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May 26, 2016

NOTICE OF FISCAL YEAR 2016 (the 53rd FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We would like to express its deepest sympathy to all who have been affected by the earthquake in Kumamoto.

We are pleased to announce that the 53rd Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Ltd. ("TEL") will be held on Friday, June 17, 2016, at 10:00 a.m. Japan standard time, at PALACE HOTEL TOKYO, located at 1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo. Shareholders will also be asked to vote upon the following Agenda:

- 1: Election of Eleven Corporate Directors**
- 2: Election of Two Audit & Supervisory Board Members**
- 3: Payment of Bonuses to Corporate Directors for the 53rd 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**

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

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

IT IS IMPORTANT THAT YOU PARTICIPATE AT THE 2016 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 Thursday, June 16, 2016 (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 FY2016 (the 53rd FY; from April 1, 2015 to March 31, 2016), 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 FY2016 (the 53rd FY; from April 1, 2015 to March 31, 2016).

Proposal 1: Election of Eleven Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 13 Corporate Directors will expire. Therefore, we ask you to agree to elect 11 Corporate Directors (including two outside Directors).

The candidates for Corporate Directors are as follows.

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|---|--|--|
| 1 | Tetsuo Tsuneishi (November 24, 1952) | <u>April 1976</u> Joined Tokyo Electron Ltd. <u>June 1992</u> Corporate Director, Tokyo Electron Ltd. <u>June 1996</u> Senior Managing Director, Tokyo Electron Ltd. <u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Ltd. <u>June 2015</u> Chairman of the Board, Tokyo Electron Ltd. (Present position) (Position in the Company) Chairman of the Board | 14,158 |
| [Reason for selection as Corporate Director nominee] Other than his involvement in the semiconductor manufacturing equipment business of the Company, Mr. Tsuneishi has been involved in management in a wide range of fields from IR, legal and business strategies, and is equipped with ample experience and a proven track record. With the expectation of utilizing these experiences and track record in bolstering the decision making function of the board of directors, we nominate him as a corporate director. | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|--|------------------------------------|--|--|
| 2 | Toshiki Kawai (August 26, 1963) | <p><u>April 1986</u> Joined Tokyo Electron Ltd.</p> <p><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.</p> <p><u>April 2012</u> Vice President & General Manager, Surface Preparation Systems Business Unit, Tokyo Electron Ltd.</p> <p><u>June 2015</u> Senior Executive Vice President & COO, Tokyo Electron Ltd.</p> <p><u>January 2016</u> President & CEO, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Representative Director, President & CEO</p> <p>(Significant concurrent posts) Chairman of the Board, Tokyo Electron U.S. Holdings, Inc.</p> | 3,000 |
| <p>[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. We nominate him as a corporate director with the expectation of leveraging these experiences and achievement in decision-making concerning the Group management policies at the board of directors.</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 |
|---|--------------------------------------|--|--|
| 3 | Sadao Sasaki (September 15, 1960) | <p><u>April 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>October 2008</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd.</p> <p><u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron Tohoku Ltd.</p> <p><u>April 2011</u> President, Tokyo Electron Tohoku Ltd. (Present position)</p> <p><u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p> <p>(Significant concurrent posts) President, Tokyo Electron Tohoku Ltd.</p> | 1,000 |
| <p>[Reason for selection as Corporate Director nominee] Mr. Sasaki has performed marketing duties for semiconductor manufacturing equipment as well as management duties in technological development and device development among other areas in the Company and a Group manufacturing company, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|------------------------------------|---|--|
| 4 | Tetsuro Hori (October 20, 1961) | <p><u>April 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>April 2009</u> Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2013</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>June 2015</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Internal Control, Senior Vice President & General Manager</p> | 1,833 |
| <p>[Reason for selection as Corporate Director nominee] Mr. Hori has performed duties in the legal, intellectual property, corporate strategy and finance areas as well as in management, and possesses ample experience and a proven track record in these fields. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</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 | Gishi Chung (October 3, 1955) | <p><u>November 1998</u> Joined Tokyo Electron Ltd.</p> <p><u>October 2006</u> Vice President & General Manager, Tokyo Electron AT Ltd.</p> <p><u>April 2008</u> Senior Vice President & General Manager, Tokyo Electron AT Ltd.</p> <p><u>April 2010</u> Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>April 2011</u> Executive Vice President & General Manager, Tokyo Electron Miyagi Ltd.</p> <p><u>July 2011</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p><u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p> <p>(Significant concurrent posts) Chairman of the Board, TEL Technology Center, America, LLC Chairman of the Board, TEL Venture Capital, Inc. Chairman of the Board, TEL NEXX, Inc.</p> | 7,700 |
| <p>[Reason for selection as Corporate Director nominee] Mr. Chung holds a high level of expertise in manufacturing semiconductor devices through professional experience at a semiconductor manufacturer, and since entering the Group companies, has served as technological management of semiconductor manufacturing devices, holding ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making ability 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 |
|---|--------------------------------------|---|--|
| 6 | Masami Akimoto (February 4, 1958) | <p><u>March 1984</u> Joined Tokyo Electron Ltd.</p> <p><u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd. Vice President & General Manager, Tokyo Electron Kyushu Ltd.</p> <p><u>June 2004</u> Senior Vice President & General Manager, Tokyo Electron Kyushu Ltd.</p> <p><u>June 2007</u> Senior Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>October 2008</u> President, Tokyo Electron Kyushu Ltd. (Present position)</p> <p><u>June 2011</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>June 2013</u> Expiration of his term of Corporate Director, Tokyo Electron Ltd.</p> <p><u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position) Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p> <p>(Significant concurrent posts) President, Tokyo Electron Kyushu Ltd.</p> | 3,600 |
| <p>[Reason for selection as Corporate Director nominee] Through involvement in management in a Group manufacturing company, Mr. Akimoto has contributed to producing many high value added products, and has ample experiences and record of achievement in the manufacturing and development field. With the expectation of utilizing these experiences and achievement in bolstering the decision making ability of the board of directors, we nominate him as a corporate director.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|---------------------------------------|---|--|
| 7 | Tatsuya Nagakubo (October 7, 1963) | <p><u>April 1986</u> Joined Tokyo Electron Ltd.</p> <p><u>July 2011</u> Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p><u>June 2015</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Business Ethics, Vice President & General Manager</p> | 1,850 |
| <p>[Reason for selection as Corporate Director nominee] Mr. Nagakubo has performed duties in the Company's Administrative Division and through overseas postings, has promoted the global expansion of the Company, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|--|---------------------------------------|---|--|
| 8 | Hirofumi Kitayama (March 28, 1954) | <p><u>December 1983</u> Joined TEL-Thermco Engineering Co., Ltd.</p> <p><u>July 1995</u> Corporate Director, Tokyo Electron Tohoku Ltd.</p> <p><u>March 1999</u> Corporate Director, Tokyo Electron Yamanashi Ltd.</p> <p><u>February 2005</u> President, Tokyo Electron AT Ltd.</p> <p><u>April 2006</u> President, Tokyo Electron Tohoku Ltd.</p> <p>Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2007</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>April 2009</u> Executive Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2013</u> Senior Executive Vice President, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Representative Director, Senior Executive Vice President, CSR Promotion</p> <p>(Significant concurrent posts) Chairman of the Board, Tokyo Electron (Kunshan) Ltd.</p> | 10,000 |
| <p>[Reason for selection as Corporate Director nominee] Mr. Kitayama has been involved in management duties in manufacturing and technology development among other fields within the Company and Group companies, as well as serving CSR promotion roles as a corporate director, and has ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|--------------------------------------|--|--|
| 9 | Tetsuro Higashi (August 28, 1949) | <p><u>April 1977</u> Joined Tokyo Electron Ltd.</p> <p><u>December 1990</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>April 1994</u> Managing Director, Tokyo Electron Ltd.</p> <p><u>June 1996</u> President & CEO, Tokyo Electron Ltd.</p> <p><u>June 2003</u> Chairman of the Board, Tokyo Electron Ltd.</p> <p><u>April 2013</u> Chairman, President & CEO, Tokyo Electron Ltd.</p> <p><u>June 2015</u> President & CEO, Tokyo Electron Ltd.</p> <p><u>January 2016</u> Corporate Director, Corporate Advisor, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director, Corporate Advisor</p> | 42,028 |
| <p>[Reason for selection as Corporate Director nominee] Having served as chairman of the board and president of the Company, Mr. Higashi has ample experiences and record of achievement in management of the Group. Also, he has contributed to the industry through his tenure as chairman of the Semiconductor Equipment Association of Japan. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|--|--|--|
| 10 | [Outside Director] Hiroshi Inoue (January 5, 1940) | <p><u>April 1963</u> Joined Tokyo Broadcasting System, Inc.</p> <p><u>June 1993</u> Corporate Director, Tokyo Broadcasting System, Inc.</p> <p><u>June 1996</u> Managing Director, Tokyo Broadcasting System, Inc.</p> <p><u>June 1997</u> Senior Managing Director, Tokyo Broadcasting System, Inc.</p> <p><u>June 2001</u> Executive Vice President, Tokyo Broadcasting System, Inc.</p> <p><u>June 2002</u> President, Tokyo Broadcasting System, Inc.</p> <p><u>June 2006</u> Corporate Director, Tokyo Electron Ltd. (Present position)</p> <p><u>April 2009</u> Chairman of the Board, Tokyo Broadcasting System Holdings, Inc.</p> <p><u>April 2016</u> Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, FUJIFILM Holdings Corporation</p> | 0 |
| <p>[Reason for selection as Outside Director nominee] Having served as chairman, etc. of the board of Tokyo Broadcasting System Holdings, Inc., Mr. Inoue possesses ample experience and knowhow in corporate management. To receive advice and opinions on overall management of the Company from the perspective of ensuring objectivity and validity of decisions made by the Company's board of directors by utilizing his experience and knowhow, we nominate him as an outside director. Note that he has served for 10 years as an outside director of the Company as of the end of this General Meeting.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|--|---|--|
| 11 | [Outside Director] <Newly candidate> Charles Ditmars Lake II (January 8, 1962) | <u>August 1992</u> Director for Japan Affairs, Office of the U.S. Trade Representative (USTR) <u>July 1993</u> Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, Office of the U.S. Trade Representative <u>January 1995</u> Attorney-at-Law, Dewey Valentine Law Firm U.S.A. <u>June 1999</u> Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (Aflac Japan) <u>July 2001</u> Deputy President, Japan Branch, American Family Life Assurance Company of Columbus <u>January 2003</u> President and Representative in Japan, American Family Life Assurance Company of Columbus <u>April 2005</u> Vice Chairman and Representative in Japan, American Family Life Assurance Company of Columbus <u>July 2008</u> Chairman and Representative in Japan, American Family Life Assurance Company of Columbus (Present position) <u>January 2014</u> President, Aflac International, Incorporated (Present position) (Significant concurrent posts) Chairman and Representative in Japan, American Family Life Assurance Company (Aflac Japan) President, Aflac International, Incorporated Outside Director, Japan Exchange Group, Inc. | 0 |
| [Reason for selection as Outside Director nominee] Serving as representative and chairman at Aflac Japan, and also as president at Aflac International, Incorporated, Mr. Charles Ditmars Lake II has a wealth of experience and knowledge as a bridge of both corporate managements in Japan and U.S. We nominate him as an outside director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the viewpoint of ensuring objectively the effectiveness of decision making at the board of directors by utilizing his experience and knowledge. | | | |

(Notes)

1. The candidates have no special interests in the Company.

2. The candidates for outside Directors are described below.

(1) Hiroshi Inoue and Charles Ditmars Lake II are candidates for outside Directors.

