximately 160 billion yen in R&D in the fiscal year ending March 31, 2023. We are moving ahead as planned with the investment of approximately 400 billion yen in R&D over the three years, which was announced in our Medium-Term Management Plan. We will continue to make aggressive investments that take advantage of our strong financial foundation, with an eye on future growth.
- In the service field, based on the more than 76,000 units of semiconductor and FPD production equipment that we have shipped to date, the largest number in the industry, we will work to solve issues such as parts sales, equipment upgrades and modifications, improved equipment utilization rates, and yield improvement for devices produced by customers, while striving to expand earnings in aftermarket services by providing these advanced field solutions. We will also focus on establishing highly efficient, high-value-added services such as smart customer support including remote maintenance and predictive maintenance through the use of equipment operation data and AI, in preparation for equipment support that will soon exceed 100,000 units.

■ Initiatives on Human Resources

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

Moreover, the TEL Group clearly states in its Management Policies to place the highest priority on the safety and health of every person connected with our business activities. For three consecutive years, we have been selected as a White 500 company under the Certified Health & Productivity Management Organization Recognition Program, a program jointly certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. To empower our employees to achieve their full potential, we provide support for the maintenance and improvement of their health, both mentally and physically.

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

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■ Environmental, Social, and Governance (ESG) Activities

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

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

Particularly on the environmental front, we revised the medium-term environmental targets for 2030 in December 2020. The targets aim for a 30% reduction in CO₂ emissions per wafer compared to the 2018 level with regards to our products, and a 70% reduction in total CO₂ emissions at the TEL Group's each business site compared to the 2018 level. For example, reducing the size of equipment directly leads to a reduction in CO₂ emissions, reducing CO₂ emissions per wafer by improving energy efficiency through space savings in the mass production lines of our customers, in addition to improving the efficiency of logistics, such as trucking, air transport, and packaging, as well as the efficiency of manufacturing and warehouse spaces. The entire TEL Group is actively working to reduce the environmental impact through business activities, in order to develop a sustainable and prosperous society.

The TEL Group's efforts have been highly regarded by external parties as well, and we have ranked number one among Japanese companies in the second ROESG Rankings (2020 edition) implemented by Nikkei Inc. and QUICK Corp. ESG Research Center. ROESG was conceived and developed as an index that integrates ROE (Return on Equity), which is an indicator of capital efficiency, and ESG (Environmental, Social, and Governance), a non-financial index of sustainability. This was the first time a domestic ranking list was included in the ROESG announcement, and the TEL Group's superior capital efficiency and dedication to ESG engagement earned us a significantly high score. We will continue to improve corporate value in the medium- to long-term.

(v) Capital Policy

The TEL Group's capital policy is based on securing the funds necessary for investment in growth, continuing to make proactive efforts to return profits to shareholders, and striving for appropriate balance sheet management from a medium- to long-term growth perspective. Specifically, TEL will target sustainable growth by further improving operating income to sales and capital efficiency and making efforts to expand cash flow, and shall pursue a high level of capital efficiency, including improving ROE.

Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on consolidated net income attributable to owners of parent. TEL will flexibly consider share buybacks. Based on this policy, we paid an annual dividend of 781 yen in the fiscal year under review.

By achieving the Medium-Term Management Plan through the various initiatives described above and pursuing further sustainable growth and improvements in corporate value, the TEL Group will aim to realize its corporate philosophy that is "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support," as a company that is indispensable to the world.

We appreciate our shareholders' continued support and look forward to sharing a brighter future with our shareholders.

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

Items	FY2018 (55th FY; From April 1, 2017 to March 31, 2018)	FY2019 (56th FY; From April 1, 2018 to March 31, 2019)	FY2020 (57th FY; From April 1, 2019 to March 31, 2020)	FY2021 (58th FY; current fiscal year) (From April 1, 2020 to March 31, 2021)
Net sales (million yen)	1,130,728	1,278,240	1,127,286	1,399,102
Operating income (million yen)	281,172	310,571	237,292	320,685
Operating Margin (%)	24.9	24.3	21.0	22.9
Ordinary income (million yen)	280,737	321,662	244,979	322,103
Net income attributable to owners of parent (million yen)	204,371	248,228	185,206	242,941
Net income per share (yen)	1,245.48	1,513.58	1,170.57	1,562.20
Total assets (million yen)	1,202,796	1,257,627	1,278,495	1,425,364
Net assets (million yen)	771,509	888,117	829,692	1,024,562
ROE (%)	29.0	30.1	21.8	26.5

(Notes)

- In the 55th consolidated fiscal year, manufacturers continued to step up investments in memory used in data centers amid the increase in high volume data transmission, such as video streaming by various cloud services, and net sales in the semiconductor production equipment business, our key line of business, remained strong resulting in increased revenue and profit against a background of robust demand for semiconductors.
- In the 56th consolidated fiscal year, net sales in the semiconductor production equipment business, our key line of business, remained strong resulting in increased revenue and profit, with market expansion driven by active capital expenditures associated with smartphones and data centers.
- In the 57th consolidated fiscal year, net sales remained firm in the mainstay semiconductor production equipment business, exceeding 1 trillion yen for three consecutive fiscal years due to increased demand for high-performance processors in anticipation of the full-scale popularization of smartphones compliant with 5G, and investment in memory for data centers saw a recovery, which had been in a temporary adjustment phase.
- The business performance and property of the TEL Group for the 58th fiscal year are described in (1) "Business Developments and Results."
- "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards were adopted from the beginning of the 56th consolidated fiscal year, and deferred tax assets are classified as "Investments and other assets" and deferred tax liabilities are classified as "Long-term liabilities," respectively. Total assets for the 55th fiscal year reflect the reclassifications.

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 3-1 Akasaka 5-chome, Minato-ku
 Tokyo 107-6325, Japan
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(6) Major subsidiaries (As of March 31, 2021)

Company	Office location	Capital fund	Investment ratio (Indirect investment ratio)	Main business
Tokyo Electron Technology Solutions Ltd.	(Headquarters Office) Yamanashi (Tohoku Regional Office) Iwate	4,000 million yen	(%) 100.00	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Kyushu Ltd.	Kumamoto	2,000 million yen	100.00	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Miyagi Ltd.	Miyagi	500 million yen	100.00	Manufacture and development of Semiconductor production equipment
Tokyo Electron FE Ltd.	Tokyo	100 million yen	100.00	Maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron America, Inc.	U.S.A.	10 U.S. dollars	0.00 (100.00)	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Europe Ltd.	U.K.	17 million euros	100.00	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Korea Ltd.	Korea	6,000 million won	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Taiwan Ltd.	Taiwan	200 million NT dollars	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron (Shanghai) Ltd.	China	6 million U.S. dollars	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Singapore Pte. Ltd.	Singapore	5 million Singapore dollars	100.00	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.

