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May 30, 2022

## NOTICE OF FISCAL YEAR 2022 (the 59<sup>th</sup> FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 59th Annual General Meeting of Shareholders (the “AGM”) of Tokyo Electron Ltd. (“TEL”) will be held on Tuesday, June 21, 2022, 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: Partial Amendments to the Articles of Incorporation
- 2: Election of Six Corporate Directors
- 3: Payment of Bonuses to Corporate Directors for the 59th 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

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 Monday, June 20, 2022 (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 [research@irjapan.co.jp](mailto:research@irjapan.co.jp) 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 2022 AGM, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IF YOU ARE UNABLE TO ATTEND THE AGM, PLEASE CONTACT YOUR BROKER OR CUSTODIAN WITH YOUR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.**

*\*NOTE: A shareholder is entitled to vote per unit of shares, with each unit consisting of one hundred (100) shares.*

Sincerely,

Toshiki Kawai  
Representative Director, President & CEO  
Tokyo Electron Ltd.

***This is a summary translation of a notice in Japanese language distributed to Japanese shareholders and provided for the convenience of foreign shareholders. The Japanese version is the official, legal document. Please vote by using the form or Internet websites etc. by 5:30 p.m. on Monday, June 20, 2022 (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 FY2022 (the 59th FY; from April 1, 2021 to March 31, 2022), 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 FY2022 (the 59th FY; from April 1, 2021 to March 31, 2022).**

### Proposal 1: Partial Amendments to the Articles of Incorporation

#### 1. Reasons for amendments

- (1) The Company proposes to amend the term “industrial property right” in Article 2 (Objectives) of the current Articles of Incorporation to “intellectual property right.”
- (2) The Company shall amend its Articles of Incorporation as described below to prepare for the introduction of a system for providing materials for general meetings of shareholders electronically pursuant to the revised provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019), which will come into force on September 1, 2022.
  - 1) Article 13 (1) of the Proposed Amendments stipulates that measures are to be taken to provide information contained in reference documents, etc. for general meetings of shareholders electronically.
  - 2) Article 13 (2) of the Proposed Amendments establishes provisions for limiting the scope of matters disclosed in documents delivered to shareholders who request the delivery of documents.
  - 3) Since the stipulation (current Article 13 of the Articles of Incorporation) covering provision via disclosure on the Internet is no longer required, it will be eliminated.
  - 4) Supplementary provisions regarding effective dates, etc. will be provided in conjunction with the newly established and eliminated provisions described above.

2. Details of amendments

The details of the amendments are as follows.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>(Objectives)            Article 2 The objects of the Company are to engage in the following business.            1. to 4. (Text omitted)            5. To acquire, transfer patent and other <u>industrial property right</u> and to act as an agent in connection therewith;            6. (Text omitted)</p> <p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.)</u>            Article 13 <u>By disclosing information relating to all matters that shall be described or stated in any reference document for the General Meeting of Shareholders, business report, financial statements and consolidated financial statements upon convening the General Meeting of Shareholders by a method utilizing the Internet in accordance as provided for in the Ordinance of the Ministry of Justice of Japan, the Company may be deemed to have provided such information to the shareholders.</u></p> <p>&lt;Newly established&gt;</p>	<p>(Objectives)            Article 2 The objects of the Company are to engage in the following business.            1. to 4. (As currently written)            5. To acquire, transfer patent and other <u>intellectual property right</u> and to act as an agent in connection therewith;            6. (As currently written)</p> <p>&lt;Eliminated&gt;</p> <p><u>(Measures for Electronic Provision, etc.)</u>            Article 13 <u>When convening general meetings of shareholders, the Company will take measures to provide information contained in reference documents, etc. for general meetings of shareholders electronically.</u>            2. <u>The Company is permitted to not describe, in whole or in part, the matters to be provided by taking electronic provision measures, as stipulated in Ministry of Justice ordinances, in documents to be delivered to shareholders who requested delivery of said documents by the record date of voting rights.</u></p>

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
<Newly established>	<p>(Supplementary Provisions)</p> <ol style="list-style-type: none"> <li data-bbox="810 360 1385 645">1. The revision of Article 13 of the Articles of Incorporation shall take effect on <u>September 1, 2022 (hereinafter the "Enforcement Date")</u> when the revised provisions stipulated in the proviso to <u>Article 1 of the Supplementary Provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) are enforced.</u></li> <li data-bbox="810 651 1385 965">2. Provisions of the previous paragraph notwithstanding, the Article 13 of the Articles of Incorporation before the revision, "<u>Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.,</u>" will remain in effect with respect to any general meeting of shareholders the date of which is within six months after the <u>Enforcement Date.</u></li> <li data-bbox="810 972 1385 1191">3. The supplementary provisions will be <u>deleted on the date on which six months have passed since the Enforcement Date, or on the date on which three months have passed since the date of the general meeting of shareholders according to the previous paragraph, whichever is later.</u></li> </ol>

## Proposal 2: Election of Six Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 12 Corporate Directors will expire. In order to accelerate the decision-making process and strengthen the supervisory function of management, and to realize expanding medium- to long-term profit and continuous corporate value enhancement, we ask you to agree to elect six Corporate Directors including three Outside Directors.

The candidates for Corporate Directors are as follows.

No.	Name		Present position in the Company and responsibilities*
1	<Re-nominated>	Mr. Toshiki Kawai	Representative Director President & CEO
2	<Re-nominated>	Mr. Sadao Sasaki	Representative Director Executive Vice President & General Manager
3	<Re-nominated>	Mr. Yoshikazu Nunokawa	Corporate Director Executive Vice President & General Manager
4	<Re-nominated>	Mr. Michio Sasaki	[Outside Director] [Independent Director]
5	<Re-nominated>	Ms. Makiko Eda	[Outside Director] [Independent Director]
6	< Re-nominated>	Ms. Sachiko Ichikawa	[Outside Director] [Independent Director]

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

In order to further strengthen governance, quick decision-making and agile operational execution, the Company will introduce a Corporate Officer system as of June 21, 2022. For the details of the Corporate Officer system, please refer to page 14.

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. 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	13,900
[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
2	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
3	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	11,809
<p>[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 &amp; 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 &amp; 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.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
4	Mr. Michio Sasaki (March 7, 1957)  <Re-nominated>  [Outside Director]  [Independent Director]	<u>March 1982</u> Joined Lead Electric Co., Ltd. (currently KEYENCE CORPORATION) <u>June 1999</u> Director and General Manager, APSULT (Application Sensor) Business Department and Business Promotion Department, KEYENCE CORPORATION <u>December 2000</u> President and Director, KEYENCE CORPORATION <u>December 2010</u> Director and Special Advisor, KEYENCE CORPORATION <u>June 2018</u> Corporate Director, Tokyo Electron Ltd. (Present position) <u>November 2018</u> Outside Director, SHIFT Inc. <u>November 2019</u> Outside Director (Audit & Supervisory Committee Member), SHIFT Inc. <u>November 2020</u> Director and Vice President, SHIFT Inc. (Present position)  (Position in the Company) Corporate Director  (Significant concurrent posts) Director and Vice President, SHIFT Inc. Outside Director, ZUIKO CORPORATION	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 4 years as an Outside Director of the Company as of the end of this General Meeting.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
5	<p>Ms. Makiko Eda (August 2, 1965)</p> <p>&lt;Re-nominated&gt;</p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>September 2000</u> Joined Intel K.K.</p> <p><u>July 2005</u> General Manager, Marketing Headquarters, Intel K.K.</p> <p><u>August 2010</u> Director, Intel Semiconductor Limited</p> <p><u>October 2013</u> President and Director, Intel K.K. and Vice President, Intel Corporation (Retired in March 2018)</p> <p><u>April 2018</u> Chief Representative Officer, World Economic Forum Japan (Present position)</p> <p><u>June 2019</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation</p>	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 3 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
6	<p>Ms. Sachiko Ichikawa (January 17, 1967)</p> <p>&lt;Re-nominated&gt;</p> <p>[Outside Director]</p> <p>[Independent Director]</p>	<p><u>April 1997</u> Registered as an attorney-at-law Joined Tanabe &amp; 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>January 2011</u> Partner, Tanabe &amp; Partners (Present position)</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.</p> <p><u>June 2020</u> Statutory Auditor, The Board Director Training Institute of Japan (Present position)</p> <p><u>June 2021</u> Corporate Director, Tokyo Electron Ltd. (Present position) Outside Director, OLYMPUS CORPORATION (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Partner, Tanabe &amp; Partners Outside Director, OLYMPUS CORPORATION 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 &amp; 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 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 &amp; Supervisory Board Member in the past, we believe that she can adequately fulfill duties as Outside Director based on the abovementioned reasons. Note that she has served for 1 year as an Outside Director of the Company as of the end of this General Meeting.</p>			