(2) As Hiroshi Inoue meets TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" established based on the requirements for Independent Standards set forth by Tokyo Stock Exchange Inc., TEL has notified the Tokyo Stock Exchange Inc. that he has been appointed as independent Director. Charles Ditmars Lake II meets the same requirements as well, and TEL is planning to appoint him as independent Director and provide notice to Tokyo Stock Exchange Inc.

(3) At the 52nd General Meeting of Shareholders held on June 19, 2015, the Company revised its Articles of Incorporation so that TEL can conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Directors who do not execute business and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded such contract with Hiroshi Inoue, and will continue the contract if his reappointment is approved. As for Charles Ditmars Lake II, if this proposal is approved, TEL intends to conclude a same liability-limiting contract with him upon his appointment. The liability limitation under these contracts is the maximum amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the outside Directors perform their duties in good faith without gross negligence.

Proposal 2: Election of Two Audit & Supervisory Board Members

At the conclusion of the Annual General Meeting of Shareholders, the term of office for Audit & Supervisory Board Members Shojiro Mori and Ryuji Sakai will expire. Therefore, we ask you to agree to elect two Audit & Supervisory Board Members.

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

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|---|--------------------------------|--|--|
| 1 | Shojiro Mori (May 23, 1954) | <p><u>February 1985</u> Joined Tokyo Electron Ltd.</p> <p><u>April 2001</u> Corporate Director, Tokyo Electron AT Ltd.</p> <p><u>April 2003</u> Senior Vice President & General Manager, Tokyo Electron AT Ltd.</p> <p><u>April 2006</u> Executive Vice President & General Manager, Tokyo Electron TS Ltd.</p> <p><u>October 2007</u> Senior Vice President & General Manager, Tokyo Electron AT Ltd.</p> <p><u>April 2010</u> President, Tokyo Electron BP Ltd.</p> <p><u>February 2012</u> Chairman of the Board, Tokyo Electron BP Ltd.</p> <p><u>June 2012</u> Full-time Audit & Supervisory Board Member, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Full-time Audit & Supervisory Board Member</p> | 8,600 |
| <p>[Reason for selection as Audit & Supervisory Board Member nominee] Through his career serving as Director of Accounting Department at TEL and vice president responsible for administrative division of TEL Group companies, Mr. Mori possesses a wide range of experience in business operations and management as well as considerable amount of knowledge in finance and accounting. We nominate him as an Audit & Supervisory Board Member, with the expectation of utilizing these experiences and knowledge in enhancement of audit functions at TEL.</p> | | | |

| No. | Name (Date of birth) | Brief Personal History (Position in the Company and significant concurrent posts) | Number of the Company's shares owned by candidate |
|--|---|---|--|
| 2 | <Outside Audit & Supervisory Board Member> Ryuji Sakai (August 7, 1957) | <p><u>April 1985</u> Attorney-at-Law (admitted in Japan) Joined "Nagashima & Ohno" (currently "Nagashima Ohno & Tsunematsu")</p> <p><u>September 1990</u> Took office at "Wilson Sonsini Goodrich & Rosati" in the U.S.</p> <p><u>August 1992</u> Took office at "Nagashima & Ohno" (currently "Nagashima Ohno & Tsunematsu")</p> <p><u>January 1995</u> Partner, "Nagashima & Ohno" (currently "Nagashima Ohno & Tsunematsu") (Present position)</p> <p><u>June 2012</u> Audit & Supervisory Board Member, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Audit & Supervisory Board Member</p> <p>(Significant concurrent posts) Attorney-at-Law Outside Auditor, Kobayashi Pharmaceutical Co., Ltd.</p> | 0 |
| <p>[Reason for selection as Outside Audit & Supervisory Board Member nominee] Mr. Sakai is an attorney-at-law at Nagashima Ohno & Tsunematsu and possesses abundant experience and highly advanced knowledge as an attorney-at-law specializing in the Companies Act, M&As, and international transactions. We nominate him as an outside Audit & Supervisory Board Member, with the expectation of utilizing his experience and expertise to ensure objectively the appropriateness of audit activities. Although he has not been involved in corporate management other than serving as outside Audit & Supervisory Board Member, the Company judged that he can carry out duties of outside Audit & Supervisory Board Member appropriately based on the above reasons. Note that he has served for four years as an outside Audit & Supervisory Board Member of the Company as of the end of this General Meeting.</p> | | | |

(Notes)

1. The candidates have no special interests in the Company.
2. The Audit & Supervisory Board has consented to this proposal.
3. The candidate for outside Audit & Supervisory Board Member is described below.
 - (1) Mr. Ryuji Sakai is a candidate for outside Audit & Supervisory Board Member.
 - (2) At the 52nd 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 contracts with Shojiro Mori and Ryuji Sakai, and will continue the contracts if their reappointment is approved. The liability limitation under these contracts is the maximum amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the outside Audit & Supervisory Board Members perform their duties in good faith without gross negligence.
 - (3) There are no business transactions, such as advisory contract between Mr. Ryuji Sakai and the Company. There were transactions of 190,000 yen, 430,000 yen and 120,000 yen in October 2013, April 2016 and May 2016 respectively between Nagashima Ohno & Tsunematsu that he belongs to,

and the Company. These amounts were small, and do not exceed the criteria for attribute information stated on the Independent Director/Auditor Notification, "payments from the Company or its subsidiaries in the last fiscal year have been less than greater of 1% of recipient's consolidated gross revenues, or 50 million yen." Accordingly the Company believes that such fact indicates Mr. Sakai possesses independence from the Company and no potential conflict of interest with ordinary shareholders. The criteria for attribute information to be stated on the Independent Director/Auditor Notification are the criteria in which the Company originally determined the scope of the attribute information stated on the Independent Director/Auditor Notification.

However, due to the policy of Nagashima Ohno & Tsunematsu that when an attorney-at-law at the firm serves as outside officer, he/she cannot be appointed as independent Director/Auditor, the Company does not appoint him as an independent Audit & Supervisory Board Member.

<Regarding Proposals 3 to 5>

Because Proposals 3 to 5 concern compensation, this section gives an overview of the relation between those three proposals and performance-linked compensation under the TEL Group's executive compensation system (see page 43, "Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members").

TEL aims to strengthen corporate competitiveness at the global level and increase management transparency, adopting a director compensation system that is closely linked to performance and shareholder value. The compensation of Corporate Directors is comprised of a fixed monthly wage and an annual performance-linked bonus. Audit & Supervisory Board Members' compensation consists only of a monthly fixed remuneration to maintain independence from management. Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors and Audit & Supervisory Board Members, was abolished in and after the 43rd fiscal year (ended March 2006).

The Compensation Committee, which is comprised of three or more Corporate Directors, including an Outside Corporate Director, performs an analysis of wage levels compared to other companies in our industry in Japan, and proposes a policy and system for director compensation and individual compensation amounts, including the bonus for the CEO, based not only on analysis of monetary amount, but also on analysis of the various points of the environment for director compensation to the Board of Directors.

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

In principle, performance-linked compensation consists of a cash compensation and compensation in shares; the composition is roughly 1:1 for Corporate Directors, and single year performance is appropriately reflected in the performance-linked compensation of the CEO and other Corporate Directors. Performance-linked compensation is limited to five times fixed compensation. Share compensation is awarded in the form of stock options with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment.

The performance-linked compensation system for TEL executive officers and subsidiary Directors and executive officers is designed pursuant to the system for TEL Corporate Directors, but in light of the difference in work duties with TEL Corporate Directors, the ratio of cash bonuses to stock-based compensation has generally been 2:1.

1. The amount of annual performance-linked compensation

Based on the above-mentioned approach linking compensation to business performance, we propose payment of cash bonuses of no more than 637.5 million yen for 13 Corporate Directors as of the final day of the 53rd FY and stock-based compensation of no more than 518.5 million yen as annual performance-linked compensation for 9 Corporate Directors subject to the resolutions for proposal 1. Stock-based compensation is not paid to the two outside Directors.

2. Relation between bonuses in cash and Proposal 3

The payment for the portion of the bonuses in cash paid to TEL Corporate Directors will be brought before the General Meeting of Shareholders as Proposal 3 in accordance with the provisions of the Companies Act. The Company does not separately pay employee bonuses to Corporate Directors who also serve as executive officers, because performance as an executive officer has been reflected in the Corporate Director's bonuses as before.

3. Relation between stock-based compensation and Proposals 4 and 5

Since stock-based compensation involves the issuance of subscription rights, it will be submitted to the General Meeting of Shareholders as Proposals 4 and 5 in accordance with the provisions of the Companies Act.

Proposal 3: Payment of Bonuses to Corporate Directors for the 53rd Fiscal Year

Based on the TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 53rd fiscal year, the Company seeks shareholder approval to pay 637.5 million yen (including 16 million yen for outside Directors) as the cash bonus portion of annual performance-linked compensation to 13 Corporate Directors in office (including two outside Directors) at the end of the 53rd fiscal year.

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

Based on the TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 53rd fiscal year, the Company seeks shareholder approval to authorize the Board of Directors to make decisions related to solicitation of applications for the share subscription right to be issued in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, with the objective of granting share subscription rights as the stock-based compensation portion of annual performance-linked compensation to Corporate Directors.

Cash bonuses for Corporate Directors will be brought before the General Meeting of Shareholders as Proposal 3. Since stock-based compensation (i.e., granting share subscription rights) to Corporate Directors corresponds to "non-monetary compensation" specified in Article 361, Paragraph 1, Item 3 of the Companies Act, the Company seeks shareholder approval to grant subscription rights as the stock-based compensation portion of annual performance-linked compensation of no more than 518.5 million yen annually to Corporate Directors (excluding outside Directors), in addition to Proposal 3. If Proposal 1 is approved as proposed, there will be 9 Corporate Directors (excluding two outside Directors) covered by this Proposal.

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

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

In the past, the Company and its subsidiaries have actively introduced incentive systems such as compensation that is linked to business performance and share subscription rights. The Company has implemented its executive compensation system to link executive compensation more closely to its stock prices, consolidated net income and shareholder value, while tying that compensation to efforts to enhance the transparency of management and corporate competitiveness.

The TEL Group's executive compensation system is as described in "Regarding Proposals 3 to 5" on page 17 and in "Policies Concerning Determination of Methods of Calculating Compensation for Corporate Directors and Audit & Supervisory Board Members" on page 43. The system combines monthly fixed compensation with annual performance-linked compensation. In addition, the TEL Group has turned part of executive compensation into annual performance-linked compensation and has clearly correlated it to its net income attributable to owners of parent and consolidated ROE, thus increasing the compensation's linkage to consolidated financial results and stock prices.

Approximately one-half of the annual performance-linked compensation is non-monetary (stock-based compensation) in order for executives to have incentive for share prices to rise through better business performance and to share the risks of share price fluctuations with shareholders. We will issue share subscription rights with a set strike price of one yen per share based on the financial results in the fiscal year ended March 2016, which will have the same effect.

2. Outline of the Issuance of Share Subscription Rights (the "Options")

(1) Eligible persons:

The Company's Corporate Directors (excluding outside Directors).