(Note) At the end of the current consolidated fiscal year, the number of consolidated subsidiaries including the above listed companies was 27.

(7) Important Business Mergers

There is no relevant item.

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 3-1 Akasaka 5-chome, Minato-ku
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(8) Employees at TEL and in the TEL Group (As of March 31, 2021)

(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	11,396	509
FPD production equipment	677	No change
Other	343	(4)
Common to all companies	2,063	137
Total	14,479	642

(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
1,670	82	44.3	17.6

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

(9) Major lenders (As of March 31, 2021)

There is no relevant item.

(10) Major offices of the TEL Group (As of March 31, 2021)

(i) Tokyo Electron Ltd.

Name	Location
World Headquarters	Tokyo
Fuchu Technology Center	Tokyo
Osaka Branch Office	Osaka
Kyushu Branch Office	Kumamoto
Yamanashi Regional Office	Yamanashi
TEL Digital Design Square	Hokkaido

(Note) In November 2020, the Company relocated the Sapporo Regional Office, a software development site, and newly opened TEL Digital Design Square.

(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, 2021)

- | | |
|--|-------------|
| (i) Total number of shares authorized to be issued | 300,000,000 |
| (ii) Total number of issued shares | 157,210,911 |
| (iii) Number of shareholders | 29,547 |
| (iv) Major shareholders | |

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan Limited (trust account)	31,205	19.98
Custody Bank of Japan, Ltd. (trust account)	13,232	8.47
JP Morgan Chase Bank 385632	8,301	5.31
TBS HOLDINGS, INC.	5,991	3.83
Custody Bank of Japan, Ltd. (trust account 7)	3,852	2.46
Custody Bank of Japan, Ltd. (securities investment trust account)	2,903	1.85
STATE STREET BANK WEST CLIENT-TREATY 505234	2,416	1.54
Custody Bank of Japan, Ltd. (trust account 4)	2,325	1.48
SSBTC CLIENT OMNIBUS ACCOUNT	2,233	1.43
JP Morgan Chase Bank 385781	1,837	1.17

(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 (1,044,374 shares). Figures are rounded down to the second decimal place. Treasury stock is exclusive of the Company shares (615,237 shares) owned by the Executive compensation Board Incentive Plan (BIP) trust account and the share-delivering Employee Stock Ownership Plan (ESOP).
- While the following large shareholding reports (including change reports) are available for public inspection, the Company has not included in the table above any shareholding whose actual ownership cannot be confirmed as of March 31, 2021.

Large shareholder	Document submitted	Submission date	Number of shares held (thousands of shares)
Nomura Securities Co., Ltd. and 1 other company	Change reports	July 21, 2020	15,400 as of July 15, 2020
Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 other company	Change reports	December 22, 2020	14,502 as of December 15, 2020
MUFG Bank, Ltd. and 5 other companies	Change reports	January 8, 2021	13,205 as of December 28, 2020
Capital Research & Management Company and 2 other companies	Change reports	May 12, 2020	8,632 as of April 30, 2020
Asset Management One Co., Ltd. and 1 other company	Change reports	December 22, 2020	6,491 as of December 15, 2020

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(v) Other important matters concerning shares

- 1) In accordance with a resolution passed at the 55th Annual General Meeting of Shareholders held on June 19, 2018 and a subsequent resolution passed at the Board of Directors meeting, TEL introduced an Executive compensation Board Incentive Plan (BIP) trust for Corporate Directors (excluding Outside Directors) of TEL and its domestic and overseas Group companies, with the objective of motivating recipients to contribute to improving medium-term business performance, as well as to share a shareholder perspective by holding Company shares and raising awareness toward enhancing corporate value.

Furthermore, in accordance with a resolution passed at the 57th Annual General Meeting of Shareholders held on June 23, 2020 and a subsequent resolution passed at the Board of Directors meeting, TEL has introduced a non-performance-linked stock-based compensation system for Outside Directors with the objective of establishing a compensation system more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision. In line with these resolutions, TEL has partially revised the Executive compensation BIP trust to include its Outside Directors.

As of March 31, 2021, the number of TEL's shares held by the Executive compensation BIP trust account is 80,538.

- 2) In accordance with a resolution passed at the Board of Directors meeting, TEL introduced in 2018 a share-delivering Employee Stock Ownership Plan (ESOP) trust for executive officers and senior and mid-level employees of TEL and its domestic and overseas Group companies, with the objective of motivating recipients to contribute to improving medium-term business performance, as well as to share a shareholder perspective by holding Company shares and raising awareness toward enhancing corporate value.

As of March 31, 2021, the number of TEL's shares held by the share-delivering ESOP trust account is 534,699.

3. Matters concerning Share Subscription Rights

(i) Status of Share Subscription Rights as of the end of the fiscal year

	10th Share Subscription Rights	11th Share Subscription Rights
Allocation date	June 23, 2012	June 20, 2015
Allocation number of Share Subscription Rights	1,307 units	1,357 units
Balance at end of fiscal year	35 units	197 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	0 units (0 persons)	0 units (0 persons)
Ownership by Outside Directors of TEL	0 units (0 persons)	0 units (0 persons)
Ownership by Audit & Supervisory Board Members of TEL	3 units (1 person)	53 units (2 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 3,500 shares	Common stock of TEL 19,700 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2015 to May 31, 2032. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2015.	From July 2, 2018 to May 31, 2035. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 2, 2018.

	12th Share Subscription Rights	13th Share Subscription Rights
Allocation date	June 18, 2016	June 21, 2017
Allocation number of Share Subscription Rights	1,944 units	1,447 units
Balance at end of fiscal year	341 units	460 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	36 units (2 persons)	134 units (3 persons)
Ownership by Outside Directors of TEL	0 units (0 persons)	0 units (0 persons)
Ownership by Audit & Supervisory Board Members of TEL	18 units (1 person)	15 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 34,100 shares	Common stock of TEL 46,000 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2019 to May 30, 2036. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2019.	From July 1, 2020 to May 29, 2037. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2020.

	14th Share Subscription Rights	15th Share Subscription Rights
Allocation date	June 20, 2018	June 19, 2019
Allocation number of Share Subscription Rights	2,199 units	3,604 units
Balance at end of fiscal year	2,199 units	3,604 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	619 units (7 persons)	1,158 units (7 persons)
Ownership by Outside Directors of TEL	0 units (0 persons)	0 units (0 persons)
Ownership by Audit & Supervisory Board Members of TEL	18 units (1 person)	0 units (0 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 219,900 shares	Common stock of TEL 360,400 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 1, 2021 to May 31, 2038. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2021.	From July 1, 2022 to May 31, 2039. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2022.