(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 in July 2022.
3. If each candidate is elected and appointed as Corporate Director, the Company plans to enter into an indemnity agreement with each candidate, as stipulated under Article 430-2, Paragraph 1 of the Companies Act, whereby the Company shall duly indemnify the expenses and losses as prescribed respectively in Item 1 and Item 2 of the aforementioned Paragraph, within the limits stipulated by the laws and regulations.
4. The candidates for Outside Directors are described below.
  - (1) Michio Sasaki, Makiko Eda and Sachiko Ichikawa are candidates for Outside Directors.
  - (2) As Michio Sasaki, Makiko Eda and Sachiko Ichikawa meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 17 to 18) established based on the requirements for Independent Standards set forth by Tokyo Stock Exchange Inc., TEL has notified the Tokyo Stock Exchange Inc. that they have been appointed as Independent Directors.

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) 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 Michio Sasaki, Makiko Eda and Sachiko Ichikawa, and will continue the contract if their reappointment is approved. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the Directors perform their duties in good faith without gross negligence.

## **[Reference] Introduction of Corporate Officer System – Planned after this AGM**

By establishing the Board of Directors that fulfills its supervisory function along with robust business execution framework, in the semiconductor production equipment industry, where technological innovation is rapid and market changes are active, we will further promote growth-oriented group management on global basis, as well as to realize expanding short-, medium- and long-term profit and continuous corporate value enhancement, thereby meeting the expectations of stakeholders.

- We will introduce a Corporate Officer system, in which Corporate Officers shall, as the highest position on the executive side of the Group, be responsible for executing corporate management beyond their own responsibilities from the same perspective as the CEO.
- In addition, as a leading company in the semiconductor production equipment industry, where technological innovation is rapid and active, we will establish a Corporate Officers Meeting for quick decision-making and agile operational execution, with a view to accelerating the appropriate delegation of authority from the Board of Directors to the executive side.
- Corporate Officers will attend the Board of Directors meetings and apply deliberations to business execution in an appropriate and speedy manner, thereby ensuring more proactive corporate management.

**[Reference] Skill Matrix – Planned after this AGM**

TEL defines Product Competitiveness, Customer Responsiveness, Higher Productivity and Management Foundation, which support our overall business activities, as material issues.

We will achieve the medium-term goals in each material issue and realize expanding medium- to long-term profit and continuous corporate value enhancement through each Corporate Director and Audit & Supervisory Board Member, who have demonstrated their skills in global business, governance, sustainability, and others listed below.

	Name	Expected skills					Finance, accounting / Engagement with capital markets	Legal affairs / Risk management
		Corporate management	Semiconductor / FPD	Manufacturing / Development	Sales / Marketing			
Corporate Directors	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. Michio Sasaki <Re-nominated> [Outside]	X		X	X			
	Ms. Makiko Eda <Re-nominated> [Outside]	X	X		X			
	Ms. Sachiko Ichikawa <Re-nominated> [Outside]					X	X	
Audit & Supervisory Board Members	Mr. Yoshiteru Harada		X			X	X	
	Mr. Kazushi Tahara	X	X	X	X			
	Mr. Kyosuke Wagai [Outside]					X	X	
	Mr. Masataka Hama [Outside]	X				X		
	Mr. Ryota Miura [Outside]						X	

### **Definition of Expected Skills**

- Corporate management: Experience of corporate management (experience serving as a representative director or chairman / president)
- Semiconductor / FPD: Knowledge of semiconductor / FPD-related industries
- Manufacturing / Development: Knowledge / experience in manufacturing and development at TEL and other manufactures
- Sales / Marketing: Knowledge / experience in sales and marketing at TEL and other manufactures
- Finance, accounting / Engagement with capital markets: Knowledge in financial accounting and M&A, or knowledge / experience in engagement with capital markets
- Legal affairs / Risk management: Knowledge in legal affairs, compliance and risk management

\* FPD stands for flat panel display.



## **[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
    - (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 5>

Proposals 3 to 5 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 46 to 53 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 <small>(Note 4)</small>	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 <small>(Note 1)</small>	Proposal 3	Proposal 4	Approved at the 55th Annual General Meeting of Shareholders <small>(Note 5)</small>	-
Outside Directors	Approved at the 58th Annual General Meeting of Shareholders <small>(Notes 1, 2)</small>	-	-	-	Approved at the 57th Annual General Meeting of Shareholders <small>(Note 6)</small>
Audit & Supervisory Board Members	Approved at the 48th Annual General Meeting of Shareholders <small>(Note 3)</small>	-	-	-	-

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

2. The limit of fixed basic compensation for Outside Directors was resolved to be no more than 100 million yen per business year.

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

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

5. Medium-term performance-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.

6. 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.

7. 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 2,774.8 million yen for 8 Corporate Directors (excluding 4 Outside Directors) in office as of the final day of the 59th 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 2 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 no more than 1,264.5 million yen and a total of no more than 25,000 shares to 3 eligible Corporate Directors (excluding 3 Outside Directors).
- We propose in Proposal 5 to grant share subscription rights as stock compensation-based stock option of a total of no more than 53,500 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) as well as TEL Corporate Directors, who will resign at the conclusion of this General Meeting of Shareholders and will be appointed as TEL Corporate Officers as of the date of allotment, 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.

### **Proposal 3: Payment of Bonuses to Corporate Directors for the 59th Fiscal Year**

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 59th fiscal year, the Company seeks shareholder approval to pay 2,774.8 million yen as the cash bonus portion of annual performance-linked compensation to 8 Corporate Directors (excluding 4 Outside Directors) in office as of the final day of the 59th fiscal year.

The Company believes this proposal is appropriate, as the amount of bonuses to be paid is linked to business performance in the 59th 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 59th 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 (excluding Outside 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 1,264.5 million yen annually to Corporate Directors (excluding Outside Directors), in addition to Proposal 3. If Proposal 2 is approved as proposed, there will be 3 Corporate Directors (excluding 3 Outside Directors) covered by this Proposal.

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

#### **1. Reason for granting share subscription rights to 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 59th 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 25,000 shares

If the Company implements a share split or share consolidation, the number of subject shares shall be adjusted according to the formula below; provided, however, that this adjustment will be made only with respect to the number of shares subject to subscription rights not yet exercised at the time of

splitting or consolidation. In this calculation, any fraction of a share smaller than one share will be disregarded.