(2) Total number and type of shares to be issued or transferred by exercise of Options:

Not more than 93,400 shares of common stock of the Company.

In the event of share splitting or consolidation, the number of shares will be adjusted pursuant to the formula below; provided, however, that this adjustment will be made only with respect to shares 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 x Ratio applicable to the splitting or consolidation of shares.

In the event it becomes necessary to adjust the number of shares for any other reason, the Company will make adjustments to the number of shares to a reasonable extent from time to time based on a resolution of a meeting of the Board of Directors of the Company.

(3) Aggregate number of units of Options:

Not more than 934 units.

(100 shares will be equivalent to one Option. The Company will otherwise adjust the number of shares as described in paragraph (2) above.)

(4) Amount paid for Options:

The Company will grant the Options to eligible persons without charge.

(5) Value of assets to be contributed for the exercise of Options:

The value of the assets to be contributed for the exercise of each Option shall be 1 yen per share, multiplied by the number of shares to be issued or transferred for each Option as described in paragraph (3) above.

(6) Exercise period of Options:

The exercise period is to be set by the Board of Directors within twenty years from the allocation date of the Options, including a three-year restriction from the allocation date of the Options.

(7) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of Options:

a) The amount of capital to be increased upon the issuance of shares by the exercise of the Options shall be one-half of the maximum limit for the increase in capital, etc., computed in accordance with Article 17, paragraph 1 of the Company Calculation Regulations, and any fraction of a yen arising from such calculation shall be rounded up.

b) The amount of capital reserve to be increased upon the issuance of shares by the exercise of the Options shall be the amount obtained by subtracting the amount of capital to be increased as referred to a) from the maximum limit for the increase in capital, etc., as referred to a).

(8) Conditions for exercising Options:

a) Persons Eligible for Options may not exercise a part of an Option by separating their Options.

b) Other conditions related to exercise of the Options not specified herein shall be set out based on a resolution adopted at a meeting of the Board of Directors of the Company that determines the matters regarding an offer of the Options or in a respective agreement concerning the grant of the Options entered into between each eligible person and the Company in accordance with the board resolution (the " Agreement for Granting Share Subscription Rights").

(9) Acquisition of Options:

The Company may acquire Options without payment on a date separately designated by the Board of Directors when the Company approves this at its meeting of shareholders (if approval at a meeting of shareholders is unnecessary, then a meeting of the Board of Directors of the Company) (i) proposal for approval of a merger agreement causing the Company to cease to exist, (ii) proposal for approval of a demerger agreement or demerger plan making the Company a demerging company, (iii) proposal for approval of a stock-for-stock exchange agreement making the Company a wholly-owned subsidiary, or a stock-transfer plan.

(10) Restriction of acquisition by way of transfer:

The acquisition of the Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Company.

(11) Extinguishment of Options upon organizational restructure and determination policy regarding delivery of New Options of Restructuring Company:

In the event that a merger (only if the Company will extinguish due to the merger), absorption-type demerger or incorporation-type demerger (only if the Company will become the demerging company in each case), stock-for-stock exchange, or stock-transfer (only if the Company becomes the wholly-owned subsidiary in each case)(collectively, "Organizational Restructure") occurs, the share subscription rights (the "New Options") of the joint stock company(ies) (kabushiki kaisha) listed in Article 236, paragraph 1, Items 8 (i) through 8 (ho) of the Companies Act (the "Restructuring Company") may be delivered to eligible persons who are holders of the remaining Options (the "Remaining Options") 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 New Options of the Restructuring Company are to be delivered, the Remaining Options shall extinguish, and the Restructuring Company shall newly issue New Options. Provided, however that delivery of the New Options of the Restructuring Company is subject to determination of such delivery pursuant 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 New Options to be delivered:

The same number as the number of Remaining Options held by eligible persons shall be delivered respectively. However, this shall not preclude adjustment to appropriate numbers other than the same number based on the number of shares of the reorganized company that are the subject of the share subscription rights specified in c), the number of shares in a single unit of the reorganized company, and other factors.

b) Type of shares of the Restructuring Company to be issued or transferred by exercise of the New Options:

Common stock of the Restructuring Company

c) Number of shares of the Restructuring Company to be issued or transferred by exercise of the New Options:

The determination was made in accordance with (2) above, taking into consideration the conditions of the organizational restructuring and other factors.

d) Value of assets to be contributed for exercise of New Options:

The value of the assets to be contributed for the exercise of each New Options shall be the amount obtained by multiplying the following amount to be paid upon exercise of the New Options after the restructure (1 yen) by the number of shares of Restructuring Company to be issued or transferred for each New Option determined pursuant to c). The amount to be paid upon exercise of the New Options after the restructure shall be 1 yen per share of the Restructuring Company which may be delivered by exercising each New Option.

e) Exercise period of New Options:

The exercise period of the New Options shall be from the latter of the initial date of the Exercise period of the Options as set forth in paragraph (6) above and the effective date of the Organizational Restructure, through the end of the Exercise period of the Options as set forth in paragraph (6).

f) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of New Options:

Paragraph (7) above shall apply mutatis mutandis.

g) Restriction of acquisition of New Options by way of transfer:

The acquisition of the New Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Restructuring Company.

h) Conditions for exercising New Options and acquisition of New Options:

Paragraphs (8) and (9) above shall apply mutatis mutandis.

(12) Entrustment of determination of matters regarding an offer:

In addition to those matters provided above, further matters including those regarding an offer and any details of the Options shall be determined at a meeting of the Board of Directors of the Company scheduled to be held after the Fiscal Year 2016 (the 53rd FY) General Meeting of Shareholders.

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

The Company seeks shareholder approval to authorize the Board of Directors to make decisions related to solicitation of applications for the share subscription right to be issued in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, with the objective of granting share subscription rights to TEL executive officers, etc. and subsidiary Directors and executive officers, etc.

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

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

With respect to the system of compensation to TEL executive officers, etc. and subsidiary Directors and executive officers, etc. 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 share subscription rights in the past. The Company has implemented its executive compensation system to link executive compensation more closely to its stock prices, consolidated net income and shareholder value, while tying that compensation to efforts to enhance the transparency of management and corporate competitiveness.

Options shall be allocated free of charge as stock-based compensation based on the consolidated performance for the term ended in March 2016, and the number of options allocated shall be calculated in view of the company's pay scale for directors.

2. Outline of the Issuance of Share Subscription Rights (the "Options")

(1) Eligible persons:

- The executive officers, etc. of the Company in office as of the end of the 53rd fiscal year (excluding those who also serve as Corporate Directors in office as of the allocation date) and the Director who will retire as of the end of this General Meeting of Shareholders, to whom payment is considered necessary.
- The Corporate Directors and executive officers, etc. of the Company's domestic subsidiaries, as well as Corporate Directors and executive officers, etc. of overseas subsidiaries in office as of the end of the 53rd fiscal year, to whom payment is considered necessary (excluding corporate directors and executive officers of Tokyo Electron Device Ltd. which is an equity method affiliate of TEL).

(2) Total number and type of shares to be issued or transferred by exercise of Options:

Not more than 111,600 shares of common stock of the Company.

In the event of share splitting or consolidation, the number of shares will be adjusted pursuant to the formula below; provided, however, that this adjustment will be made only with respect to shares 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 x Ratio applicable to the splitting or consolidation of shares.

In the event it becomes necessary to adjust the number of shares for any other reason, the Company will make adjustments to the number of shares to a reasonable extent from time to time based on a resolution of a meeting of the Board of Directors of the Company.

(3) Aggregate number of units of Options:

Not more than 1,116 units.

(100 shares will be equivalent to one Option. The Company will otherwise adjust the number of shares as described in paragraph (2) above.)

(4) Amount paid for Options:

The Company will grant the Options to eligible persons without charge.

(5) Value of assets to be contributed for the exercise of Options:

The value of the assets to be contributed for the exercise of each Option shall be 1 yen per share, multiplied by the number of shares to be issued or transferred for each Option as described in paragraph (3) above.

(6) Exercise period of Options:

The exercise period is to be set by the Board of Directors within twenty years from the allocation date of the Options, including a three-year restriction from the allocation date of the Options.

(7) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of Options:

a) The amount of capital to be increased upon the issuance of shares by the exercise of the Options shall be one-half of the maximum limit for the increase in capital, etc., computed in accordance with Article 17, paragraph 1 of the Company Calculation Regulations, and any fraction of a yen arising from such calculation shall be rounded up.

b) The amount of capital reserve to be increased upon the issuance of shares by the exercise of the Options shall be the amount obtained by subtracting the amount of capital to be increased as referred to a) from the maximum limit for the increase in capital, etc., as referred to a).

(8) Conditions for exercising Options:

a) Persons eligible for Options may not exercise a part of an Option by separating their Options.

b) Other conditions related to exercise of the Options not specified herein shall be set out based on a resolution adopted at a meeting of the Board of Directors of the Company that determines the matters regarding an offer of the Options or in a respective agreement concerning the grant of the Options entered into between each eligible person and the Company in accordance with the board resolution (the " Agreement for Granting Share Subscription Rights ").

(9) Acquisition of Options:

The Company may acquire Options without payment on a date separately designated by the Board of Directors when the Company approves this at its meeting of shareholders (if approval at a meeting of shareholders is unnecessary, then a meeting of the Board of Directors of the Company) (i) proposal for approval of a merger agreement causing the Company to cease to exist, (ii) proposal for approval of a demerger agreement or demerger plan making the Company a demerging company, (iii) proposal for approval of a stock-for-stock exchange agreement making the Company a wholly-owned subsidiary, or a stock-transfer plan.

(10) Restriction of acquisition by way of transfer:

The acquisition of the Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Company.

(11) Extinguishment of Options upon organizational restructure and determination policy regarding delivery of New Options of Restructuring Company:

In the event that a merger (only if the Company will extinguish due to the merger), absorption-type demerger or incorporation-type demerger (only if the Company will become the demerging company in each case), stock-for-stock exchange, or stock-transfer (only if the Company becomes the wholly-owned subsidiary in each case)(collectively, "Organizational Restructure") occurs, the share subscription rights (the "New Options") of the joint stock company(ies) (kabushiki kaisha) listed in Article 236, paragraph 1, Items 8 (i) through 8 (ho) of the Companies Act (the "Restructuring Company") may be delivered to eligible persons who are holders of the remaining Options (the "Remaining Options") 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 New Options of the Restructuring Company are to be delivered, the Remaining

Options shall extinguish, and the Restructuring Company shall newly issue New Options. Provided, however that delivery of the New Options of the Restructuring Company is subject to determination of such delivery pursuant 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 New Options to be delivered:

The same number as the number of Remaining Options held by eligible persons shall be delivered respectively. However, this shall not preclude adjustment to appropriate numbers other than the same number based on the number of shares of the reorganized company that are the subject of the share subscription rights specified in c), the number of shares in a single unit of the reorganized company, and other factors.

b) Type of shares of the Restructuring Company to be issued or transferred by exercise of the New Options:

Common stock of the Restructuring Company

c) Number of shares of the Restructuring Company to be issued or transferred by exercise of the New Options:

The determination was made in accordance with (2) above, taking into consideration the conditions of the organizational restructuring and other factors.

d) Value of assets to be contributed for exercise of New Options:

The value of the assets to be contributed for the exercise of each New Options shall be the amount obtained by multiplying the following amount to be paid upon exercise of the New Options after the restructure (1 yen) by the number of shares of Restructuring Company to be issued or transferred for each New Option determined pursuant to c). The amount to be paid upon exercise of the New Options after the restructure shall be 1 yen per share of the Restructuring Company which may be delivered by exercising each New Option.

e) Exercise period of New Options:

The exercise period of the New Options shall be from the latter of the initial date of the Exercise period of the Options as set forth in paragraph (6) above and the effective date of the Organizational Restructure, through the end of the Exercise period of the Options as set forth in paragraph (6).

f) Matters regarding increase in capital and capital reserve upon issuance of shares by exercise of New Options:

Paragraph (7) above shall apply mutatis mutandis.

g) Restriction of acquisition of New Options by way of transfer:

The acquisition of the New Options by way of a transfer requires approval being granted at a meeting of the Board of Directors of the Restructuring Company.

h) Conditions for exercising New Options and acquisition of New Options:

Paragraphs (8) and (9) above shall apply mutatis mutandis.