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

		16th Share Subscription Rights
Allocation date		June 24, 2020
Allocation number of Share Subscription Rights		1,308 units
Balance at end of fiscal year		1,308 units
	Ownership by Corporate Directors of TEL (excluding Outside Directors)	515 units (8 persons)
	Ownership by outside Directors of TEL	0 units (0 persons)
	Ownership by Audit & Supervisory Board Members of TEL	0 units (0 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights		Common stock of TEL 130,800 shares
Amount paid for the exercise of Share Subscription Rights		1 yen per share
Exercise period of Share Subscription Rights		From July 3, 2023 to May 31, 2040. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 3, 2023.

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

(ii) Status of Share Subscription Rights granted to employees of TEL, etc. among Share Subscription Rights granted during the fiscal year

		16th Share Subscription Rights
Allocation date		June 24, 2020
Allocation number of Share Subscription Rights		1,308 units
	Allocation number to employees of TEL	323 units (35 persons)
	Allocation number to executives and employees of TEL subsidiaries	470 units (56 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights		Common stock of TEL 130,800 shares
Amount paid for the exercise of Share Subscription Rights		1 yen per share
Exercise period of Share Subscription Rights		From July 3, 2023 to May 31, 2040. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 3, 2023.

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

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

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2021)

Position in TEL	Name	Responsibilities, Significant concurrent posts
Chairman of the Board	Tetsuo Tsuneishi	Corporate Director, Tokyo Electron Device Ltd.
Representative Director President & CEO	Toshiki Kawai	President & CEO
Representative Director	Sadao Sasaki	Executive Vice President & General Manager President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Corporate Director	Yoshikazu Nunokawa	Executive Vice President & General Manager
Corporate Director	Tatsuya Nagakubo	Senior Vice President & General Manager
Corporate Director	Kiyoshi Sunohara	Senior Vice President & General Manager
Corporate Director	Seisu Ikeda	Senior Vice President & General Manager
Corporate Director	Yoshinobu Mitano	Senior Vice President & General Manager
Corporate Director	Charles Ditmars Lake II	Chairman and Representative Director, Aflac Life Insurance Japan Ltd. President, Aflac International, Incorporated Outside Director, Japan Post Holdings, Co., Ltd.
Corporate Director	Michio Sasaki	Director and Vice President, SHIFT, Inc. Outside Director, ZUIKO CO., LTD.
Corporate Director	Makiko Eda	Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation
Audit & Supervisory Board Member	Yoshiteru Harada	
Audit & Supervisory Board Member	Kazushi Tahara	
Audit & Supervisory Board Member	Kyosuke Wagai	Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.
Audit & Supervisory Board Member	Masataka Hama	Outside Director, Nissay Asset Management Corporation
Audit & Supervisory Board Member	Ryota Miura	Partner, Miura & Partners Legal Profession Corporation Outside Director (Audit & Supervisory Committee Member), TECHMATRIX CORPORATION

Members of the Nomination Committee:

Yoshikazu Nunokawa^(*), Tatsuya Nagakubo, Kiyoshi Sunohara, Michio Sasaki

Members of the Compensation Committee:

Charles Ditmars Lake II^(*), Tatsuya Nagakubo, Yoshinobu Mitano, Michio Sasaki

* indicates Chairman

(Notes)

- Corporate Directors Charles Ditmars Lake II, Michio Sasaki and Makiko Eda are Outside Directors.
- Audit & Supervisory Board Members Kyosuke Wagai, Masataka Hama and Ryota Miura are Outside Audit & Supervisory Board Members.

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3. TEL established the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange, Inc., and appointed Charles Ditmars Lake II, Michio Sasaki and Makiko Eda as Independent Directors as well as Kyosuke Wagai, Masataka Hama and Ryota Miura as Independent Audit & Supervisory Board Members and provided notice to Tokyo Stock Exchange, Inc.
4. TEL has entered into agreements with Corporate Directors Charles Ditmars Lake II, Michio Sasaki and Makiko Eda as well as with Audit & Supervisory Board Members Yoshiteru Harada, Kazushi Tahara, Kyosuke Wagai, Masataka Hama and Ryota Miura 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 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.
7. Audit & Supervisory Board Member Masataka Hama has a wealth of experience in corporate management gained through years of wide-ranging experiences in the finance industry, along with adequate expertise in finance and accounting.
8. At the conclusion of the 57th Annual General Meeting of Shareholders held on June 23, 2020, Audit & Supervisory Board Member Takatoshi Yamamoto resigned as Audit & Supervisory Board Member.
9. The Company has concluded a Directors and Officers Liability Insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company. Corporate Directors, Audit & Supervisory Board Members, and employees including Vice Presidents of the Company and its subsidiaries are covered as the insured under the insurance contract, and the insurance contract covers damages, such as compensation for damages, settlements, and litigation expenses, arising from acts and nonperformance of acts committed by the insured in their capacity as a corporate officer, etc. The insurance premiums for the insurance contract are fully paid by the Company.

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

(ii) Condition of Executive Officers

(As of March 31, 2021)

Name	Position & Responsibilities
Toshiki Kawai	President & CEO, General Manager, Corporate Innovation Division
Sadao Sasaki	Executive Vice President, General Manager, Development & Production 1st Division General Manager, Development & Production 4th Division Environment, Health & Safety, Quality, Procurement, Production Technology President and Representative Director, Tokyo Electron Technology Solutions Ltd.
Yoshikazu Nunokawa	Executive Vice President, General Manager, Global Business Platform Division (Finance, Export & Logistics Control, IT, Information Security, Intellectual Property) General Manager, Internal Control
Tatsuya Nagakubo	Senior Vice President, Deputy General Manager, Global Business Platform Division (Human Resources, General Affairs, CSR, Branding, Legal, Compliance) Chairman of the Ethics Committee
Kiyoshi Sunohara	Senior Vice President, General Manager, Field Solutions Business Division Leader, Business Innovation Project
Seisu Ikeda	Senior Vice President, General Manager, Account Sales Division
Yoshinobu Mitano	Senior Vice President, General Manager, Semiconductor Production Equipment Business Division
David Brough	Senior Vice President, General Manager, Global Strategy
Larry Smith	Senior Vice President, General Manager, Global Strategy President, Tokyo Electron U.S. Holdings, Inc.
Tetsuro Hori	Senior Vice President, General Manager, Leader, Business Innovation Project
Kenji Washino	Senior Vice President, General Manager, Backend Process Business Division
Tsuguhiko Matsuura	Senior Vice President, General Manager, Flat Panel Display Business Division
Hideyuki Tsutsumi	Senior Vice President, General Manager, Vice Division General Manager, Corporate Innovation Division
Takeshi Okubo	Senior Vice President, General Manager, Global Sales Division
Yutaka Nanasawa	VP & General Manager, IT Unit Leader, Business Innovation Project President, TEL Solar Services AG
Keiichi Akiyama	VP & General Manager, Clean Track Surface Preparation System Business Unit
Isamu Wakui	VP & General Manager, Etching Systems Business Unit
Hiroshi Ishida	VP & General Manager, Thin Film Formation Business Unit
Toshihiko Nishigaki	VP & Deputy General Manager, Corporate Innovation Division (Digital Transformation)
Masayuki Kojima	VP & General Manager, Development & Production 2nd Division President and Representative Director, Tokyo Electron Miyagi Ltd.
Shinichi Hayashi	VP & General Manager, Development & Production 3rd Division Deputy General Manager, Corporate Innovation Division President and Representative Director, Tokyo Electron Kyushu Ltd.
Shingo Tada	VP & Deputy General Manager, Account Sales Division
Masahiro Morita	VP & General Manager, Account Sales General Manager, Global Sales Division