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

In addition, if the number of shares to be issued needs to be adjusted for any reason, TEL will 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 250

(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, a corporate officer, an employee, etc. of TEL or a director, a statutory auditor, an employee, etc. of 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, corporate officer, an employee, etc. of TEL or from the office of director, statutory auditor, an employee, etc. of 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, corporate officer, an employee, etc. of TEL or from the office of director, statutory auditor, an employee, etc. of 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.

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 98.

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 59th 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 59th fiscal year (excluding (i) people who are concurrently serving as TEL Corporate Directors as of the date of allotment and (ii) TEL Corporate Directors who will resign at the conclusion of this General Meeting of Shareholders and who will not be appointed as TEL Corporate Officers 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 59th fiscal year, as well as Corporate Directors and executive officers, senior employees of TEL's overseas subsidiaries.

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

TEL common stocks up to 53,500 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 535

(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, a corporate officer, an employee, etc. of TEL or a director, a statutory auditor, an employee, etc. of 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, corporate officer, an employee, etc. of TEL or from the office of director, statutory auditor, an employee, etc. of 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, corporate officer, an employee, etc. of TEL or from the office of director, statutory auditor, an employee, etc. of 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.

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.

## 59th FY Business Report (From April 1, 2021 to March 31, 2022)

### 1. Current Status of the TEL Group

#### (1) Business Developments and Results

##### General Overview

During the fiscal year under review, despite the effects of the COVID-19 pandemic and heightened geopolitical risks, a gradual recovery in the global economy has been observed.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, further growth in semiconductor production equipment market is expected due to the growing importance of semiconductors, driven by the transition to a data society due to the expansion of communications technologies and efforts toward realizing a decarbonized society.

In this environment, with respect to the consolidated business results for the fiscal year under review, net sales for the fiscal year increased 43.2% from the previous fiscal year to 2,003,805 million yen; operating income increased 86.9% to 599,271 million yen; ordinary income increased 86.8% to 601,724 million yen, and net income attributable to owners of parent was 437,076 million yen, a year-on-year growth of 79.9%.

(Note) From the beginning of this fiscal year under review, the Company applies "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Changes and change rates in this Business Report are calculated based on the consolidated performance before the application of the standard for the previous fiscal year.

#### (2) Main Businesses and Outlook by Segments

The TEL Group sets the development, production, sales and maintenance of semiconductor and FPD (Flat Panel Display) production equipment as the core of its business.

##### (i) Semiconductor Production Equipment

Capital investment in semiconductors for logic/foundry has been robust in a wide range of areas, from cutting-edge to mature generations of semiconductors, driven by the digitalization of society. Furthermore, as the quantity of data being handled continues to increase on an annual basis, capital investments in both DRAM and NAND flash memory continue to see high levels of investment. Consequently, net sales to external customers in this segment during the fiscal year under review were 1,943,843 million yen (year-on-year growth of 47.8%).

##### Major products

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

##### (ii) FPD (Flat Panel Display) Production Equipment

As capital investment for large-sized LCD panels for televisions has run its course, the overall manufacturing equipment market for FPD TFT arrays has slowed. Meanwhile, capital investments in small and medium-sized OLED panels continue in conjunction with displays installed in end products being converted from LCD panels to OLED panels. Consequently, net sales to external customers in this segment during the fiscal year under review were 59,830 million yen (year-on-year decrease of 28.6%).

##### Major products

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

##### (iii) Other

For businesses that are not included in the above two segments, sales to external customers during the fiscal year under review totaled 131 million yen.

### **(3) Capital Investment and Procurement of Funds**

In the current consolidated period, the TEL Group acquired 57,288 million yen in tangible fixed assets. The main capital investments were as indicated below.

- Acquisition of R&D machinery and equipment to create high value-added products with innovative technologies.
- Tokyo Electron Miyagi Ltd. completed construction of the Miyagi Technology Innovation Center to further promote the creation of innovative technologies and productivity improvement in anticipation of growth in the etch system market over the medium to long term (September 2021).
- Tokyo Electron Technology Solutions Ltd. (Yamanashi) started construction of a new development building to further strengthen product competitiveness and technology development capabilities for deposition equipment and other products for which market growth is expected over the medium to long term as a result of technological innovation (December 2021).

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, engages in dynamic business activities in the electronics industry, a field characterized by rapid and active technological innovation, with its corporate philosophy stating 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 trading 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 by creating original technology that takes the lead in semiconductor production equipment and related domains, where innovations in technology will generate new value, and continuous market expansion 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.

TEL will continue to engage in our business by leveraging our expertise and leading-edge technology, aiming to become a world-class, highly profitable company with dreams and vitality, and contributing to technological innovation in semiconductors, which is indispensable to support sustainable development in the world.

#### **(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**

As information and communication technology (ICT) evolves and the transition to a data society progresses, the use and application of digital technology is expanding in various industries and fields. There is no stopping the pursuit of 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 surpassed 500 billion dollars in 2021, it is projected to grow at a high rate and reach 1 trillion dollars by around 2030, double the current market size. Furthermore, displays continue to undergo technological innovation through the leveraging of semiconductor production technology. 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. 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 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) through 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, 2024. For the fiscal year that ended on March 31, 2022, we achieved net sales of 2,003.8 billion yen, operating margin of 29.9%, and ROE of 37.2%, almost reaching our target financial model two years ahead of schedule. We would like to express our sincere gratitude to all of our shareholders for their support. In order to achieve further growth and development of the Company, we are planning to announce our new vision and Medium-Term Management Plan on June 8, 2022.

As the importance of semiconductors continues to increase and the semiconductor production equipment market is expected to grow significantly in the future, we will strive to strengthen our product competitiveness and customer responsiveness, improve productivity, and lead the industry by creating truly unique products with our strong management foundation based on high profitability, which we have defined as our materiality.

- Ahead of others, we will launch into the market for 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 unique products, we operate business in the fields where we have strength and can leverage our accumulated technology and management know-how.
- In order to maintain and improve our world-leading technological innovation capabilities, we invested 158.2 billion yen in R&D in the fiscal year that ended on March 31, 2022. This, together with investments made in the previous two years, adds up to total R&D investment of 400 billion yen for the three years covered by the Medium-Term Management Plan announced in May 2019, fulfilling the planned target. We will continue to make aggressive investments that take advantage of our strong financial foundation, with an eye on future growth, and expect 190.0 billion yen in R&D expenses for the fiscal year ending March 31, 2023.
- In the service field, based on the more than 80,000 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.

■ Human Resources Initiatives

Based on the belief that “people and employees are the source of value creation for corporate growth,” we are committed to management that emphasizes employee motivation and engagement with TEL.

- Set high management goals that will help TEL achieve its future expectations and dreams
- Various activities and career opportunities for investment in growth
- Environment in which employees can take on challenges without fear of failure based on a strong financial foundation
- Competitive compensation and fair personnel practices that reward performance
- Proactive communication between employees and management

Through the above activities, we will strive to maintain and improve as a company with dreams and vitality by contributing to the technological innovation of semiconductors that supports the sustainable development of the world.

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 four consecutive years, we have been selected as one of the top White 500 companies 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. This is the third consecutive year that six

domestic Group companies<sup>\*1</sup> have also been certified. 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 development plan.

(Note) 1. Tokyo Electron Technology Solutions Ltd., Tokyo Electron Kyushu Ltd., Tokyo Electron Miyagi Ltd., Tokyo Electron FE Ltd.,  
Tokyo Electron BP Ltd., Tokyo Electron Agency Ltd.

## ■ Environmental, Social, and Governance (ESG) Activities

As a semiconductor production equipment leader, the TEL Group strives to achieve higher profits and enhance our economic value by continuously providing high performance and 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.