(12) Entrustment of determination of matters regarding an offer:

In addition to those matters provided above, further matters including those regarding an offer and any details of the Options shall be determined at a meeting of the Board of Directors of the Company scheduled to be held after the Fiscal Year 2016 (the 53rd FY) General Meeting of Shareholders.

Business Report (From April 1, 2015 to March 31, 2016)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

In the fiscal year under review, there was an increasing sense of uncertainty about the future due to the impact of the economic slowdown in emerging countries in Asia including China, and low crude oil prices. While some areas of weakness are evident, the global economy is generally showing signs of a moderate recovery.

The electronics industry showed an increase in the number of chips per handset accompanying the enhancement of mobile handset functions and an increase in demand for servers used for data centers. On the other hand, demand lacked robustness due to sluggish growth in sales of smartphones and PCs, and the electronic components market showed little growth. In the semiconductor production equipment market, which the Tokyo Electron (TEL) Group is part of, forefront investment of semiconductor makers showed signs of recovery in the second half of the fiscal year, and performance on the whole was solid.

Under these circumstances, financial results for the current consolidated fiscal year were as follows. Consolidated net sales for the fiscal year increased by 8.3% from the previous fiscal year to 663,948 million yen, while operating income was up 32.5%, to 116,788 million yen, and ordinary income increased by 28.5% to 119,399 million yen. Extraordinary losses totaled 12,932 million yen, compared to a loss of 6,121 million yen in the previous fiscal year, due mainly to the reporting of impairment losses on fixed assets following a review of the TEL FSI, Inc. business plan. Net income attributable to owners of parent recorded an 8.4% year-on-year growth to 77,891 million yen.

By division

Our group's main business is the production and sales of semiconductor and FPD (Flat Panel Display) production equipment using its electronic technologies.

(i) Semiconductor Production Equipment

Demand for DRAM and NAND flash memory drives remained strong due to the increasing number of chips used per handset as mobile device functions become more advanced and the growing demand for servers for data centers accompanying the growing use of big data. In this market environment, memory makers proceeded with investment mainly to increase production. Capital investment in advanced technology for logic chips also continued due to robust demand for servers. As a result, the segment's net sales to external customers during the fiscal year under review were 613,032 million yen (up 6.4% compared to the previous fiscal year).

A number of new products were released in this segment during this fiscal year. These include the CLEAN TRACK™ LITHIUS Pro™ AP, high reliability and productivity coater developer for advanced packaging and other applications; the Stratus™ P300, a high-efficiency electrochemical deposition (ECD) tool designed for volume production advanced packaging; and the Triase+™ EX-II™ TiN Plus HT, high temperature process single-wafer metallization system for advancing semiconductor scaling.

(ii) FPD (Flat Panel Display) Production Equipment

The market for FPD production equipment remained firm. In addition to capital investment for large flat panels in China, demand for small to medium-sized flat panel displays for mobile devices also grew. In this environment, the segment's net sales to external customers during the fiscal year under review was 44,687 million yen (up 36.6% compared to the previous fiscal year).

Under this segment, the Impressio™ 1800 PICP™, the dry etch system for high resolution Flat Panel Displays was introduced to the market during this fiscal year.

(iii) Other

The segment's sales to external customers during the year under review totaled 6,228 million yen (up 49.3% from the previous fiscal year).

(2) Capital Investment and Procurement of Funds

In the current consolidated period, the Tokyo Electron (TEL) Group acquired 13,341 million yen in tangible fixed assets. Capital investment in machinery and equipment for use in evaluations, and in machinery and equipment for use in research and development was carried out, centered on focus fields of development in the semiconductor manufacturing equipment business in which high levels of growth is expected. This was done to pursue development based on customers' needs toward achievement of goals set out in our Medium-term Management Plan.

The funding required for this investment came entirely from our own resources; we did not carry out any fund procurement.

(3) Management Tasks

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

Long-term Business Policies

As a company that began as a trade company specializing in technology, TEL perceived at an early stage changes in the environment and made bold changes to adapt. 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 high added value in world markets. Moreover, TEL has maintained growth by taking the lead in original technology in semiconductor production equipment and related areas using its original technology, among others, where innovations in technology will generate new value, and high earnings can be expected.

The driving forces of our company are comprised of the belief that the customer comes first, which has been part of our corporate culture since the founding of TEL, a high level of technical expertise capable of achieving technical innovation, and the challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

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

Medium-term Management Plan

Through contribution to both industry and society, we obtain profits and increase our corporate value. We believe that achieving this will enable us to provide returns to our shareholders who have trusted and invested in us and to enrich our employees and their families. On July 10, 2015, we announced our Medium-term Management Plan up until the fiscal year ending March 2020, which sets out specific targets and outcomes for achieving this goal.

Medium-term Vision

A real global company generating high added-value and profits in Semiconductor and FPD industries through innovative technologies and groundbreaking solutions with integrated diverse technologies.

Financial Model

TEL established a new financial model premised on a US\$37 billion market for Wafer Fab equipment, and TEL aims to achieve this by the fiscal year ending March 2020.

| | |
|--|--------------|
| Wafer Fab Equipment Market size | \$37B |
| Sales | ¥900B |
| Operating margin | 25% |
| ROE (Return on Equity) | 20% |

Bearing in mind the market characteristics inherent in the semiconductor industry where the fluctuations in business cycles are significant, TEL intends to build a business structure capable of achieving net sales of 720 billion yen, operating margin of 20%, and ROE of 15%, even on the basis of a market scale of US\$30 billion.

Issues in Realizing the Medium-term Management Plan

As we quickly approach age of the Internet of Things (IoT) in the near future, we can assume that there will be an even greater demand for semiconductors. On the other hand, miniaturization of semiconductors is about to enter into an area of 10 nanometers or less. This is as microscopic as tens of atoms lined up, which means that it is an extreme challenge toward miniaturization. It is said that the semiconductor technology is on the brink of the inflection point, but the demand for improved performance improvements in semiconductor devices never comes to an end. The TEL Group will not only further continue to pursue miniaturization technology, but also proceed with the introduction of new structures or new material technology and R&D of new package technology, etc. At TEL, we view the rise in customer standards in technical requirements as an excellent opportunity for the TEL Group, which possesses a diverse range of technologies, to expand its business. We enter a time when TEL's comprehensive strength as a production equipment manufacturer becomes increasingly more needed, we are resolved to lead the industry as a technology group that can provide innovative solutions to customers through the accumulated strengths of the TEL Group.

In this environment, New Tokyo Electron, focusing on the semiconductor and FPD production equipment businesses, is making efforts in strengthening the following three areas.

3 areas to strengthen

- **Strengthening product competitiveness**
- **Strengthening response to customers**
- **Strengthening profit structure**

We believe that the continuous creation of strong next-generation products is essential for us to respond to customer needs for cutting-edge technologies. The development task forces which formed the axis of the business units comprising each product have been centralized and unified under the General Manager, Development and Production Division to amalgamate diverse technologies of individual plants and each business unit to enhance the capability for development and technological proposals. This centralization leads to optimization of development costs and resources through allocating more human resources in a concentrated way to areas that require accelerated development and consideration of launching new products, which we believe will offer our engineers increasing opportunities to demonstrate their capabilities without restraint. Thus, we will be able to achieve growth.

Moreover, as customer oligopolization progresses, we have established a general contact point respectively for sales and technology for each customer. By having closer communication with customers, we aim to increase the speed and accuracy of our customer response. Furthermore, enhanced communication will promote deeper understanding of changes in the market environment and true customer needs. By incorporating these into our development strategies, we aim to become a customer need creation-based company that can propose and provide products beyond customers' expectations. In this way, we strive to increase our share in the areas with high future growth potential

and in areas which our products can contribute to the enhancement of added value; namely the etching, deposition, coating and the cleaning business.

Further, as we enter the age of the Internet of Things (IoT), the use of semiconductors will greatly widen, and demand for commodity devices will rapidly increase as well. In this environment, our track record in the world's greatest delivery equipment will be the foundation for the field solution businesses, and is expected to promote sales of remodeling, parts and qualified second-hand equipment, etc.

While realizing the above business growth plan, we will strengthen our IT systems to promote unified management of people, objects and money resources, and business progress, thereby removing all types of resource duplication and waste. Further, we aim to achieve the global level profit structure by balanced control such as investments and suppression as well as optimization.

TEL Group aims to be a company replete with dreams and vitality where employees are energized with hopes and expectations. With a view to continuously creating innovative new products in the semiconductor manufacturing equipment and FPD manufacturing equipment businesses, a company that enables employees to continue challenging themselves to find new ways to achieve growth, and that provides fair compensation when performance is achieved—this is our concept of a company that has both vision and vitality. As a foundation from which to achieve this, we will realize a borderless, fluid utilization of human resources, as well as establish a new remuneration scheme based on roles and responsibilities.

Basic Strategy for Capital Policy

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

View regarding Capital Efficiency

While securing resources necessary for growth investment, TEL will make positive efforts to provide returns to shareholders based on appropriate balance sheet management. Furthermore, to achieve the financial model TEL has committed to under the Medium-term Management Plan stated above, TEL will endeavor to improve return on equity (ROE) by focusing mainly on operating income to sales and total asset turnover.

Shareholder Return Policy

- Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on consolidated net income attributable to owners of parent. But with an annual dividend per share of not less than 150 yen.
(Note) TEL will review our dividend policy if TEL does not generate net income for two consecutive fiscal years.
- TEL will flexibly consider share buybacks.

Approach to corporate social responsibility

TEL Group recognizes that it has a social responsibility to its stakeholders including shareholders, customers, trading partners, and regional companies to generate sustainable growth and medium- to long-term corporate value, and based on the CSR policy introduced in 2013, our dedicated organizations identify materiality and monitor progress.

Furthermore, in June 2015, we joined the Electronic Industry Citizenship Coalition® (EICC®), a CSR alliance that establishes a code of conduct for labor, safety, the environment and ethics in the electronic industry supply chain. By joining the EICC®, we aim to renew our efforts at actively promoting and spreading this code of conduct within the TEL Group, and jointly promoting CSR with our partners in the industry as a whole.

Additionally, to reduce the impact of our products on the environment when they are in use at customer plants, we are moving ahead with efforts to make our products more energy efficient. In fiscal 2014, we set a goal to reduce the use of energy and pure water by 10% over the next five years and we are working toward this reduction.