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

	Number of executives	Total compensation, etc.	Total compensation by type				
			Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation	Non-performance-linked compensation
				Cash bonus (Note 1)	Stock compensation-based stock option (Notes 2, 5)		
	(persons)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)
Corporate Directors (excluding Outside Directors)	8	3,539	479	1,515	1,515	30	
Outside Directors	3	77	47				30
Directors total	11	3,617	527	1,515	1,515	30	30
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	2	86	86				
Outside Audit & Supervisory Board Members (Note 7)	5	44	44				
Audit & Supervisory Board Members total (Note 7)	7	130	130				

(Reference)

Individual Compensation of Representative Directors during FY2021

Name and Position (Note 8)	Total compensation, etc. (million yen)	Total compensation by type			
		Fixed basic compensation (million yen)	Annual performance-linked compensation (million yen)		Medium-term performance-linked compensation (million yen)
			Cash bonus (Note 10) (million yen)	Stock compensation-based stock option (Notes 5, 11) (million yen)	Performance share (Stock-based compensation) (Notes 3, 5) (million yen)
Toshiki Kawai Representative Director, President & CEO	902	102	394	394	11
Sadao Sasaki Representative Director (Note 9)	478	64	206	206	2

(Notes)

- The amount indicated is the amount of Director (excluding Outside Directors) compensation that will be proposed at the 58th Annual General Meeting of Shareholders for fiscal year 2021 scheduled to be held on June 17, 2021.
- The amount indicated is the amount equivalent to the expenses associated with the share subscription rights to Directors (excluding Outside Directors) that will be proposed at the 58th Annual General Meeting of Shareholders for fiscal year 2021 scheduled to be held on June 17, 2021.
- The amount recorded as expenses for the fiscal year ended March 31, 2021 is stated. The payout rate of the medium-term performance-linked compensation varies between 0% and 150% according to performance goal achievement levels for the three-fiscal-year covered period.
- The amount recorded as expenses for the fiscal year ended March 31, 2021 is stated. The non-performance-linked stock-based compensation is provided in the form of share delivery after the covered period (three fiscal years) has passed.
- These are nonmonetary compensations, and their details are as stated in "(iv) Details and Decision Methods of Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members."
- TEL does not pay the employee portion of compensation other than the director compensation to Corporate Directors concurrently serving as Executive Officers.
- Number of Outside Audit & Supervisory Board Members in the above table includes the number of Audit & Supervisory Board Members who retired from office at the close of the 57th Annual General Meeting of Shareholders held on June 23, 2020.
- The table contains individual compensation for the fiscal year for the two Representative Directors as of the end of the fiscal year.
- The amount stated is the amount of compensation, etc. for the fiscal year, including compensation as a Director from April 2020 through June 2020 prior to his appointment as a Representative Director.
- The table contains individual amount for each Representative Director, which are components of the amount of bonuses for Corporate Directors that will be proposed at the 58th Annual General Meeting of Shareholders scheduled to be held on June 17, 2021.
- The table contains individual amount for each Representative Director, which are components of the amount equivalent to the amount of share subscription rights that will be proposed at the 58th Annual General Meeting of Shareholders scheduled to be held on June 17, 2021.
- The Board of Directors confirmed, based on the verification by the Compensation Committee, that the amount of compensation for each individual Corporate Director for the current fiscal year is in accordance with "(iv) Details and Decision Methods of Policies Concerning Determination of

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

Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members.” Furthermore, the amounts of fixed basic compensation and annual performance-linked compensation for Corporate Directors other than Representative Directors for the current fiscal year were determined by CEO Toshiki Kawai under delegation from the Board of Directors. This is because it is appropriate for the CEO, who is in charge of business execution, to evaluate the responsibilities and performance of each Corporate Director. In determining the amounts of compensation for each Corporate Director, the CEO referred to the compensation standards of industry peers in Japan and overseas provided by the external research organizations and obtained advice from external experts, and the Compensation Committee verified the appropriateness of the compensation.

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Tokyo 107-6325, Japan
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(iv) Details and Decision Methods of Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members

TEL establishes policies concerning determination of individual compensation for Corporate Directors at the Board of Directors, after deliberation by the Compensation Committee.

■ Basic policies on compensation

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

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

■ Composition of compensation

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

Outside Directors have a role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision. The Company has introduced non-performance-linked stock-based compensation as a system that is more consistent with their expected role, and the compensation for Outside Directors consists of fixed basic compensation and non-performance-linked compensation (stock-based compensation).

Compensation for Audit & Supervisory Board Members consists solely of fixed basic compensation, in consideration of their role being primarily audit and supervision of management.

Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors and Audit & Supervisory Board Members, was abolished in and after the fiscal year ended March 31, 2006.

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

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		<ul style="list-style-type: none"> · Payment amount is set at around 50% to 60% of the fixed basic compensation to ensure an adequate balance between cash compensation and stock-based compensation. · The Company shares shall be delivered after the expiration of the applicable period (three fiscal years). 			
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* The Company seeks advice from an external specialist organization (Willis Towers Watson) to obtain objective and specialized information regarding officer compensation.

■ Composition of compensation

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

■ Policies by compensation types and decision methods

1) Fixed basic compensation

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

Fixed basic compensation for Corporate Directors is determined within the limit of total fixed basic compensation, which has been resolved at the Annual General Meeting of Shareholders. The amount of compensation for Representative Directors is discussed and decided by the Board of Directors based on the proposals by the Compensation Committee, while the amount of compensation of Corporate Directors excluding Representative Directors is finalized by CEO based on the resolution of the Board of Directors. The amount of compensation for Directors are determined with reference to the compensation standards of industry peers in Japan and overseas provided by the external research organizations, along with advice from external experts, and for Executive Directors, commensurate with the scale of job responsibilities based on the job grade framework. Furthermore, the Compensation Committee also verifies its appropriateness with reference to the advice from the external experts.