### [Environmental Activities]

In June 2021, we launched an initiative called E-COMPASS<sup>\*2</sup> as part of our efforts to build a sustainable supply chain in the semiconductor production equipment industry. E-COMPASS aims to meet society's expectations by working on the development of digital society and global environmental conservation throughout the entire supply chain, not only on our own but also in cooperation with all partner companies, by making advanced efforts in the following areas as a leading company in the industry.

- Contribute to technological innovation in semiconductors, such as high-performance, low-power-consumption devices, and to achieve both the development of ICT and low power consumption
- Reduction of water, gas, and chemical consumption during semiconductor production
- Appropriate compliance with regulations on environmentally hazardous substances

(Note) 2. An acronym of Environmental Co-Creation by Material, Process and Subcomponent Solutions

### [Governance Activities]

The TEL Group's governance initiatives have been highly evaluated externally, and we received the "Grand Prize Company" from among approximately 2,200 companies listed on the First Section of the Tokyo Stock Exchange ("TSE") in the Corporate Governance of the Year<sup>®</sup> 2021 program selected by the Japan Association of Corporate Directors. This award was given in recognition of us taking on the challenge for growth, learning from the advanced efforts of overseas semiconductor-related companies, the management stance of constantly seeking improvements to match the company's actual conditions such as closed sessions for evaluation of CEO, and aggressive governance, which has led to high improvement in business performance.

Furthermore, on April 4, 2022, the Company was listed on the Prime Market of the TSE. As a listed company on this market, which has strict criteria such as market capitalization and is required to apply all the principles of the TSE's Corporate Governance Code, we are committed to establishing high standards of governance. As part of this effort, we will introduce a Corporate Officer system on June 21, 2022, as described below.

### About the Corporate Officer system

As a leading company in the semiconductor production equipment industry, where technological innovation is rapid and market changes are active, we have decided to introduce a Corporate Officer system in order to further strengthen governance and implement quick decision-making and agile operational execution. We have established the Corporate Officers Meeting, the highest decision-making body on the executive side, to pursue an appropriate delegation of authorities from the Board of Directors to the executive side. Furthermore, by Corporate Officers attending the Board of Directors meetings and giving explanations on business executions, the Board of Directors will be able to appropriately supervise the executive side and Corporate Officers will be able to appropriately and speedily apply what is discussed at the Board of Directors meetings to business execution, enabling us to promote aggressive management.

The semiconductor production equipment market is expected to continue to grow at a high rate. Therefore, we expect the number of our business sites to increase from the current 77 sites in 18 countries to more than 100 sites in the near future. Under these circumstances, we will pursue the prompt execution of management through appropriate delegation of authority by introducing a Corporate Officer system and further enhance the highly effective supervisory function of the Board of Directors, in order to pursue expanding short-, medium- and long-term profit and continuous corporate value enhancement.

(v) Engagement with Capital Markets

Our management actively engages in Investor Relations (IR) and Shareholder Relations (SR) activities to contribute to our sustainable growth and increase corporate value over the medium-to long-term. Management serve as spokespeople as required at IR conferences in and outside Japan and strive to engage directly with investors. In addition to holding quarterly earnings release conferences, we actively share our business strategies and growth story at the Medium-term Management Plan briefings and on IR day. The IR department, which was established under the direct control of the CEO, also discloses information as appropriate in individual interviews and regularly reports opinions from investors to management so that feedback can be of use in management.

The TEL Group's efforts have been highly evaluated, and the TEL Group was selected as the Most Honored Company, the highest rank, for seven consecutive years in the electrical machinery and precision equipment sector of the 2022 All-Japan Executive Team of Japanese listed companies with outstanding IR activities published by Institutional Investor, a major financial information magazine in the US.

(vi) 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 1,403 yen in the fiscal year that ended on March 31, 2022.

Through the various initiatives described above and pursuing further sustainable growth and improvements in corporate value, the TEL Group will practice its corporate philosophy that states, "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	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; From April 1, 2020 to March 31, 2021)	FY2022 (59th FY; current fiscal year) (From April 1, 2021 to March 31, 2022)
Net sales (million yen)	1,278,240	1,127,286	1,399,102	2,003,805
Operating income (million yen)	310,571	237,292	320,685	599,271
Operating Margin (%)	24.3	21.0	22.9	29.9
Ordinary income (million yen)	321,662	244,979	322,103	601,724
Net income attributable to owners of parent (million yen)	248,228	185,206	242,941	437,076
Net income per share (yen)	1,513.58	1,170.57	1,562.20	2,807.84
Total assets (million yen)	1,257,627	1,278,495	1,425,364	1,894,457
Net assets (million yen)	888,117	829,692	1,024,562	1,347,048
ROE (%)	30.1	21.8	26.5	37.2

(Notes)

- 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.
- In the 58th 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 the growing demand for semiconductors driven by the transition to a data society due to the expanding applications of ICT such as IoT, AI, and 5G.
- The business performance and property of the TEL Group for the 59th fiscal year are described in (1) "Business Developments and Results."

**(6) Major subsidiaries** (As of March 31, 2022)

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	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Kyushu Ltd.	Kumamoto	2,000 million yen	100	Manufacture and development of Semiconductor and FPD production equipment
Tokyo Electron Miyagi Ltd.	Miyagi	500 million yen	100	Manufacture and development of Semiconductor production equipment
Tokyo Electron FE Ltd.	Tokyo	100 million yen	100	Maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron America, Inc.	U.S.A.	10 U.S. dollars	0 (100)	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Europe Ltd.	U.K.	17 million euros	100	Sales of and maintenance services for Semiconductor production equipment, etc.
Tokyo Electron Korea Ltd.	Korea	6,000 million won	100	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Taiwan Ltd.	Taiwan	200 million NT dollars	100	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron (Shanghai) Ltd.	China	6 million U.S. dollars	100	Sales of and maintenance services for Semiconductor and FPD production equipment, etc.
Tokyo Electron Singapore Pte. Ltd.	Singapore	5 million Singapore dollars	100	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 26.

**(7) Important Business Mergers**

There is no relevant item.

**(8) Employees at TEL and in the TEL Group** (As of March 31, 2022)

(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	12,487	1,091
FPD production equipment	634	(43)
Other	341	(2)
Common to all companies	2,172	109
Total	15,634	1,155

(Notes)

1. The number of employees indicates the number of persons employed by TEL and its consolidated subsidiaries.
2. "Other" refers to persons employed in transportation of products, facilities management and insurance, etc.
3. "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
1,771	101	44.0	16.4

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

**(9) Major lenders** (As of March 31, 2022)

There is no relevant item.

**(10) Major offices of the TEL Group** (As of March 31, 2022)

(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

(ii) Subsidiaries

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

**2. TEL shares** (As of March 31, 2022)

- |  |             |
|--|-------------|
| (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                       | 34,258      |
| (iv) Major shareholders                            |             |

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan Limited (trust account)	42,017	26.87
Custody Bank of Japan, Ltd. (trust account)	13,743	8.78
JP Morgan Chase Bank 385632	8,137	5.20
TBS HOLDINGS, INC.	5,801	3.71
Custody Bank of Japan, Ltd. (securities investment trust account)	2,983	1.90
STATE STREET BANK WEST CLIENT-TREATY 505234	2,580	1.65
Custody Bank of Japan, Ltd. (trust account 4)	2,347	1.50
SSBTC CLIENT OMNIBUS ACCOUNT	2,229	1.42
JP Morgan Chase Bank 385781	1,917	1.22
The Dai-ichi Life Insurance Company, Limited	1,440	0.92

(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 (851,052 shares). Figures are rounded down to the second decimal place. Treasury stock is exclusive of the Company shares (610,529 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, 2022.