TEL Group will generate high added value in the semiconductor and FPD industries through proprietary proposals that integrate innovative technical know-how and diverse technologies. Through these, we hope to be evaluated by our customers as the world leader in our field, and contribute to the industrial world by providing returns to all stakeholders including shareholders and employees. We appreciate our shareholder's continued support and look forward to sharing a brighter future with our shareholders.

(4) Changes in the business performance and property

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

| Items | FY2013 (50th FY; From April 1, 2012 to March 31, 2013) | FY2014 (51st FY; From April 1, 2013 to March 31, 2014) | FY2015 (52nd FY; From April 1, 2014 to March 31, 2015) | FY2016 (53rd FY; current fiscal year) (From April 1, 2015 to March 31, 2016) |
|--|---|---|---|--|
| Net sales (million yen) | 497,299 | 612,170 | 613,124 | 663,948 |
| Operating income (million yen) | 12,548 | 32,204 | 88,113 | 116,788 |
| Ordinary income (million yen) | 16,696 | 35,487 | 92,949 | 119,399 |
| Net income (loss) attributable to owners of parent (million yen) | 6,076 | (19,408) | 71,888 | 77,891 |
| Net income (loss) per share (yen) | 33.91 | (108.31) | 401.08 | 461.10 |
| Total assets (million yen) | 775,527 | 828,591 | 876,153 | 793,367 |
| Net assets (million yen) | 605,127 | 590,613 | 641,162 | 564,239 |

(Notes)

- From the current consolidated fiscal year, in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), a change in the presentation from net income to net income attributable to owners of parent has been implemented.
- In the 50th consolidated fiscal year, despite the full-scale popularization of smartphones leading the market, demand has fallen for PCs and TVs, and the overall adjustment phase is continuing in both the semiconductor production equipment market and the FPD production equipment market, so our consolidated financial results for the 50th fiscal year have seen a decrease in income and a decrease in profit.
- In the 51st consolidated fiscal year, against a background of demand for mobile terminal devices, both the semiconductor manufacturing equipment market and the flat-panel display (FPD) manufacturing equipment market performed steadily, so our consolidated results for the 51st period recorded an increase in revenue. Nevertheless, we recorded losses on impairment of goodwill arising from our solar panel manufacturing equipment business and the revision of the business plan for TEL NEXX, Inc. In addition, we recorded unusual or infrequent losses that included impairment losses on fixed assets arising from our business base restructuring plan. These resulted in a consolidated loss for the Group.
- In the 52nd consolidated fiscal year, due to an increase in the number of chips per handset accompanying the enhancement of smartphone functions, robust sales of new models of smartphones with advanced features, and an increase in demand for servers used for data centers, among others, sales in the semiconductor production equipment business, our key line of business, remained solid resulting in significantly increased profit.
- The business performance and property of the TEL Group for FY2016 (the 53rd FY; current fiscal year) are described in (1) "Business Developments and Results."

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

| Items | FY2013 (50th FY; From April 1, 2012 to March 31, 2013) | FY2014 (51st FY; From April 1, 2013 to March 31, 2014) | FY2015 (52nd FY; From April 1, 2014 to March 31, 2015) | FY2016 (53rd FY; current fiscal year) (From April 1, 2015 to March 31, 2016) |
|--------------------------------------|---|---|---|--|
| Net sales (million yen) | 375,485 | 462,282 | 555,092 | 582,623 |
| Operating income (million yen) | 5,717 | 16,230 | 47,094 | 42,092 |
| Ordinary income (million yen) | 27,314 | 27,839 | 86,502 | 74,861 |
| Net income (loss) (million yen) | 22,984 | (26,420) | 63,267 | 63,549 |
| Net income (loss) per share (yen) | 128.28 | (147.44) | 352.98 | 376.20 |
| Total assets (million yen) | 570,042 | 608,206 | 671,759 | 625,968 |
| Net assets (million yen) | 390,303 | 356,701 | 405,468 | 329,351 |

(5) Major business of the TEL Group (As of March 31, 2016)

The major business of the TEL Group includes the manufacture and sale of Semiconductor and FPD(Flat Panel Display) production equipment using electronic technology. Major product items handled by each division are as follows:

| Business | Major products |
|------------------------------------|--|
| Semiconductor production equipment | Coater/Developer, Plasma Etch system, Thermal Processing system, Single Wafer Deposition system, Cleaning system, Wafer Prober |
| FPD production equipment | FPD Plasma Etch/Ash system, FPD Coater Developer |

(Notes)

As for the Photovoltaic Panel (PV) Production Equipment business, it was no longer material as stipulated in the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information from the current fiscal year.

(6) Major subsidiaries (As of March 31, 2016)

| Company | Capital fund | Investment ratio (Indirect investment ratio) | Main business |
|--------------------------------|------------------------|---|--|
| Tokyo Electron Yamanashi Ltd. | 4,000 million yen | (%) 100.00 | Manufacture of Semiconductor and FPD production equipment |
| Tokyo Electron Kyushu Ltd. | 2,000 million yen | 100.00 | Manufacture of Semiconductor and FPD production equipment |
| Tokyo Electron Tohoku Ltd. | 1,000 million yen | 100.00 | Manufacture of Semiconductor production equipment |
| Tokyo Electron Miyagi Ltd. | 100 million yen | 100.00 | Manufacture of Semiconductor production equipment |
| Tokyo Electron FE Ltd. | 100 million yen | 100.00 | Maintenance services for, modification of and relocation of Semiconductor and FPD production equipment, etc. |
| Tokyo Electron America, Inc. | 10 U.S. dollars | 0.00 (100.00) | Sales of and maintenance services for Semiconductor production equipment, etc. |
| Tokyo Electron Europe Ltd. | 17 million euros | 100.00 | Sales of and maintenance services for Semiconductor production equipment, etc. |
| Tokyo Electron Korea Ltd. | 6,000 million won | 100.00 | Sales of and maintenance services for Semiconductor and FPD production equipment, etc. |
| Tokyo Electron Taiwan Ltd. | 200 million NT dollars | 96.00 (98.00) | Sales of and maintenance services for Semiconductor and FPD production equipment, etc. |
| Tokyo Electron (Shanghai) Ltd. | 6 million U.S. dollars | 100.00 | Sales of and maintenance services for Semiconductor and FPD production equipment, etc. |

(Notes)

- At the end of the consolidated fiscal year, the number of consolidated subsidiaries including the above listed companies was 37.
- On February 1, 2016, Tokyo Electron TS Ltd. was merged into Tokyo Electron Yamanashi Ltd.

(7) Major Business Combinations

1. On February 1, 2016, Tokyo Electron TS Ltd. was merged into Tokyo Electron Yamanashi Ltd.

(8) Employees at TEL and in the TEL Group

(As of March 31, 2016)

(i) Number of employees in the TEL Group

| Business segment | Number of employees | Variance from the end of the previous fiscal year |
|------------------------------------|---------------------|---|
| Semiconductor production equipment | 7,967 | 90 |
| FPD production equipment | 466 | (2) |
| Other | 374 | (208) |
| Common to all companies | 1,822 | (95) |
| Total | 10,629 | (215) |

(Notes)

- The number of employees indicates the number of persons employed by TEL and its consolidated subsidiaries.
- As for the Photovoltaic Panel (PV) Production Equipment business, it was no longer material as stipulated in the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information from the current fiscal year. Therefore, it has been removed from the reportable segments and included in "Other." The year-on-year comparisons are based on figures reclassified into segments after the amendment of year-on-year figures.
- "Other" refers to persons employed in transportation of products of TEL Group companies, facilities management, insurance and PV production equipment, etc. Main factor for the decrease in the number of employees in "Other" segment is related to the implementation of dissolution and liquidation of TEL Solar AG, which was resolved at the Board of Directors Meeting held on March 26, 2015.
- "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 |
|---------------------|---|
| 1,426 | (49) |

| Average age | Average length of service in years |
|-------------|------------------------------------|
| 43.3 | 17.0 |

(Note)

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

(9) Major lenders

(As of March 31, 2016)

There is no relevant item.

(10) Major offices of the TEL Group (As of March 31, 2016)

(i) Tokyo Electron Ltd.

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

(ii) Subsidiaries

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

(Note) On February 1, 2016, Tokyo Electron TS Ltd. was merged into Tokyo Electron Yamanashi Ltd.

(11) Other important matters for corporation

On September 24, 2013, TEL concluded a business combination agreement with Applied Materials, Inc. At the 51st Annual General Meeting of Shareholders held in June 2014, TEL received approval for the share exchange between TEL and TEL Japan GK as part of this business combination. However, as TEL reported at the 52nd Annual General Meeting of Shareholders held in June 2015, there was a gap between the view of TEL and Applied Materials and the view of the United States Department of Justice, concerning the approval of relevant governmental regulator and authority under applicable competition laws, and it became apparent that such gap would not be able to be bridged. Therefore, TEL and Applied Materials agreed to terminate the business combination agreement on April 27, 2015 (April 26, 2015 US time). As a result, the above-mentioned share exchange, which was to be a part of the business combination, was also canceled.

2. TEL shares (As of March 31, 2016)

- (i) Total number of shares authorized to be issued 300,000,000
(ii) Total number of issued shares 165,210,911

(Note) Total number of issued shares decreased by 15,400 thousand shares compared to the end of the previous fiscal year, due to cancellation of treasury stock carried out on January 20, 2016.

- (iii) Number of shareholders 24,664

(iv) Major shareholders

| Shareholder | Number of shares held (thousands of shares) | Shareholding ratio (%) |
|---|--|---------------------------|
| The Master Trust Bank of Japan Limited (trust account) | 24,158 | 14.72 |
| Japan Trustee Services Bank Limited (trust account) | 17,385 | 10.59 |
| Tokyo Broadcasting System Holdings, Inc. | 7,727 | 4.71 |
| State Street Bank and Trust Company | 4,346 | 2.64 |
| Trust & Custody Services Bank, Ltd. (securities investment trust account) | 3,583 | 2.18 |
| Japan Trustee Services Bank Limited (trust account 4) | 3,282 | 2.00 |
| BNP Paribas Securities (Japan) Limited | 2,645 | 1.61 |
| State Street Bank and Trust Company 505225 | 2,634 | 1.60 |
| State Street Bank West Client Treaty 505234 | 2,450 | 1.49 |
| Goldman Sachs Japan Co. Ltd. | 2,329 | 1.42 |

(Notes)

- Any fractional sum of less than 1,000 shares is disregarded when the number of shares owned is indicated.
- The shareholding ratios are calculated after eliminating treasury stock (1,176,800 shares). Figures are rounded down to the second decimal place.
- Change reports available for public inspection as of February 1, 2016 indicated that the Bank of Tokyo-Mitsubishi UFJ, Ltd. and 2 other joint holders held 14,461 thousand shares as of January 25, 2016. Change reports available for public inspection as of February 4, 2016 indicated that the Sumitomo Mitsui Trust Bank, Limited and 2 other joint holders held 12,748 thousand shares as of January 29, 2016. Change reports available for public inspection as of March 4, 2016 indicated that Nomura Securities Co., Ltd. and 2 other joint holders held 11,145 thousand shares as of February 29, 2016. Change reports available for public inspection as of February 4, 2016 indicated BlackRock Japan Co., Ltd. and 6 other joint holders held 10,252 thousand shares as of January 29, 2016. But the table above does not include the portion of shares that TEL cannot confirm that it holds as of March 31, 2016.