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

2) Annual performance-linked compensation

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

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

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

[Calculation indicators and reason for choosing the indicators]

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

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[Calculation method and decision method]

- Representative Directors

In calculating annual performance-linked compensation for Representative Directors, we have set a formula that uses net income attributable to owners of parent and a consolidated ROE as performance indicators. Based on that calculation, the Compensation Committee deliberates on a proposal that reflects the performance evaluation (targets based on short-term and medium-term management strategies) of each Representative Director, with reference to the advice from the external experts, and proposes to the Board of Directors. The Board of Directors determines the final amount of compensation based on the proposals. (Please see below.)

[Role of the Compensation Committee in determining the amount of compensation]

Setting the mission (evaluation items)	Performance evaluation	Determination of the amount of compensation
Set the mission after deliberations by the Compensation Committee as well as deliberations by the members of the Board of Directors excluding the Representative Directors	After deliberations by the Compensation Committee, evaluated by the members of the Board of Directors excluding the Representative Directors	Determined by resolution of the Board of Directors upon proposal of the amount to be paid by the Compensation Committee to the Board of Directors

- Corporate Directors (excluding Representative Directors and Outside Directors)

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

3) Medium-term performance-linked compensation

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

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

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

[Calculation indicators and reason for choosing the indicators]

The calculation of medium-term performance-linked compensation uses consolidated operating margin as an indicator of profitability in evaluating the achievement of performance targets, and consolidated ROE as an indicator to represent capital efficiency, in order to link the compensation with the Company's Medium-Term Management Plan.

[Calculation method and decision method]

(Formula for medium-term performance-linked compensation)

· Plan set in 2018

Share delivery point =

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

+

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

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

Plans set in 2019 and 2020

Share delivery point =

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

+

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

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

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

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

4) Non-performance-linked compensation

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

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

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3-1 Akasaka 5-chome, Minato-ku
Tokyo 107-6325, Japan
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Matters concerning the resolutions of general shareholders meetings regarding compensation for Corporate Directors and Audit & Supervisory Board Members

	Compensation type	Date of resolution of general shareholders meeting	Outline of resolution	Number of Corporate Directors and Audit & Supervisory Board Members covered by resolution
Corporate Directors	Fixed basic compensation	48th Annual General Meeting of Shareholders held on June 17, 2011	The total amount of fixed basic compensation for Corporate Directors shall be no more than 750 million yen per business year (including 30 million yen per business year for Outside Directors).	15 Corporate Directors (including 2 Outside Directors) at the close of the 48th Annual General Meeting of Shareholders
		56th Annual General Meeting of Shareholders held on June 18, 2019	The total amount of fixed basic compensation for Corporate Directors shall be no more than 750 million yen per business year (including <u>60 million yen</u> per business year for Outside Directors).	11 Corporate Directors (including 3 Outside Directors) at the close of the 56th Annual General Meeting of Shareholders
		58th Annual General Meeting of Shareholders to be held on June 17, 2021	The total amount of fixed basic compensation for Corporate Directors to be proposed as no more than 750 million yen per business year (including <u>100 million yen</u> per business year for Outside Directors).	12 Corporate Directors (including 4 Outside Directors) to be proposed for election at the 58th Annual General Meeting of Shareholders
	Annual performance-linked compensation	58th Annual General Meeting of Shareholders to be held on June 17, 2021	To be proposed as 1,515 million yen paid as the cash bonus portion of annual performance-linked compensation to Corporate Directors (excluding Outside Directors) in office as of March 31, 2021.	8 Corporate Directors (excluding 3 Outside Directors) in office as of the final day of the 58th fiscal year (March 31, 2021)
			To be proposed as share subscription rights as stock compensation-based stock option portion of annual performance-linked compensation of no more than 1,515 million yen and 333 units (33,300 shares) annually to Corporate Directors (excluding Outside Directors).	8 Corporate Directors (excluding 4 Outside Directors) to be proposed for election at the 58th Annual General Meeting of Shareholders

	Compensation type	Date of resolution of general shareholders meeting	Outline of resolution	Number of Corporate Directors and Audit & Supervisory Board Members covered by resolution
Corporate Directors	Medium-term performance-linked compensation	55th Annual General Meeting of Shareholders held on June 19, 2018	As medium-term performance-linked compensation for Corporate Directors (excluding Outside Directors), the Company shall contribute trust money up to a total of 480 million yen and 23,800 shares of the Company's share shall be delivered for each covered period of three fiscal years.	9 Corporate Directors (excluding 3 Outside Directors) at the close of the 55th Annual General Meeting of Shareholders
	Non-performance-linked compensation	57th Annual General Meeting of Shareholders held on June 23, 2020	As stock-based compensation for Outside Directors, the Company shall contribute trust money up to a total of 50 million yen and 5,000 shares of the Company's share shall be delivered for each applicable period of three fiscal years.	3 Outside Directors at the close of the 57th Annual General Meeting of Shareholders
Audit & Supervisory Board Members	Fixed basic compensation	48th Annual General Meeting of Shareholders held on June 17, 2011	The maximum amount of Audit & Supervisory Board Member fixed basic compensation shall be 13 million yen per month (a maximum of 156 million yen annually).	4 Audit & Supervisory Board Members at the close of the 48th Annual General Meeting of Shareholders

■ Targets and results of performance-linked compensation indicators for the current fiscal year

• Annual performance-linked compensation

For annual performance-linked compensation, actual net income attributable to owners of parent and consolidated ROE are used as the basis of calculation indicators, in accordance with the calculation method stated in “■ Policies by compensation types and decision methods.” However, since it is a profit-sharing type compensation, no targets for the indicators have been set. Net income attributable to owners of parent for the current fiscal year was 242,941 million yen, and consolidated ROE was 26.5%.

• Medium-term performance-linked compensation

For medium-term performance-linked compensation, consolidated operating margin and consolidated ROE based on the Medium-Term Management Plan at the time of granting are used as indicator targets, in accordance with the calculation method stated in “■ Policies by compensation types and decision methods.” The targets for the plan set in 2018 were the three-year average (from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2021), and the actual results were a consolidated operating margin of 22.7% and consolidated ROE of 26.1%, which did not reach the targets. For the plans set in 2019 and 2020, the degree of achievement will be determined based on the performance figures in the final fiscal year. Therefore, the actual results have not been finalized at this time.

■ Shareholding guidelines

TEL has introduced shareholding guidelines with a view to further ensuring that the management's interests align with those of stakeholders in pursuit of sustainable enhancement of

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 3-1 Akasaka 5-chome, Minato-ku
 Tokyo 107-6325, Japan
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corporate value. These guidelines will come into effect on July 1, 2021, stipulating targets for the management to hold shares in the Company equivalent to the following value within five years of the effective date or appointment.