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 4 other companies	Change reports	June 7, 2021	11,491 as of May 31, 2021
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

(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 included its Outside Directors in the Executive compensation BIP trust.

As of March 31, 2022, 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, 2022, the number of TEL's shares held by the share-delivering ESOP trust account is 529,991.

### 3. Matters concerning Share Subscription Rights

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

	11th Share Subscription Rights	12th Share Subscription Rights
Allocation date	June 20, 2015	June 18, 2016
Allocation number of Share Subscription Rights	1,357 units	1,944 units
Balance at end of fiscal year	170 units	272 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	0 units (0 persons)	0 units (0 persons)
Ownership by Outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	26 units (2 persons)	8 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 17,000 shares	Common stock of TEL 27,200 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 2, 2018 to May 31, 2035. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 2, 2018.	From July 1, 2019 to May 30, 2036. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2019.

	13th Share Subscription Rights	14th Share Subscription Rights
Allocation date	June 21, 2017	June 20, 2018
Allocation number of Share Subscription Rights	1,447 units	2,199 units
Balance at end of fiscal year	222 units	676 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	12 units (1 person)	172 units (2 persons)
Ownership by Outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	15 units (1 person)	18 units (1 person)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 22,200 shares	Common stock of TEL 67,600 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2020 to May 29, 2037. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2020.	From July 1, 2021 to May 31, 2038. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2021.

	15th Share Subscription Rights	16th Share Subscription Rights
Allocation date	June 19, 2019	June 24, 2020
Allocation number of Share Subscription Rights	3,604 units	1,308 units
Balance at end of fiscal year	3,604 units	1,308 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	1,158 units (7 persons)	515 units (8 persons)
Ownership by Outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	-	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 360,400 shares	Common stock of TEL 130,800 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, 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.	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.

	17th Share Subscription Rights
Allocation date	June 18, 2021
Allocation number of Share Subscription Rights	700 units
Balance at end of fiscal year	700 units
Ownership by Corporate Directors of TEL (excluding Outside Directors)	328 units (8 persons)
Ownership by outside Directors of TEL	-
Ownership by Audit & Supervisory Board Members of TEL	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 70,000 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2024 to May 31, 2041. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2024.

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

	17th Share Subscription Rights
Allocation date	June 18, 2021
Allocation number of Share Subscription Rights	700 units
Allocation number to employees of TEL	154 units (35 persons)
Allocation number to executives and employees of TEL subsidiaries	218 units (55 persons)
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 70,000 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2024 to May 31, 2041. However, the period during which taxpayers in the United States can exercise their Share Subscription Rights is limited to July 1, 2024.



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

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2022)

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. Outside Director, Shiseido Company, Limited
Corporate Director	Michio Sasaki	Director and Vice President, SHIFT Inc. Outside Director, ZUIKO CORPORATION
Corporate Director	Makiko Eda	Chief Representative Officer, World Economic Forum Japan Outside Director, FUJIFILM Holdings Corporation
Corporate Director	Sachiko Ichikawa	Partner, Tanabe & Partners Outside Director, OLYMPUS CORPORATION Statutory Auditor, The Board Director Training Institute of Japan
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 Outside Director, Eisai Co., Ltd.

Members of the Nomination Committee:

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

Members of the Compensation Committee:

Charles Ditmars Lake II(\*), Tatsuya Nagakubo, Yoshinobu Mitano, Makiko Eda

\* indicates Chairman

(Notes)

1. Corporate Directors Charles Ditmars Lake II, Michio Sasaki, Makiko Eda and Sachiko Ichikawa are Outside Directors.
2. Audit & Supervisory Board Members Kyosuke Wagai, Masataka Hama and Ryota Miura are Outside Audit & Supervisory Board Members.
3. TEL established the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange, Inc., and appointed Charles Ditmars Lake II, Michio Sasaki, Makiko Eda and Sachiko Ichikawa 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, Makiko Eda and Sachiko Ichikawa 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. 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.

(ii) Condition of Executive Officers

(As of March 31, 2022)

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 General Manager, Corporate Production Division 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
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
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
Tetsuya Nakahara	VP & General Manager, Field Solution Business Unit
Fumihiko Kaminaga	VP & Deputy General Manager, Global Sales Division

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

	Number of executives	Total compensation, etc.	Total compensation by type				
			Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation	Non-performance-linked compensation
				Cash bonus (Note 1)	Stock compensation-based stock option (Notes 2, 5)	Performance share (Stock-based compensation) (Notes 3, 5)	Restricted stock unit (Stock-based compensation) (Notes 4, 5)
	(persons)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)
Corporate Directors (excluding Outside Directors)	8	5,434	478	2,774	1,959	222	
Outside Directors	4	104	64				40
Directors total	12	5,538	542	2,774	1,959	222	40
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	2	86	86				
Outside Audit & Supervisory Board Members	3	43	43				
Audit & Supervisory Board Members total	5	129	129				

(Reference)

Individual Compensation of Representative Directors during FY2022

Name and Position (Note 7)	Total compensation, etc.	Total compensation by type			
		Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation
			Cash bonus (Note 8)	Stock compensation-based stock option (Notes 5, 9)	Performance share (Stock-based compensation) (Notes 3, 5)
	(million yen)	(million yen)	(million yen)	(million yen)	(million yen)
Toshiki Kawai Representative Director, President & CEO	1,665	102	741	736	85
Sadao Sasaki Representative Director	676	66	295	293	22

(Notes)

1. The amount indicated is the amount of bonuses that will be proposed at the 59th Annual General Meeting of Shareholders for fiscal year 2022 scheduled to be held on June 21, 2022.
2. The amount indicated is the amount equivalent to the expenses associated with the share subscription rights that will be proposed at the 59th Annual General Meeting of Shareholders for fiscal year 2022 scheduled to be held on June 21, 2022.
3. The amount recorded as expenses for the fiscal year ended March 31, 2022 is stated. The amount of the medium-term performance-linked compensation varies according to the payout rate corresponding to performance goal achievement levels for the covered period (three fiscal years).
4. The amount recorded as expenses for the fiscal year ended March 31, 2022 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.
5. 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.”
6. TEL does not pay the employee portion of compensation other than the director compensation to Corporate Directors concurrently serving as Executive Officers.
7. The table contains individual compensation for the fiscal year for the two Representative Directors as of the end of the fiscal year.
8. The table contains individual amount for each Representative Director, which are components of the amount of bonuses that will be proposed at the 59th Annual General Meeting of Shareholders scheduled to be held on June 21, 2022.
9. 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 59th Annual General Meeting of Shareholders scheduled to be held on June 21, 2022.
10. The Compensation Committee verified and the Board of Directors also confirmed that the amount of compensation for each individual Representative Director for the current fiscal year is in accordance with “(iv) Details and Decision Methods of Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members.” Furthermore, the amount of fixed basic compensation and annual performance-linked compensation for Corporate Directors, excluding Representative Directors, for the current fiscal year were determined by Representative Director, President & CEO, Toshiki Kawai, who was delegated by the Board of Directors to oversee business execution. In determining the amount 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 amount.