(v) Important matters regarding treasury stock

(a) Repurchase of own shares

TEL executed repurchase of its own shares as follows based on resolution of the Board of Directors Meeting held on April 27, 2015.

Type and the number of shares acquired: Common stock of TEL 15,400,000 shares

Total cost of acquisition: 105,522,278,669 yen

Period of acquisition: May 14, 2015 through November 19, 2015

(b) Cancellation of treasury stock

TEL cancelled its treasury stock as follows based on resolution of the Board of Directors Meeting held on December 21, 2015.

Type and the number of shares cancelled: Common stock of TEL 15,400,000 shares

Total amount of cancellation: 105,351,178,104 yen

Date of cancellation: January 20, 2016

3. Matters concerning Share Subscription Rights

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

| | 4th share subscription rights | 6th share subscription rights |
|--|---|--|
| Allocation date | August 8, 2005 | June 24, 2006 |
| Allocation number of share subscription rights | 852 units | 669 units |
| Balance at end of fiscal year | 47 units | 73 units |
| Ownership by Corporate Directors of TEL (excluding outside Directors) | - | 10 units (1 person) |
| Ownership by outside Directors of TEL | - | - |
| Ownership by Audit & Supervisory Board Members of TEL | - | - |
| Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights | Common stock of TEL 4,700 shares | Common stock of TEL 7,300 shares |
| Amount paid for the exercise of Share Subscription Rights | 1 yen per share | 1 yen per share |
| Exercise period of Share Subscription Rights | From August 1, 2008 to June 30, 2025. (Notes 1) | From July 1, 2009 to May 29, 2026. (Notes 2) |

| | 7th share subscription rights | 8th share subscription rights |
|--|--|--|
| Allocation date | June 23, 2007 | June 21, 2008 |
| Allocation number of share subscription rights | 1,004 units | 1,779 units |
| Balance at end of fiscal year | 128 units | 346 units |
| Ownership by Corporate Directors of TEL (excluding outside Directors) | 20 units (1 person) | 38 units (1 person) |
| Ownership by outside Directors of TEL | - | - |
| Ownership by Audit & Supervisory Board Members of TEL | - | 28 units (1 person) |
| Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights | Common stock of TEL 12,800 shares | Common stock of TEL 34,600 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, 2010 to May 31, 2027. (Notes 3) | From July 1, 2011 to May 31, 2028. (Notes 4) |

| | 9th share subscription rights | 10th share subscription rights |
|--|--|--|
| Allocation date | June 18, 2011 | June 23, 2012 |
| Allocation number of share subscription rights | 2,342 units | 1,307 units |
| Balance at end of fiscal year | 570 units | 534 units |
| Ownership by Corporate Directors of TEL (excluding outside Directors) | 127 units (2 persons) | 137 units (5 persons) |
| Ownership by outside Directors of TEL | - | - |
| Ownership by Audit & Supervisory Board Members of TEL | 28 units (1 person) | 39 units (2 persons) |
| Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights | Common stock of TEL 57,000 shares | Common stock of TEL 53,400 shares |
| Amount paid for the exercise of Share Subscription Rights | 1 yen per share | 1 yen per share |
| Exercise period of Share Subscription Rights | From July 1, 2014 to May 30, 2031. (Notes 5) | From July 1, 2015 to May 31, 2032. (Notes 6) |

| | 11th share subscription rights |
|--|--|
| Allocation date | June 20, 2015 |
| Allocation number of share subscription rights | 1,357 units |
| Balance at end of fiscal year | 1,357 units |
| Ownership by Corporate Directors of TEL (excluding outside Directors) | 609 units (11 persons) |
| Ownership by outside Directors of TEL | - |
| Ownership by Audit & Supervisory Board Members of TEL | 47 units (1 person) |
| Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights | Common stock of TEL 135,700 shares |
| Amount paid for the exercise of Share Subscription Rights | 1 yen per share |
| Exercise period of Share Subscription Rights | From July 2, 2018 to May 31, 2035. (Notes 7) |

(Notes)

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

5. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2014.
6. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2015.
7. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 2, 2018.

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

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2016)

| Position in TEL | Name | Responsibilities, Significant concurrent posts |
|---|-------------------|---|
| Chairman of the Board | Tetsuo Tsuneishi | |
| Representative Director President & CEO | Toshiki Kawai | President & CEO Chairman of the Board, Tokyo Electron U.S. Holdings, Inc. Chairman of the Board, TEL Venture Capital, Inc. |
| Representative Director Senior Executive Vice President | Hirofumi Kitayama | CSR Promotion Chairman of the Board, Tokyo Electron (Kunshan) Ltd. |
| Corporate Director | Hikaru Ito | Executive Vice President & General Manager Chairman of the Board, Tokyo Electron (Shanghai) Ltd. Chairman of the Board, Tokyo Electron (Shanghai) Logistic Center Ltd. |
| Corporate Director | Kenji Washino | Senior Vice President & Deputy General Manager Chairman of the Board, Tokyo Electron America, Inc. Chairman of the Board, Tokyo Electron Europe Ltd. |
| Corporate Director | Tetsuro Hori | Internal Control Senior Vice President & General Manager |
| Corporate Director | Gishi Chung | Senior Vice President & General Manager Chairman of the Board, TEL Technology Center, America, LLC |
| Corporate Director | Masami Akimoto | Senior Vice President & General Manager President, Tokyo Electron Kyushu Ltd. |
| Corporate Director | Sadao Sasaki | Senior Vice President & General Manager President, Tokyo Electron Tohoku Ltd. |
| Corporate Director | Tatsuya Nagakubo | Business Ethics Vice president & General Manager |
| Corporate Director Corporate Advisor | Tetsuro Higashi | |
| Corporate Director | Hiroshi Inoue | Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, FUJIFILM Holdings Corporation |

| Position in TEL | Name | Responsibilities, Significant concurrent posts |
|----------------------------------|--------------------|--|
| Corporate Director | Masahiro Sakane | Outside Director, Nomura Holdings, Inc. Outside Director, Nomura Securities Co., Ltd. Outside Director, Asahi Glass Co., Ltd. Outside Director, Takeda Pharmaceutical Company, Ltd. Outside Director, Kajima Corporation |
| Audit & Supervisory Board Member | Yoshiteru Harada | |
| Audit & Supervisory Board Member | Shojiro Mori | |
| Audit & Supervisory Board Member | Mikio Akaishi | |
| Audit & Supervisory Board Member | Takatoshi Yamamoto | Outside Auditor, Fuji Heavy Industries Ltd. |
| Audit & Supervisory Board Member | Ryuji Sakai | Attorney-at-Law Outside Auditor, Kobayashi Pharmaceutical Co., Ltd. |

Members of the Compensation Committee:

Tatsuya Nagakubo, Sadao Sasaki, Hiroshi Inoue

Members of the Nomination Committee:

Tetsuo Tsuneishi, Tetsuro Hori, Masami Akimoto

(Notes)

- Corporate Directors Hiroshi Inoue and Masahiro Sakane are Outside Directors.
- Audit & Supervisory Board Members Mikio Akaishi, Takatoshi Yamamoto and Ryuji Sakai are Outside Audit & Supervisory Board Members.
- As Directors Hiroshi Inoue and Masahiro Sakane and Audit & Supervisory Board Members Mikio Akaishi and Takatoshi Yamamoto meet the "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" established based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange, Inc., TEL appointed Hiroshi Inoue and Masahiro Sakane as independent Directors as well as Mikio Akaishi and Takatoshi Yamamoto as independent Audit & Supervisory Board Members pursuant to the regulations of Tokyo Stock Exchange, Inc. and provided notice to Tokyo Stock Exchange, Inc.
- TEL has entered into agreements with Corporate Directors Hiroshi Inoue and Masahiro Sakane as well as with Audit & Supervisory Board Members Yoshiteru Harada, Shojiro Mori, Mikio Akaishi, Takatoshi Yamamoto and Ryuji Sakai 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, when they carry out their responsibilities in good faith with no gross negligence.
- 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.
- Audit & Supervisory Board Member Shojiro Mori has experience as the Director of the Accounting Department and as Vice President & General Manager of corporate administration for TEL's subsidiaries, and has abundant experience in operations and management as well as appropriate level of knowledge relating to finance and accounting.
- Audit & Supervisory Board Member Takatoshi Yamamoto is a chartered member of The Securities Analysts Association of Japan and has the appropriate level of knowledge relating to finance and accounting.

8. Corporate Directors' position and responsibilities have been changed as follows during the Fiscal Year 2016.

| Name | Previous Position | New Position | Effective Date |
|-------------------|---|--|-----------------|
| Tetsuro Higashi | Representative Director President & CEO | Corporate Director Corporate Advisor | January 1, 2016 |
| Toshiki Kawai | Representative Director Senior Executive Vice President & COO | Representative Director President & CEO | January 1, 2016 |
| Hirofumi Kitayama | Representative Director Senior Executive Vice President Business Ethics CSR Promotion | Representative Director Senior Executive Vice President CSR Promotion | January 1, 2016 |
| Tatsuya Nagakubo | Corporate Director | Corporate Director Business Ethics | January 1, 2016 |

9. As of April 1 2016, the following changes were made on responsibilities and significant concurrent posts.

| Position in TEL | Name | Responsibilities and significant concurrent posts |
|--|-----------------|---|
| Representative Director President & CEO | Toshiki Kawai | Chairman of the Board, Tokyo Electron U.S. Holdings, Inc. |
| Corporate Director | Gishi Chung | Senior Vice President & General Manager Chairman of the Board, TEL Technology Center, America, LLC Chairman of the Board, TEL Venture Capital, Inc. Chairman of the Board, TEL NEXX, Inc. |
| Corporate Director | Hiroshi Inoue | Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, FUJIFILM Holdings Corporation |
| Corporate Director | Masahiro Sakane | Outside Director, Nomura Holdings, Inc. Outside Director, Asahi Glass Co., Ltd. Outside Director, Takeda Pharmaceutical Company, Ltd. Outside Director, Kajima Corporation |