CEO	Inside Directors	Outside Directors	TEL Executive Officers
3 times fixed basic compensation (annual amount)	2 times fixed basic compensation (annual amount)	1 times fixed basic compensation (annual amount)	1 times fixed basic compensation (annual amount)

■ Clawback policy

TEL has introduced a clawback policy whereby the Company can demand a refund of performance-linked compensation, if financial figures are found to be in need of major correction due primarily to a willful misconduct of an Executive Director. The amount of compensation that may be subject to refund shall be the excess portion of the performance-linked compensation received in the fiscal year in which such misconduct was found, as well as the three preceding fiscal years. This policy will come into effect on July 1, 2021, and will be applied to the annual performance-linked compensation for the fiscal year ending March 31, 2022 and the medium-term performance-linked compensation to be paid in the fiscal year ending March 31, 2022, as well as all performance-linked compensation to be paid thereafter.

■ Role of the Compensation Committee

In order to secure transparency and fairness in management and appropriateness of compensation through our compensation system, the Company has established the Compensation Committee, which is comprised of three or more Corporate Directors (excluding Representative Directors), including Outside Director. The Compensation Committee for the current fiscal year consisted of four members, comprising two Inside Directors and two Outside Directors, with an Outside Director serving as the chairman. Every meeting of the Compensation Committee was attended by an external expert. The Compensation Committee utilizes advice from the external expert, compares wage levels with industry peers and other companies in Japan and abroad, analyzes the latest trends in Japan and abroad and best practices such as reflecting ESG in compensation, and proposes a policy for compensation for Corporate Directors, a compensation system that is globally competitive and most appropriate for the Group, and individual compensation amounts for the Representative Directors among other matters, to the Board of Directors.

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

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

(As of March 31, 2021)

Position in TEL	Name	Significant concurrent posts	Relationship with TEL
Outside Director	Charles Ditmars Lake II	Chairman and Representative Director, Aflac Life Insurance Japan Ltd. President, Aflac International Incorporated Outside Director, Japan Post Holdings, Co., Ltd.	No significant business relation
Outside Director	Michio Sasaki	Director and Vice President, SHIFT, Inc. Outside Director, ZUIKO CO., LTD.	No significant business relation
Outside Director	Makiko Eda	Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation	No significant business relation
Outside Audit & Supervisory Board Member	Kyosuke Wagai	Representative, Wagai CPA Office Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Masataka Hama	Outside Director, Nissay Asset Management Corporation	No significant business relation
Outside Audit & Supervisory Board Member	Ryota Miura	Partner, Miura & Partners Legal Profession Corporation Outside Director (Audit & Supervisory Committee Member), TECHMATRIX CORPORATION	No significant business relation

b. Main activities during the current fiscal year

Position in TEL	Name	Main activities (note)
Outside Director	Charles Ditmars Lake II	Charles Ditmars Lake II attended 11 out of 12 meetings of the Board of Directors held during the current fiscal year, actively making comments especially on matters including corporate governance and risk management, from his perspective of global corporate management. In addition, he served as the chairman of the Compensation Committee and attended all 7 meetings of the Compensation Committee, leading the deliberation on matters including the compensation for Corporate Directors from an objective and neutral position.
Outside Director	Michio Sasaki	Michio Sasaki attended all 12 meetings of the Board of Directors held during the current fiscal year, actively making comments especially on matters including issues around manufacturing and product development, based on his management experience in the manufacturing industry. In addition, as a member of the Nomination Committee and the Compensation Committee, he attended all 10 meetings of the Nomination Committee and all 7 meetings of the Compensation Committee, making comments on matters including the selection of candidates for Corporate Directors and compensation for Corporate Directors from an objective and neutral position.
Outside Director	Makiko Eda	Makiko Eda attended all 12 meetings of the Board of Directors held during the current fiscal year, actively making comments especially on matters including medium- to long-term growth strategies and ESG, based on her expertise in the field of marketing in the semiconductor industry as well as global, multifaceted perspectives.
Outside Audit & Supervisory Board Member	Kyosuke Wagai	Kyosuke Wagai attended all 12 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his expertise as a certified public accountant, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Masataka Hama	Masataka Hama attended all 8 meetings of the Board of Directors and all 5 meetings of the Audit & Supervisory Board held after his appointment on June 23, 2020, and, utilizing his years of wide-ranging experience in the finance industry and insight into finance and accounting, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Ryota Miura	Ryota Miura attended all 8 meetings of the Board of Directors and all 5 meetings of the Audit & Supervisory Board held after his appointment on June 23, 2020, and, drawing on his expertise as an attorney, made appropriate comments on proposals and other matters of deliberation.

(Note) Includes an outline of duties performed in relation to the roles expected of Outside Directors.

5. Condition of accounting auditor

(1) Name of accounting auditor

KPMG AZSA LLC

(2) Amount of Compensation Paid to Accounting Auditors

(million yen)

Classification	Current fiscal year	
	Compensation for audit certification work (Note 1)	Compensation for non-audit work (Note 2)
TEL	181	5
Subsidiaries of TEL	38	-
Total	219	5

(Notes)

- The audit agreement concluded by TEL and its accounting auditors does not distinguish between compensation to be paid for audits pursuant to the Companies Act of Japan, and that pursuant to the Financial Instruments and Exchange Law of Japan and these amounts cannot practically be separated, and as a result the amount indicated in the "Compensation for audit certification work" of the table above is the total of these two amounts.
- TEL pays its accounting auditors 5 million yen for an internal control development support service for IT systems as a service other than those defined in Article 2, Paragraph 1 of the Certified Public Accountants Act.
- Of TEL's main subsidiaries, the following subsidiaries undergo audits by certified public accountants or audit companies other than TEL's accounting auditors.
 - Tokyo Electron America, Inc.
 - Tokyo Electron Europe Ltd.
 - Tokyo Electron Korea Ltd.
 - Tokyo Electron Taiwan Ltd.
 - Tokyo Electron (Shanghai) Ltd.
 - Tokyo Electron Singapore Pte. Ltd.

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

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

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

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

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

6. Corporate Structures and Policies

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

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

The details of the basic policies on systems designed for the appropriate maintenance of operations based on the resolution by the Board of Directors of the Company are as follows.

Fundamental Policies concerning Internal Controls within the Tokyo Electron Group

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

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

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

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

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

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8. Other structures to ensure the effective implementation of audits by the Audit & Supervisory Board Members

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

(2) Outlines of operational status relating to structures for ensuring the proper performance of business
The structures for ensuring the proper performance of business at TEL are as follows. TEL strives to enhance their practicality and effectiveness.