(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"> <li>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 <sup>(1)</sup>.</li> </ul>	X	X	X
2) Annual performance-linked compensation	Cash bonuses	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	X	—	—
	Stock compensation-based stock option	<ul style="list-style-type: none"> <li>Net income attributable to owners of parent and consolidated ROE are adopted as performance indicators for the Company's business performance, while the result of the comparison with the competitors in terms of operating margin and operating margin growth ratio is reflected on the amount of payment.</li> <li>Evaluation items for the individual performance include contribution to short-term and medium-term management strategy targets including ESG.</li> <li>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.</li> </ul>	X	—	—
3) Medium-term performance-linked compensation	Performance share (stock-based compensation)	<ul style="list-style-type: none"> <li>Paid to motivate recipients to contribute to medium- to long-term performance improvement.</li> <li>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.</li> <li>The number of shares delivered is determined depending on the level of achievement of performance goals for the covered period (three fiscal years).</li> <li>Consolidated operating margin and consolidated ROE are adopted as performance indicators.</li> </ul>	X	—	—

4) Non-performance-linked compensation	Restricted stock units (stock-based compensation)	<ul style="list-style-type: none"> <li>· 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.</li> <li>· 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.</li> <li>· The Company shares shall be delivered after the expiration of the applicable period (three fiscal years).</li> </ul>	—	X	—
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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 companies in Japan and overseas, 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 companies 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. The appropriateness of the amounts is also verified by the Compensation Committee 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 based on 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.

[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. The Compensation Committee deliberates on a proposed amount that reflects, against the figures calculated by the formula, the comparison with the competitors in terms of operating margin and operating margin growth ratio, as well as the performance evaluation (targets based on short-term and medium-term management strategies including ESG) of each Representative Director, with reference to the advice from the external experts. The Compensation Committee proposes the results of its deliberations to the Board of Directors, which, after considering the proposal, determines the final amount of compensation (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 (in a closed session)	After deliberations by the Compensation Committee, evaluated by the members of the Board of Directors excluding the Representative Directors (in a closed session)	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 decision based on the resolution of the Board of Directors, within the scope of the bonus resolved at the General Meeting of Shareholders. Such decision is made in reference to the compensation standards of industry peers in Japan and overseas provided by the external research organizations, and reflects the comparison with the competitors in terms of operating margin and operating margin growth ratio, as well as the job responsibilities and performance evaluation (targets based on short-term and medium-term management strategies including ESG) of each Corporate Director. Furthermore, the Compensation Committee also verifies the appropriateness of the amount of compensation for each Corporate Director 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 as 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 varies according to each responsibilities and achievement levels toward performance goal for the covered period (three fiscal years).

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)

Share delivery point =

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

+

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

- (\*) 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.

■ 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
		58th Annual General Meeting of Shareholders held on June 17, 2021	The total amount of fixed basic compensation for Corporate Directors shall be no more than 750 million yen per business year (including 100 million yen per business year for Outside Directors).	12 Corporate Directors (including 4 Outside Directors) at the close of the 58th Annual General Meeting of Shareholders
	Annual performance-linked compensation	59th Annual General Meeting of Shareholders to be held on June 21, 2022	To be proposed as 2,774.8 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, 2022.	8 Corporate Directors (excluding 4 Outside Directors) in office as of the final day of the 59th fiscal year (March 31, 2022)
			To be proposed as share subscription rights as stock compensation-based stock option portion of annual performance-linked compensation of no more than 1,264.5 million yen and 250 units (25,000 shares) annually to Corporate Directors (excluding Outside Directors).	3 Corporate Directors (excluding 3 Outside Directors) to be proposed for election at the 59th Annual General Meeting of Shareholders
			To be proposed as share subscription rights as the stock options of no more than 535 units (53,500 shares) to executive officers and senior employees of TEL, as well as Directors, executive officers, and senior employees of subsidiaries.	98 people who are judged as necessary among TEL executive officers and senior employees (excluding (i) people who are concurrently serving as TEL Corporate Directors as of the date of allotment and (ii) TEL Corporate Directors who will resign at the conclusion of this Annual General Meeting of Shareholders and who will not be appointed as TEL Corporate Officers as of the date of allotment) and subsidiary Directors, executive officers and senior employees as of the final day of the 59th fiscal year (March 31, 2022)

	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 based on 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 437,076 million yen, and consolidated ROE was 37.2%.

• 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 actual results for the fiscal year ended March 31, 2022, which is an indicator to evaluate the achievement of the targets for the plan set in 2019, are consolidated operating margin of 29.9% and consolidated ROE of 37.2%, and will be paid in accordance with the medium-term performance-linked compensation calculation formula.

For the plans set in 2020 and 2021, the payout rate will be determined based on the performance figures in the final fiscal year of the covered period. 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 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 ended March 31, 2022 and the medium-term performance-linked compensation to be paid in the fiscal year ended 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 companies in Japan and overseas, analyzes the latest trends in Japan and abroad and best practices such as reflecting ESG indicator in compensation, and proposes a compensation system that is most appropriate for the Group in light of the Company's basic policies on compensation and individual compensation amounts for the Representative Directors among other matters, to the Board of Directors.

(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, 2022)

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. Outside Director, Shiseido Company, Limited	No significant business relation
Outside Director	Michio Sasaki	Director and Vice President, SHIFT Inc. Outside Director, ZUIKO CORPORATION	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 Director	Sachiko Ichikawa	Partner, Tanabe & Partners Outside Director, OLYMPUS CORPORATION Statutory Auditor, The Board Director Training Institute of Japan	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 Outside Director, Eisai Co., Ltd.	No significant business relation

b. Main activities during the current fiscal year

Position in TEL	Name	Main activities (Note 1)	
Outside Director	Charles Ditmars Lake II	Board of Directors: Attended 12 out of 12 meetings Compensation Committee: Attended 10 out of 10 meetings	Charles Ditmars Lake II has been actively making comments especially on matters including corporate governance and risk management, from his perspective of global corporate management at the Board of Directors meetings. In addition, he served as the chairman 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	Board of Directors: Attended 12 out of 12 meetings Nomination Committee: Attended 12 out of 12 meetings Compensation Committee: Attended 3 out of 3 meetings (Note 2)	Michio Sasaki has been actively making comments especially on matters including development and procurement strategy and risk management such as protection of confidential information at the Board of Directors meetings, based on his management experience in the manufacturing industry. In addition, he serves as the chairman of the Nomination Committee, leading the deliberation on matters including the selection of candidates for Corporate Directors from an objective and neutral position. At the Compensation Committee meetings, as its member, he also has been making comments on matters including compensation for Corporate Directors from an objective and neutral position.
Outside Director	Makiko Eda	Board of Directors: Attended 12 out of 12 meetings Compensation Committee: Attended 7 out of 7 meetings (Note 2)	Makiko Eda has been actively making comments especially on matters including medium- to long-term growth strategies and global trends on issues such as environment and diversity at the Board of Directors meetings, based on her expertise in the field of marketing in the semiconductor industry as well as global, multifaceted perspectives. In addition, at the Compensation Committee meetings, as its member, she also has been making comments on matters including compensation for Corporate Directors from an objective and neutral position.
Outside Director	Sachiko Ichikawa	Board of Directors: Attended 9 out of 9 meetings (Note 3)	Sachiko Ichikawa has been actively making comments especially on matters including financial accounting and corporate governance in general, such as issues of supervisory function reinforcement of the Board of Directors, as well as promotion of diversity at the Board of Directors meetings, based on her broad-based insight as attorney qualified both in Japan and the United States, as well as the United States Certified Public Accountant.

Position in TEL	Name	Main activities (Note 1)	
Outside Audit & Supervisory Board Member	Kyosuke Wagai	Board of Directors: Attended 12 out of 12 meetings Audit & Supervisory Board: Attended 9 out of 9 meetings	Kyosuke Wagai has been making appropriate comments on proposals and other matters of deliberation at the Board of Directors meetings and the Audit & Supervisory Board meetings, drawing on his expertise as a certified public accountant.
Outside Audit & Supervisory Board Member	Masataka Hama	Board of Directors: Attended 12 out of 12 meetings Audit & Supervisory Board: Attended 9 out of 9 meetings	Masataka Hama has been making appropriate comments on proposals and other matters of deliberation at the Board of Directors meetings and the Audit & Supervisory Board meetings, utilizing his years of wide-ranging experience in the finance industry and insight into finance and accounting.
Outside Audit & Supervisory Board Member	Ryota Miura	Board of Directors: Attended 11 out of 12 meetings Audit & Supervisory Board: Attended 9 out of 9 meetings	Ryota Miura has been making appropriate comments on proposals and other matters of deliberation at the Board of Directors meetings and the Audit & Supervisory Board meetings, drawing on his expertise as an attorney.