(ii) Condition of Executive officers (As of March 31, 2016)

| Name | Position & Responsibilities |
|---------------------|--|
| Toshiki Kawai | President & CEO, General Manager, Business Division |
| Hirofumi Kitayama | Senior Executive Vice President, Development & Production |
| Hikaru Ito | Executive Vice President, General Manager, Global Field Division |
| Kenji Washino | Senior Vice President, Deputy General Manager, Global Field Division |
| Tetsuro Hori | Senior Vice President, General Manager, Corporate Administration Division, Accounting, Finance, Intellectual Property / Corporate Strategy / IR / Compliance & Internal Control |
| Sadao Sasaki | Senior Vice President, General Manager, Development & Production Division, Corporate Product Development / Product Development Division, Deposition President, Tokyo Electron Tohoku Ltd. |
| Gishi Chung | Senior Vice President, Deputy General Manager, Development & Production Division Deputy General Manager, Corporate Product Development |
| Masami Akimoto | Senior Vice President, Deputy General Manager, Development & Production Division General Manager, Coat & Clean President, Tokyo Electron Kyushu Ltd. |
| Shigetoshi Hosaka | Senior Vice President, General Manager, Innovative Technology Planning Division |
| Hideyuki Tsutsumi | Senior Vice President, Deputy General Manager, Business Division (Etching Systems/Thermal Processing Systems) |
| Barry Mayer | Senior Vice President, General Manager, Global Strategy President, Tokyo Electron U.S. Holdings, Inc. |
| David Brough | Senior Vice President, General Manager, Global Strategy, Europe Region President, Tokyo Electron Europe Ltd |
| Tatsuya Nagakubo | VP & Deputy General Manager, Corporate Administration Division, Human Resources & General Affairs / CSR Promotion |
| Masahiko Hamajima | VP & General Manager, Corporate Strategy |
| Takeo Sasaki | VP & General Manager, Legal / Export & Logistics Control |
| Akihisa Sekiguchi | VP & General Manager, Advanced Semiconductor Technology Division |
| Kazushi Tahara | VP & General Manager, Production Division President, Tokyo Electron India Private Ltd. |
| Keisuke Koizumi | VP & General Manager, IT Division |
| Yutaka Nanasawa | VP & Deputy General Manager, IT Division President, TEL Solar Services AG |
| Seisu Ikeda | VP & General Manager, Clean Track BU |
| Yoshinobu Mitano | VP & General Manager, Etching Systems BU |
| Shingo Tada | VP & General Manager, Thermal Processing Systems BU |
| Takeshi Okubo | VP & General Manager, Single Wafer Deposition BU |
| Toshihiko Nishigaki | VP & General Manager, Surface Preparation Systems BU President, TEL FSI, Inc. |
| Yuichi Abe | VP & General Manager, Assemble and Test Systems BU |
| Kiyoshi Sunohara | VP & General Manager, Field Solutions BU |
| Tsuguhiko Matsuura | VP & General Manager, FPDBU |
| Shinichi Sasahara | VP & General Manager, PVE |

| Name | Position & Responsibilities |
|------------------|---|
| Yoshiaki Horii | VP & General Manager, Planning of Region Strategy Division |
| Yoshifumi Tahara | VP & Deputy General Manager, Product Development Division, Deposition, President, Tokyo Electron Yamanashi Ltd. |
| Hiromichi Ito | VP & General Manager President, Tokyo Electron Miyagi Ltd. |

(Note) As of April 1, 2016, Shigetoshi Hosaka retired from his post of Senior Vice President, and Shinichi Sasahara retired from his post of Vice President. In addition, as of the same date, the following changes were made to responsibilities.

| Name | Position & Responsibilities |
|-------------|--|
| Gishi Chung | Senior Vice President Deputy General Manager, Development & Production Division Deputy General Manager, Corporate Product Development Innovative Technology Planning Division |

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

| | Fixed Compensation (Monthly Remuneration) | Compensation linked to business performance (Annual) | |
|--|--|--|---|
| | Amount paid during FY2016 | Bonus (Note 1) | Stock options for stock-based compensation (Note 2) |
| Total amount of Corporate Director compensation (14 persons) | (million yen) 604 | (million yen) 637 | (million yen) 1,050 |
| Portion of outside Director compensation (2 persons) | 24 | 16 | |
| Total amount of Audit & Supervisory Board Member compensation (5 persons) | 118 | | |
| Portion of outside Audit & Supervisory Board Member compensation (3 persons, including 1 full-time Audit & Supervisory Board Member) | 54 | | |

(Reference)

Individual Compensation of Representative Directors during FY2016

| Name and Position | Fixed Compensation (Monthly Remuneration) | Compensation linked to business performance (Annual) | |
|--|--|--|---|
| | Amount paid during FY2016 | Bonus (Note 1) | Stock options for stock-based compensation (Note 2) |
| Toshiki Kawai Representative Director, President & CEO (Note 7) | (million yen) 58 | (million yen) 69 | (million yen) 86 |
| Hirofumi Kitayama Representative Director, Senior Executive Vice President | 72 | 72 | 132 |

(Notes)

- The amount indicated is the amount of Director compensation that will be proposed at the Annual General Meeting of Shareholders for fiscal year 2016 (the 53rd fiscal year) scheduled to be held on June 17, 2016.
- In the column of stock options for stock-based compensation, the amount for expenses incurred during the current fiscal year is indicated in accordance with the Accounting Standard for Stock Options (ASBJ Statement No. 8). The expenses associated with stock-based compensation has been recorded over the vesting period where employee's labor is provided, from the date

stock option is granted to the date it is vested. Along with the vesting period where employee's labor is provided has changed from the 11th subscription rights issued in 2015 going forward, the expenses associated with the 11th subscription rights are recorded all at once in the fiscal year 2016, and the expenses associated with the subscription rights proposed at the annual general meeting of shareholders for fiscal year 2016 (the 53rd fiscal year) scheduled to be held on June 17 are recorded all at once in the fiscal year 2016, as the business performance of fiscal year 2016 is the base of calculation for the stock-based compensation. In summary, 7 million yen associated with the 10th subscription rights issued in 2012, 453 million yen associated with the 11th subscription rights issued in 2015, and 589 million yen associated with the subscription rights that will be proposed at the Annual General Meeting of Shareholders for fiscal year 2016 (the 53rd fiscal year) are recorded in the fiscal year 2016.

3. It was resolved at the 48th Annual General Meeting of Shareholders held on June 17, 2011 that the maximum amount of Corporate Director fixed compensation for a fiscal year should be 750 million yen (including a maximum of 30 million yen per fiscal year for outside Directors). TEL does not pay the employee portion of compensation other than the director compensation to Corporate Directors concurrently serving as Executive Officers.
4. It was resolved at the 48th Annual General Meeting of Shareholders held on June 17, 2011 that the maximum amount of Audit & Supervisory Board Member fixed compensation for a fiscal year should be 13 million yen per month (a maximum of 156 million yen annually).
5. Audit & Supervisory Board Member Yoshiteru Harada assumed the position of Audit & Supervisory Board Member immediately after retiring from Corporate Director at the 52nd Annual General Meeting of Shareholders held on June 19, 2015. Accordingly, amounts of compensation have been stated distinguishing between those for his terms of office as Corporate Director and Audit & Supervisory Board Member, stated in the total amount of Corporate Director compensation, and the total amount of Audit & Supervisory Board Member compensation, respectively.
6. A Compensation Committee has been established within the Board of Directors to deliberate on the individual compensation for Representative Directors, to be proposed to the Board of Directors.
7. The amount of compensation after his assumption of office as Corporate Director on June 19, 2015 is shown.

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

a. Policies on compensation

TEL aims to strengthen corporate competitiveness at the global level and increase management transparency, adopting a director compensation system that is closely linked to performance and shareholder value. The compensation of Corporate Directors and executive officer is comprised of a fixed monthly wage and an annual performance-linked bonus. Audit & Supervisory Board Members' compensation consists only of a monthly fixed remuneration to maintain independence from management. Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors and Audit & Supervisory Board Members, was abolished in and after the 43rd fiscal year (ended March 2006).

b. Roles of Compensation Committee

The Compensation Committee, which is comprised of three or more Corporate Directors, including an Outside Corporate Director, performs an analysis of wage levels compared to other companies in our industry in Japan, and proposes a policy and system for director compensation and individual compensation amounts, including the bonus for the CEO, based not only on analysis of monetary amount, but also on analysis of the various points of the environment for director compensation to the Board of Directors.

c. Compensation formula

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

In principle, performance-linked compensation consists of a cash compensation and compensation in shares; the composition is roughly 1:1 for Corporate Directors, and single year performance is appropriately reflected in the performance-linked compensation of the CEO and other Corporate Directors. Performance-linked compensation is limited to five times fixed compensation. Share compensation is awarded in the form of stock options with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment.

In addition, implementation of compensation system that links more closely to medium-and-long term business performance is planned to be discussed centered on the Compensation Committee.

(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, 2016)

| Position in TEL | Name | Significant concurrent posts | Relationship with TEL |
|--|--------------------|---|----------------------------------|
| Outside Director | Hiroshi Inoue | Chairman of the Board, Tokyo Broadcasting System Holdings, Inc. Chairman of the Board, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, FUJIFILM Holdings Corporation | No significant business relation |
| Outside Director | Masahiro Sakane | Outside Director, Nomura Holdings, Inc. Outside Director, Nomura Securities Co., Ltd. Outside Director, Asahi Glass Co., Ltd. Outside Director, Takeda Pharmaceutical Company, Ltd. Outside Director, Kajima Corporation | No significant business relation |
| Outside Audit & Supervisory Board Member | Takatoshi Yamamoto | Outside Auditor, Fuji Heavy Industries Ltd. | No significant business relation |
| Outside Audit & Supervisory Board Member | Ryuji Sakai | Outside Auditor, Kobayashi Pharmaceutical Co., Ltd. | No significant business relation |

b. Main activities during the current fiscal year

| Position in TEL | Name | Main activities |
|--|--------------------|--|
| Outside Director | Hiroshi Inoue | Hiroshi Inoue attended all 14 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge as a business entrepreneur, made appropriate comments on proposals and other matters of deliberation. |
| Outside Director | Masahiro Sakane | Masahiro Sakane attended all 14 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge as a business entrepreneur, made appropriate comments on proposals and other matters of deliberation. |
| Outside Audit & Supervisory Board Member | Mikio Akaishi | Mikio Akaishi attended all 14 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his wealth of experience and knowledge as an auditor and other roles in other companies, made appropriate comments on proposals and other matters of deliberation. |
| Outside Audit & Supervisory Board Member | Takatoshi Yamamoto | Takatoshi Yamamoto attended all 14 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his wealth of experience and knowledge as a securities analyst for the electronics industry, made appropriate comments on proposals and other matters of deliberation. |

| Position in TEL | Name | Main activities |
|--|-------------|--|
| Outside Audit & Supervisory Board Member | Ryuji Sakai | Ryuji Sakai attended 13 of the 14 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held in the year, and, drawing on his specialist perspective as a lawyer, made appropriate comments on proposals and other matters of deliberation. |

5. Condition of accounting auditor

(1) Name of accounting auditor

KPMG AZSA LLC

(2) Amount of Compensation Paid to Accounting Auditors

(million yen)

| | | |
|----|--|-----|
| i | Amount of compensation to be paid by TEL for audit services pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law | 157 |
| ii | Total monetary compensation and other benefits to be paid to accounting auditors by TEL and its subsidiaries | 188 |

(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 (i) above is the total of these two amounts.
- At TEL, accounting auditors performed duties other than those listed in Article 2.1 of the Certified Public Accountants Act of Japan, and have been paid a consideration of one million yen for their work in establishing an internal control system related to financial reporting.
- Of TEL's main subsidiaries, the following subsidiaries undergo audits by certified public accountants or audit companies other than TEL's accounting auditors.
 - Tokyo Electron America, Inc.
 - Tokyo Electron Europe Ltd.
 - Tokyo Electron Korea Ltd.
 - Tokyo Electron Taiwan Ltd.
 - Tokyo Electron (Shanghai) Ltd.

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

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

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

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

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

the Audit & Supervisory Board, shall submit the proposal calling for the dismissal or non-reappointment of the accounting auditors to a General Shareholders' Meeting.