1. Compliance system

- (i) The Group promotes and ensures that employees and officers understand the importance of compliance thoroughly based on Code of Ethics of the TEL Group and Compliance Regulations. We made revisions to the Code of Ethics of the TEL Group in May 2020, clearly positioning it as a code of conduct, in an effort to build more solid corporate ethics and compliance structures.
- (ii) Compliance-related education and training are provided according to positions or otherwise as a compulsory program to all employees depending on the theme and topics. The topics of the compliance education and training include corporate ethics and compliance, prevention of bribery, competition law, Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, export compliance, insider trading prevention, protection of personal information, and prevention of harassment.
- (iii) With the objective of bolstering compliance systems group-wide and at each group company, the TEL Group has appointed staff in charge of compliance at major overseas sites, and developed an official reporting structure in which they directly report to the Chief Compliance Officer supervising the Compliance Division of the Group. They are working to implement measures to prevent, detect and respond to compliance issues.
- (iv) For early detection and early response to matters which may violate laws, regulations, or principles of business ethics, TEL has a unified internal reporting system in Japan and overseas in place, along with measures to ensure confidentiality and anonymity and prevent retaliation, which are important principles in the operation of the system.

2. Risk management system

- (i) The TEL Group establishes the "Risk Management Regulations" and "Crisis Management Regulations," and assesses and analyzes the risks which could affect the Group. The Group performed periodic reviews of material risks which could affect the Group. The Group promotes necessary measures focusing on material risks and reports on risk management activities to the Board of Directors and the Audit & Supervisory Board Members on a regular basis with the aim of reducing risks. In addition, we newly established the Risk Management Committee during the current fiscal year with members such as General Managers of each Business Division and Presidents of TEL Group companies participating. Under the leadership of the risk owners in each risk area, we are conducting risk management activities such as identifying risk items and monitoring them on an ongoing basis.
- (ii) The TEL Group formulated its Business Continuity Plan at the headquarters to respond to a variety of risks to company operations including natural disasters such as earthquakes.
- (iii) In response to the global COVID-19 pandemic, the TEL Group has continued to take such measures as restricting travel to countries and regions with a high risk of infection, maintaining the supply chain, and implementing thorough infection prevention measures at offices, led by an emergency task force headed by the CEO.

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3. Management of the TEL Group companies' business

- (i) As for important decision making at the TEL Group companies, an approval is required by the Company based on the "Board of Directors Regulations" and the "Regulations for Authorization Chart."
- (ii) We have revised the "Affiliated Companies Management Regulations" in an aim to clarify matters that require approval of TEL as well as matters to be reported to TEL, working to enhance management of the TEL Group companies.

4. Performance of duties by Directors

- (i) The Board of Directors determines important matters regarding the TEL Group's management and appoints Representative Directors, Executive Directors and Executive Officers for the execution of their duties.
- (ii) TEL's Board of Directors oversees the execution of duties by the entire Group such as by periodically receiving reports at meetings of the Board of Directors on the status of execution of duties by Executive Directors including the CEO and the status of deliberations at the Business Execution Meeting, which began in April 2020.
- (iii) We are working to review the operations of the Board of Directors for TEL's sustainable growth and enhancement of corporate value over the medium- to long-term, and we partially revised the Board of Directors Regulations in the current fiscal year.

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, the Business Execution Meeting, and the ethics committee.
- (ii) The Audit & Supervisory Board Members share information and collaborate on a regular basis with the accounting auditors and the Audit & Supervisory Board Members of TEL Group companies, with aim of enhancing the effectiveness of audits. The Audit & Supervisory Board Members and the Audit & Supervisory Board Members of TEL's domestic subsidiaries receive reports from the Global Audit Center on a regular basis.

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

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

Shareholder Return Policy

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

TEL will flexibly consider share buybacks.

With regard to year-end dividends for the current fiscal year, TEL will pay 421 yen per share, applying the aforementioned policy. Its payment date will be May 28, 2021. As a result, the annual dividend will be 781 yen per share, which includes an interim dividend of 360 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. In recent years, in a capital market, a trend to evaluate companies using the environmental, social, and governance (ESG) factors and reflect the assessments in investment activities is spreading. We make active efforts in the ESG fields centered around 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 is working to achieve the sustainable development goals (SDGs) advocated by the U.N. through its business.

In the future, we will continue to advance our activities in the ESG fields through these efforts, contributing to the building of a sustainable society.

* U.N. Global Compact: 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 main initiatives are indicated below.

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

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

*2 Health-oriented business management: All TEL Group companies in Japan were recognized as a White 500 company under the 2021 Certified Health & Productivity Management Organization Recognition Program.

Specific initiatives in the ESG fields

< Environment >

In December 2020, the TEL Group revised the details of the medium-term environmental goals for 2030, which had been established in May 2019, in order to further enhance its environmental efforts related to its products and facilities. We work to conserve the global environment by striving the reduction of environmental burden of both our products and facilities, and at the same time, providing technologies that contribute to the development of devices with lower power consumption.

Medium-term environmental goals for 2030 (revised in December 2020)
 Goals for reduction of CO₂ emission

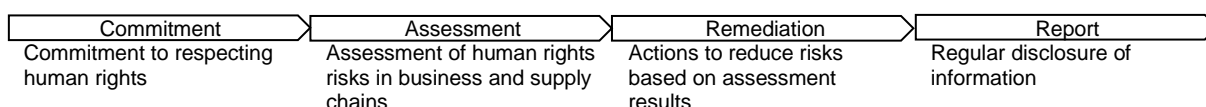
Equipment: Reduce CO₂ emission per wafer by 30% (as compared with 2018)
 Facilities: Reduce total emissions by 70% (as compared with 2018)
 Ratio of renewable energy usage at 100%

Long-term goal (2050)

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

< Society >

The TEL Group clearly lays out its views on human rights, identifying human rights risks and implementing corrective actions. The TEL Group promotes the enhancement of relief systems, including internal reporting systems. By incorporating a view toward respect for human rights in every aspect of our business activities, we strive to foster corporate culture in which individuals can demonstrate their full potential and be full of life.



< Governance >

The TEL Group believes that it is important to build a highly effective governance structure in order to achieve sustainable growth.

At the Board of Directors of TEL, Corporate Directors and Audit & Supervisory Board Members with diverse insights and experiences engage in lively discussions from the perspective of sustainable enhancement of corporate value. At this 58th Annual General Meeting of Shareholders, we plan to increase the number of Outside Directors by one, and by incorporating more diverse opinions, we will further enhance the discussions to survive the global competition.

In addition, with regard to risk management, we newly established the Risk Management Committee during the current fiscal year, and under the leadership of the risk owners in each risk area, we are working to strengthen our risk management system by conducting risk management activities such as identifying risk items and monitoring them on an ongoing basis.