(Notes)

- Includes an outline of duties performed in relation to the roles expected of Outside Directors.
- The Compensation Committee held 10 meetings during the fiscal year under review. The attendance refers, for Outside Director Michio Sasaki, to the period before his retirement as member of the Committee, while for Outside Director Makiko Eda, to the period after her appointment as member of the Committee.
- The Board of Directors held 12 meetings during the fiscal year under review. For Outside Director Sachiko Ichikawa, the attendance refers to the period after her appointment as Corporate Director.



## 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	279	7
Subsidiaries of TEL	41	-
Total	321	7

(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 7 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.

#### 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.
- (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) People responsible for compliance have been appointed at key overseas sites, creating a system for organizationally direct reporting to the Chief Compliance Officer, who oversees the Group's Compliance Department. In addition, we are checking on a monthly basis the status of prevention, identification, and response to compliance-related problems, leading promotion of compliance measures. In order to continuously strengthen the compliance system, reviews are conducted by the external experts to identify risks and consider necessary measures.
- (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 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, the Risk Management Committee is promoting the practice of autonomous and effective risk management in the form of risk identification and follow-up monitoring on a regular basis under the leadership of the risk owners of respective risk areas, such as general managers of business divisions and presidents of the Group companies. We also strive to raise awareness throughout the TEL Group by holding regular workshops and developing employee training.
- (ii) The TEL Group is working to further improve its information security system through organizational enhancements, including the establishment of a dedicated organization led by the Information Security Committee, as well as security assessments conducted by the external experts.
- (iii) 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.
- (iv) 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.

### 3. Internal audit

- (i) To enhance our internal auditing functions, we have established the Global Audit Center (with 16 persons), which is an organization under the direct purview of the CEO, responsible for conducting operational audits and evaluating our internal control over financial reporting prepared in accordance with the Financial Instruments and Exchange Act. In addition, we are promoting activities to continuously improve internal audits as well as studies for enhancing them. In the current fiscal year, the enhancement of global audit structure is under way as part of the Group governance reinforcement, along with the further improvement in audit practice based, in part, on the results of the quality assessment conducted by the external experts.
- (ii) The Global Audit Center formulates the annual audit implementation plan based on the “Internal Audit Regulations” and conducts audits of the Group’s business locations in Japan and overseas. The audit results, etc. are reported to our management team as well as to the Audit & Supervisory Board Members of the Company and the Audit & Supervisory Board Members of TEL’s domestic subsidiaries, with a process in place to keep the Board of Directors and the Audit & Supervisory Board informed.
- (iii) The Global Audit Center and the accounting auditors are required to exchange information and views on a regular or ad hoc basis, so that our audits remain coordinated, efficient, and effective.

### 4. 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) Based on the “Affiliated Companies Management Regulations”, we are working to enhance management of the TEL Group companies, clarifying matters that require approval of TEL as well as matters to be reported to TEL.

### 5. 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 on the status of execution of duties by Executive Directors including the CEO and the status of deliberations at the Business Execution Meeting.
- (iii) We are continuously 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.

### 6. 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, the Ethics Committee, and the Risk Management 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’s domestic subsidiaries, 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

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

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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 760 yen per share, applying the aforementioned policy. Its payment date will be May 31, 2022. As a result, the annual dividend will be 1,403 yen per share, which includes an interim dividend of 643 yen.

**(Feature) Sustainability activities**

The TEL Group's corporate philosophy states that “We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.” As a semiconductor production equipment 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 environmental, social, and governance (ESG) factors and reflect that assessments in investment activities is spreading. The TEL Group is actively engaged in various activities in each of the ESG fields as part of our sustainability initiatives. Furthermore, in order to carry out these activities in alignment with international frameworks, the TEL Group signed the U.N. Global Compact<sup>\*1</sup> and is working to achieve the sustainable development goals (SDGs) advocated by the U.N. through its business, and we are also a member of the RBA<sup>\*2</sup>, striving to promote sustainability in our supply chain.

We will continue to promote our business by leveraging our expertise and state-of-the-art technology and contributing to technological innovation in semiconductors, thereby supporting sustainable development and earning the trust of all our stakeholders.

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

\*2 RBA: International initiative to promote supply chain sustainability mainly for the electronics industry (Responsible Business Alliance).

**ESG field activity themes and main initiatives**

	Theme	Main initiatives
Environment	Global environment conservation	<ul style="list-style-type: none"> <li>* Improve the performance and reduce the power consumption of semiconductor devices</li> <li>* Promote energy conservation during equipment operation and efforts to reduce environmental impact of our offices</li> <li>* Promote E-COMPASS</li> <li>* Address climate change in accordance with the TCFD<sup>*1</sup> framework</li> <li>* Comply with environmental laws and regulations, and implementing environmental compliance</li> </ul>
Society	Human rights Diversity & Inclusion Health and safety Work-life balance Career development Supply chain management	<ul style="list-style-type: none"> <li>* Human rights due diligence (assessment and correction) and relief</li> <li>* Create new value through the promotion of diverse human resources</li> <li>* Promote health and safety management and health-oriented business management<sup>*2</sup></li> <li>* Build employee-friendly workplaces that supports work styles</li> <li>* Enhance human resource development programs tailored to positions, objectives, and other factors</li> <li>* Promote supply chain management that takes into consideration the stabilization and leveling of production, as well as the environment and human rights</li> </ul>
Governance	Corporate governance Risk management Compliance	<ul style="list-style-type: none"> <li>* Establish a highly effective governance system by enhancing management supervision functions<sup>*3</sup></li> <li>* Introduction of Corporate Officer System</li> <li>* Develop company-wide systems and processes relating to risk management activities</li> <li>* Establish and practice corporate ethics, and enhance and utilize internal reporting systems</li> </ul>

\*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 2022 Certified Health & Productivity Management Organization Recognition Program.

\*3 Received the Grand Prize Company award in the Corporate Governance of the Year<sup>®</sup> 2021

### < Environment >

In order to deal with the sweeping future trends of societal digitalization and environmental conservation, the TEL Group has launched E-COMPASS, a new initiative aimed at creating a sustainable supply chain. For production equipment, productivity per unit of area and per hour, equipment operation rates, quality, the amount of material consumed in processing, and the like are all important performance indicators and environmental performance. As an industry leader, we will continue to strive to work throughout our supply chain to reduce the environmental impact of product operation, improve the competitiveness of our products, and increase the added value they provide.

In terms of reducing CO<sub>2</sub> emissions from business activities, we have begun introducing renewable energy (electricity) at our business sites in Japan, the U.S., and China, with the ratio of renewable energy use throughout the company reaching about 60% in the fiscal year that ended on March 31, 2022. We plan to complete the introduction of renewable energy at all manufacturing sites in Japan by the end of 2022.

In addition, we have implemented various measures based on the TCFD framework to respond to the risks and opportunities that our businesses face as a result of climate change.

### < Human rights >

The TEL Group clearly lays out its views on human rights with a strong sense of integrity, identifying human rights risks and implementing corrective actions (human rights due diligence). The TEL Group promotes the enhancement of relief systems, including reporting systems.

In the fiscal year under review, we conducted a survey of 12 Group companies in Japan and overseas, including the World Headquarters, and approximately 650 suppliers involved in materials, human resources, customs clearance, packaging, etc., with the survey content standardized in reference to the RBA audit standards. We are using the results of these surveys to consider corrective actions and reduce human rights risks.

\*Please refer to the Company's Sustainability Report for details on sustainability-related initiatives.  
<https://www.tel.co.jp/sustainability/report/>



## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	186,538	274,274
Trade notes and accounts receivable	191,700	-
Notes and accounts receivable - trade, and contract assets	-	433,948
Securities	125,014	97,000
Merchandise and finished goods	269,772	183,512
Work in process	80,742	144,330
Raw materials and supplies	64,828	146,002
Prepaid consumption tax	82,704	110,494
Others	14,493	19,301
Allowance for doubtful accounts	(99)	(160)
Total current assets	1,015,696	1,408,703
<b>Long-term assets</b>		
Tangible fixed assets		
Buildings and structures	208,475	233,553
Accumulated depreciation	(113,679)	(121,288)
Buildings and structures, net	94,795	112,264
Machinery and carriers	159,634	181,306
Accumulated depreciation	(119,554)	(136,173)
Machinery and carriers, net	40,080	45,132
Land	26,929	31,052
Construction in progress	22,391	20,095
Others	44,350	51,777
Accumulated depreciation	(31,579)	(37,244)
Others, net	12,770	14,532
Total tangible fixed assets	196,967	223,078
Intangible fixed assets		
Others	17,163	22,540
Total intangible fixed assets	17,163	22,540
Investments and other assets		
Investment securities	105,065	144,972
Deferred tax assets	53,128	45,654
Net defined benefit assets	12,021	16,186
Others	26,728	34,621
Allowance for doubtful accounts	(1,407)	(1,298)
Total investments and other assets	195,536	240,135
Total long-term assets	409,667	485,754
<b>Total assets</b>	1,425,364	1,894,457

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	90,606	120,908
Income taxes payable	49,272	107,193
Customer advances	81,722	102,555
Accrued employees' bonuses	34,254	44,871
Accrued warranty expenses	14,415	26,568
Others	57,389	66,482
Total current liabilities	327,661	468,578
<b>Long-term liabilities</b>		
Net defined benefit liabilities	62,137	62,533
Others	11,002	16,296
Total long-term liabilities	73,140	78,829
<b>Total liabilities</b>	400,801	547,408
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	835,240	1,104,983
Treasury stock, at cost	(30,744)	(27,418)
Total shareholders' equity	937,468	1,210,537
<b>Accumulated other comprehensive income</b>		
Net unrealized gains (losses) on investment securities	66,124	93,492
Net deferred gains (losses) on hedging instruments	(79)	(52)
Foreign currency translation adjustments	10,441	30,640
Accumulated remeasurements of defined benefit plans	(978)	535
Total accumulated other comprehensive income (loss)	75,508	124,615
<b>Share subscription rights</b>	11,585	11,895
<b>Total net assets</b>	1,024,562	1,347,048
<b>Total liabilities and net assets</b>	1,425,364	1,894,457

## Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Net sales</b>	1,399,102	2,003,805
Cost of sales	834,157	1,091,983
<b>Gross profit</b>	564,945	911,822
Selling, general & administrative expenses		
Research and development expenses	136,648	158,256
Others	107,610	154,295
Total selling, general and administrative expenses	244,259	312,551
<b>Operating income</b>	320,685	599,271
Non-operating income		
Interest income	521	616
Dividend income	778	959
Share of profit of associates accounted for using the equity method	1,110	1,721
Others	3,082	2,683
Total non-operating income	5,492	5,980
Non-operating expenses		
Foreign exchange loss	3,147	2,447
Others	926	1,080
Total non-operating expenses	4,074	3,527
<b>Ordinary income</b>	322,103	601,724
Unusual or infrequent profit		
Gain on sales of fixed assets	24	71
Total unusual or infrequent profit	24	71
Unusual or infrequent loss		
Additional payment of value-added tax	-	4,577
Provision for loss on liquidation of subsidiaries and associates	3,327	-
Others	1,763	520
Total unusual or infrequent loss	5,090	5,097
<b>Income before income taxes</b>	317,038	596,698
Provision for income taxes and enterprise taxes	82,568	162,708
Deferred income taxes	(8,471)	(3,086)
Total income taxes	74,096	159,622
<b>Net income</b>	242,941	437,076
<b>Net income attributable to owners of parent</b>	242,941	437,076

## Consolidated Statements of Changes in Net Assets

Year ended March 31, 2022

(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	835,240	(30,744)	937,468
Cumulative effects of changes in accounting policies			(753)		(753)
Restated balance	54,961	78,011	834,486	(30,744)	936,714
Changes of items during the period					
Cash dividends			(166,252)		(166,252)
Net income attributable to owners of parent			437,076		437,076
Purchase of treasury stock				(15)	(15)
Disposal of treasury stock			(327)	3,341	3,014
Net changes except for shareholders' equity					
Total changes of items during the period	-	-	270,496	3,325	273,822
Balance at end of period	54,961	78,011	1,104,983	(27,418)	1,210,537

	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	66,124	(79)	10,441	(978)	75,508	11,585	1,024,562
Cumulative effects of changes in accounting policies							(753)
Restated balance	66,124	(79)	10,441	(978)	75,508	11,585	1,023,809
Changes of items during the period							
Cash dividends							(166,252)
Net income attributable to owners of parent							437,076
Purchase of treasury stock							(15)
Disposal of treasury stock							3,014
Net changes except for shareholders' equity	27,367	26	20,199	1,513	49,107	310	49,417
Total changes of items during the period	27,367	26	20,199	1,513	49,107	310	323,239
Balance at end of period	93,492	(52)	30,640	535	124,615	11,895	1,347,048

## Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Cash flows from operating activities</b>		
Income before income taxes	317,038	596,698
Depreciation and amortization	33,843	36,727
Amortization of goodwill	199	206
Increase (decrease) in accrued employees' bonuses	4,612	9,540
Increase (decrease) in accrued warranty expenses	(176)	9,614
Provision for loss on liquidation of subsidiaries and associates	3,327	-
Decrease (increase) in trade notes and accounts receivable	(37,736)	-
Decrease (increase) in notes and accounts receivable - trade, and contract assets	-	(195,543)
Decrease (increase) in inventories	(17,226)	(100,309)
Increase (decrease) in trade notes and accounts payable	(8,255)	18,892
Decrease (increase) in prepaid consumption tax	(13,549)	(27,675)
Increase (decrease) in customer advances	(54,851)	32,031
Others	4,766	7,070
Subtotal	231,990	387,252
Receipts from interest and dividends	1,669	2,232
Income taxes paid or refund (paid)	(87,772)	(106,098)
Net cash provided by operating activities	145,888	283,387
<b>Cash flows from investing activities</b>		
Payment for purchase of short-term investments	(45,000)	(35,000)
Proceeds from redemption of short-term investments	80,000	45,014
Payment for purchase of fixed assets	(53,806)	(56,153)
Payment for acquisition of intangible assets	(7,124)	(8,950)
Others	7,656	(542)
Net cash used in investing activities	(18,274)	(55,632)
<b>Cash flows from financing activities</b>		
Payment for purchase of treasury stock	(4,339)	(15)
Dividends paid	(109,542)	(166,252)
Others	(643)	(988)
Net cash used in financing activities	(114,525)	(167,256)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	4,946	9,156
<b>Net increase (decrease) in cash and cash equivalents</b>	18,033	69,655
<b>Cash and cash equivalents at beginning of period</b>	247,959	265,993
<b>Cash and cash equivalents at end of period</b>	265,993	335,648