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

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
ASSETS		
Current assets		
Cash and deposits	149,906	186,538
Trade notes and accounts receivable	150,134	191,700
Securities	188,500	125,014
Merchandise and finished goods	267,625	269,772
Work in process	69,514	80,742
Raw materials and supplies	54,924	64,828
Prepaid consumption tax	69,034	82,704
Others	12,949	14,493
Allowance for doubtful accounts	(105)	(99)
Total current assets	962,484	1,015,696
Long-term assets		
Tangible fixed assets		
Buildings and structures	179,379	208,475
Accumulated depreciation	(107,139)	(113,679)
Buildings and structures, net	72,239	94,795
Machinery and carriers	138,555	159,634
Accumulated depreciation	(102,844)	(119,554)
Machinery and carriers, net	35,710	40,080
Land	26,298	26,929
Construction in progress	29,413	22,391
Others	39,089	44,350
Accumulated depreciation	(27,172)	(31,579)
Others, net	11,917	12,770
Total tangible fixed assets	175,580	196,967
Intangible fixed assets		
Others	10,921	17,163
Total intangible fixed assets	10,921	17,163
Investments and other assets		
Investment securities	38,374	105,065
Deferred tax assets	64,729	53,128
Net defined benefit assets	5,837	12,021
Others	21,980	26,728
Allowance for doubtful accounts	(1,413)	(1,407)
Total investments and other assets	129,509	195,536
Total long-term assets	316,011	409,667
Total assets	1,278,495	1,425,364

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	95,938	90,606
Income taxes payable	52,654	49,272
Customer advances	135,326	81,722
Accrued employees' bonuses	29,139	34,254
Accrued warranty expenses	14,534	14,415
Others	54,986	57,389
Total current liabilities	382,578	327,661
Long-term liabilities		
Net defined benefit liabilities	60,635	62,137
Others	5,588	11,002
Total long-term liabilities	66,224	73,140
Total liabilities	448,802	400,801
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	702,990	835,240
Treasury stock, at cost	(29,310)	(30,744)
Total shareholders' equity	806,652	937,468
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	20,126	66,124
Net deferred gains (losses) on hedging instruments	(52)	(79)
Foreign currency translation adjustments	(4,111)	10,441
Accumulated remeasurements of defined benefit plans	(3,313)	(978)
Total accumulated other comprehensive income (loss)	12,648	75,508
Share subscription rights	10,391	11,585
Total net assets	829,692	1,024,562
Total liabilities and net assets	1,278,495	1,425,364

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net sales	1,127,286	1,399,102
Cost of sales	675,344	834,157
Gross profit	451,941	564,945
Selling, general & administrative expenses		
Salaries and allowances	25,197	26,174
Research and development expenses	120,268	136,648
Others	69,183	81,436
Total selling, general and administrative expenses	214,649	244,259
Operating income	237,292	320,685
Non-operating income		
Dividend income	802	778
Share of profit of associates accounted for using the equity method	794	1,110
Revenue from grants	1,330	1,130
Foreign exchange gain	2,539	-
Others	2,985	2,472
Total non-operating income	8,452	5,492
Non-operating expenses		
Foreign exchange loss	-	3,147
Commission for purchase of treasury stock	174	-
Others	591	926
Total non-operating expenses	765	4,074
Ordinary income	244,979	322,103
Unusual or infrequent profit		
Gain on sales of fixed assets	34	24
Gain on change in equity	136	-
Total unusual or infrequent profit	171	24
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	483	1,354
Provision for loss on liquidation of subsidiaries and associates	-	3,327
Others	41	408
Total unusual or infrequent loss	524	5,090
Income before income taxes	244,626	317,038
Provision for income taxes and enterprise taxes	65,177	82,568
Deferred income taxes	(5,757)	(8,471)
Total income taxes	59,419	74,096
Net income	185,206	242,941
Net income attributable to owners of parent	185,206	242,941

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,011	702,990	(29,310)	806,652
Changes of items during the period					
Cash dividends			(109,542)		(109,542)
Net income attributable to owners of parent			242,941		242,941
Repurchase of treasury stock				(4,339)	(4,339)
Disposal of treasury stock			(1,149)	2,906	1,757
Net changes except for shareholders' equity					
Total changes of items during the period	-	-	132,249	(1,433)	130,816
Balance at end of period	54,961	78,011	835,240	(30,744)	937,468

	Accumulated other comprehensive income					Share subscription rights	Total net assets
	Net unrealized gains (losses) on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of period	20,126	(52)	(4,111)	(3,313)	12,648	10,391	829,692
Changes of items during the period							
Cash dividends							(109,542)
Net income attributable to owners of parent							242,941
Repurchase of treasury stock							(4,339)
Disposal of treasury stock							1,757
Net changes except for shareholders' equity	45,998	(26)	14,553	2,335	62,860	1,194	64,054
Total changes of items during the period	45,998	(26)	14,553	2,335	62,860	1,194	194,870
Balance at end of period	66,124	(79)	10,441	(978)	75,508	11,585	1,024,562

Consolidated Statements of Cash Flows

	(Millions of yen)	
	Year ended	Year ended
	March 31, 2020	March 31, 2021
Cash flows from operating activities		
Income before income taxes	244,626	317,038
Depreciation and amortization	29,107	33,843
Amortization of goodwill	196	199
Increase (decrease) in accrued employees' bonuses	(3,802)	4,612
Provision for loss on liquidation of subsidiaries and associates	-	3,327
Decrease (increase) in trade notes and accounts receivable	(5,370)	(37,736)
Decrease (increase) in inventories	(44,065)	(17,226)
Increase (decrease) in trade notes and accounts payable	22,337	(8,255)
Decrease (increase) in prepaid consumption tax	(19,508)	(13,549)
Increase (decrease) in accrued consumption tax	6,140	(5,699)
Increase (decrease) in customer advances	58,630	(54,851)
Others	4,387	10,289
Subtotal	292,679	231,990
Receipts from interest and dividends	2,326	1,669
Income taxes paid or refund (paid)	(41,888)	(87,772)
Net cash provided by operating activities	253,117	145,888
Cash flows from investing activities		
Payment into time deposits	(10,449)	(568)
Proceeds from time deposits	-	10,506
Payment for purchase of short-term investments	(90,000)	(45,000)
Proceeds from redemption of short-term investments	170,000	80,000
Payment for purchase of fixed assets	(49,369)	(53,806)
Payment for acquisition of intangible assets	(3,383)	(7,124)
Others	(845)	(2,281)
Net cash provided by (used in) investing activities	15,951	(18,274)
Cash flows from financing activities		
Payment for purchase of treasury stock	(154,096)	(4,339)
Dividends paid	(95,513)	(109,542)
Others	(764)	(643)
Net cash used in financing activities	(250,374)	(114,525)
Effect of exchange rate changes on cash and cash equivalents	(3,369)	4,946
Net increase (decrease) in cash and cash equivalents	15,324	18,033
Cash and cash equivalents at beginning of period	232,634	247,959
Cash and cash equivalents at end of period	247,959	265,993