6. Corporate Structures and Policies

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

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

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

Fundamental Policies concerning Internal Controls within the Tokyo Electron Group

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

3. Regulations concerning management of the risk of loss and other structures
 - (i) Risk Management Regulations shall be formulated, the types of risks that should be managed shall be identified, and risk management systems clarified.
 - (ii) The department responsible for each risk specified in the above regulations shall be determined, group-wide risks shall be managed, and risk management structures shall be described in detail and implemented properly.
 - (iii) Efforts to develop preparedness for risks related to such events as earthquakes, in order to ensure the continuity of business, shall be continually promoted.
 - (iv) The responsible Directors shall report periodically to the Board of Directors concerning the status of major risks and measures taken to counter them.

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 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 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 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 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.

Outlines of operational status relating to structures for ensuring the proper performance of business

1. Compliance system

- (i) Efforts have been made so that the importance of compliance is thoroughly made understood within the Group based on Code of Ethics of the TEL Group and Compliance Regulations.
- (ii) As for compliance-related education, based on each theme, education is provided according to positions or otherwise as a compulsory education to all employees. The topics of the education include corporate ethics and compliance, export compliance, insider trading prevention, and Act against delay in payment of subcontract proceeds, etc.
- (iii) TEL Group operates an internal reporting system that employees can use to report concerns related to any activity which may violate laws, regulations or principles of business ethics. The entire Group has established an ethics hotline and a compliance hotline, while reporting contact points are also in place at each overseas base.

2. Risk management system

- (i) TEL Group establishes the "Risk Management Regulations" and "Crisis Management Regulations," and assesses and analyzes the risks which could affect the Group, promotes necessary measures focusing on material risks, and reports on risk management activities to the Board of Directors and the Audit & Supervisory Board Members on a regular basis, in an aim to reduce risks.
- (ii) TEL Group developed its Business Continuity Plan at the headquarters to respond to risks including earthquakes. The BCP is being developed at the plant and office levels by reviewing measures for early recovery and alternate production following a disaster.

3. Management of TEL Group companies' business

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

4. Performance of duties by Directors

TEL's Board of Directors determines important matters, and oversees the execution of duties by the entire Group. Further, the Board of Directors appointed Representative Director, Executive Director and Executive Officers for the execution of their duties.

5. Audit system by Audit & Supervisory Board Members

(i) The Audit & Supervisory Board Members confirm the status of establishment and operations of internal control system by attending meetings of the Board of Directors and other key meetings such as the Top Management Conference or the ethics committee.

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

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

TEL has used internal capital reserves effectively to raise corporate value through earnings growth and provided returns directly to shareholders by concentrating investment in high-growth areas and linking dividend payments to business performance. Going forward, while the policy of active investment in R&D, facilities, and human resources in the high added value business, our future growth drive, will remain unchanged, Board of Directors meeting held on July 10, 2015, however, approved to increase a payout ratio based on net income attributable to owners of parent to 50% from 35% as a more attractive shareholder return policy. Therefore, basic policy concerning shareholder return has been changed as follows.

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. But with an annual dividend per share of not less than 150 yen.

Note: 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 53rd fiscal year, TEL will pay 112 yen per share, applying the aforementioned new policy with consideration of consolidated business result for the second half of the year. Its payment date will be May 27, 2016. As a result, the annual dividend will be 237 yen per share, which includes an interim dividend of 125 yen.

Consolidated Balance Sheet

(Millions of yen)

| | As of March 31, 2015 | As of March 31, 2016 |
|-------------------------------------|-------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposit | 79,382 | 75,674 |
| Trade notes and accounts receivable | 110,845 | 116,503 |
| Securities | 238,532 | 160,999 |
| Merchandise and finished goods | 112,301 | 130,478 |
| Work in process | 41,483 | 41,556 |
| Raw materials and supplies | 21,803 | 23,044 |
| Deferred income taxes | 27,671 | 31,203 |
| Others | 39,241 | 38,003 |
| Allowance for doubtful accounts | (378) | (48) |
| Total current assets | <u>670,882</u> | <u>617,416</u> |
| Long-term assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 152,979 | 147,653 |
| Accumulated depreciation | (97,910) | (99,794) |
| Buildings and structures, net | <u>55,068</u> | <u>47,859</u> |
| Machinery and carriers | 102,295 | 99,976 |
| Accumulated depreciation | (82,420) | (83,172) |
| Machinery and carriers, net | <u>19,874</u> | <u>16,803</u> |
| Land | 25,021 | 23,867 |
| Others | 32,539 | 32,966 |
| Accumulated depreciation | (25,608) | (25,180) |
| Others, net | <u>6,931</u> | <u>7,786</u> |
| Total tangible fixed assets | <u>106,896</u> | <u>96,316</u> |
| Intangible fixed assets | | |
| Others | 27,566 | 17,603 |
| Total intangible fixed assets | <u>27,566</u> | <u>17,603</u> |
| Investments and other assets | | |
| Investment securities | 23,934 | 19,914 |
| Deferred income taxes | 18,347 | 20,781 |
| Net defined benefit asset | 8,817 | 1,623 |
| Others | 21,591 | 21,537 |
| Allowance for doubtful accounts | (1,884) | (1,825) |
| Total investments and other assets | <u>70,807</u> | <u>62,031</u> |
| Total long-term assets | <u>205,271</u> | <u>175,951</u> |
| Total assets | <u>876,153</u> | <u>793,367</u> |

Consolidated Balance Sheet

(Millions of yen)

| | As of March 31, 2015 | As of March 31, 2016 |
|---|-------------------------|-------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Trade notes and accounts payable | 56,478 | 55,050 |
| Income taxes payable | 6,196 | 22,460 |
| Accrued employees' bonuses | 12,111 | 11,623 |
| Accrued warranty expenses | 10,441 | 8,686 |
| Others | 87,583 | 68,239 |
| Total current liabilities | <u>172,812</u> | <u>166,060</u> |
| Long-term liabilities | | |
| Net defined benefit liability | 51,104 | 55,302 |
| Others | 11,074 | 7,765 |
| Total long-term liabilities | <u>62,178</u> | <u>63,067</u> |
| Total liabilities | <u>234,991</u> | <u>229,128</u> |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 54,961 | 54,961 |
| Capital surplus | 78,023 | 78,023 |
| Retained earnings | 488,816 | 427,618 |
| Treasury stock | (9,064) | (8,050) |
| Total shareholders' equity | <u>612,736</u> | <u>552,551</u> |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,463 | 7,902 |
| Deferred gains or losses on hedges | 122 | 50 |
| Translation adjustments | 12,481 | 6,742 |
| Remeasurements of defined benefit plans | 4,681 | (4,877) |
| Total accumulated other comprehensive income | <u>26,747</u> | <u>9,817</u> |
| Subscription rights to shares | 1,420 | 1,641 |
| Non-controlling interests | 257 | 228 |
| Total net assets | <u>641,162</u> | <u>564,239</u> |
| Total liabilities and net assets | <u>876,153</u> | <u>793,367</u> |

Consolidated Statement of Income

(Millions of yen)

| | As of March 31, 2015 | As of March 31, 2016 |
|---|-------------------------|-------------------------|
| Net sales | 613,124 | 663,948 |
| Cost of sales | 370,351 | 396,738 |
| Gross profit | <u>242,773</u> | <u>267,209</u> |
| Selling, general & administrative expenses | | |
| Salaries and allowances | 24,297 | 24,210 |
| Research and development expenses | 71,349 | 76,286 |
| Others | 59,013 | 49,923 |
| Total selling, general & administrative expenses | <u>154,660</u> | <u>150,420</u> |
| Operating income | <u>88,113</u> | <u>116,788</u> |
| Non-operating income | | |
| Interest income | 901 | 547 |
| Foreign currency translation income | 1,575 | 886 |
| Revenue from grants | 629 | 400 |
| Others | 1,880 | 1,964 |
| Total non-operating income | <u>4,985</u> | <u>3,798</u> |
| Non-operating expenses | | |
| Expenses for purchase of treasury stock | - | 662 |
| Maintenance and operation cost of closed business bases | 47 | 147 |
| Others | 102 | 378 |
| Total non-operating expenses | <u>149</u> | <u>1,187</u> |
| Ordinary income | <u>92,949</u> | <u>119,399</u> |
| Unusual or infrequent profit | | |
| Gain on sale of fixed assets | 1,839 | 1,025 |
| Gain on sale of investment securities | 54 | 445 |
| Total unusual or infrequent profit | <u>1,894</u> | <u>1,470</u> |
| Unusual or infrequent loss | | |
| Loss on impairment | 2,505 | 9,727 |
| Loss from restructuring | - | 2,235 |
| Loss on liquidation of subsidiaries and affiliates | 1,069 | - |
| Expenses for restructuring of business bases | 1,046 | - |
| Additional payment of custom tax | 1,003 | - |
| Others | 2,390 | 2,441 |
| Total unusual or infrequent loss | <u>8,015</u> | <u>14,403</u> |
| Income before income taxes | <u>86,827</u> | <u>106,466</u> |
| Provision for income taxes and enterprise taxes | 14,726 | 32,559 |
| Deferred income taxes | 172 | (4,029) |
| Total income taxes | <u>14,898</u> | <u>28,530</u> |
| Net income | <u>71,928</u> | <u>77,936</u> |
| Net income attributable to non-controlling interests | 40 | 44 |
| Net income attributable to owners of parent | <u>71,888</u> | <u>77,891</u> |

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period | 54,961 | 78,023 | 488,816 | (9,064) | 612,736 |
| Changes of items during the period | | | | | |
| Cash dividends | | | (33,013) | | (33,013) |
| Net income attributable to owners of parent | | | 77,891 | | 77,891 |
| Repurchase of treasury stock | | | | (105,809) | (105,809) |
| Disposal of treasury stock | | | (725) | 1,472 | 746 |
| Cancellation of treasury stock | | | (105,351) | 105,351 | - |
| Net change except shareholders' equity | | | | | |
| Total changes of items during the period | - | - | (61,198) | 1,013 | (60,184) |
| Balance at end of period | 54,961 | 78,023 | 427,618 | (8,050) | 552,551 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|------------------------|---|--|-------------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 9,463 | 122 | 12,481 | 4,681 | 26,747 | 1,420 | 257 | 641,162 |
| Changes of items during the period | | | | | | | | |
| Cash dividends | | | | | | | | (33,013) |
| Net income attributable to owners of parent | | | | | | | | 77,891 |
| Repurchase of treasury stock | | | | | | | | (105,809) |
| Disposal of treasury stock | | | | | | | | 746 |
| Cancellation of treasury stock | | | | | | | | - |
| Net change except shareholders' equity | (1,560) | (71) | (5,738) | (9,559) | (16,929) | 220 | (29) | (16,738) |
| Total changes of items during the period | (1,560) | (71) | (5,738) | (9,559) | (16,929) | 220 | (29) | (76,923) |
| Balance at end of period | 7,902 | 50 | 6,742 | (4,877) | 9,817 | 1,641 | 228 | 564,239 |

Consolidated Cash Flow

(Millions of yen)

| | Year ended March 31, 2015 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| Cash flow from operating activities | | |
| Income before income taxes | 86,827 | 106,466 |
| Depreciation and amortization | 20,878 | 19,257 |
| Loss on impairment | 2,505 | 9,727 |
| Amortization of goodwill | 1,150 | 970 |
| Increase (decrease) in accrued warranty expenses | 259 | (1,685) |
| Interest and dividend revenue | (1,280) | (855) |
| Loss (gain) on sales of property, plant and equipment | (1,820) | (899) |
| Loss (gain) on sales of shares of subsidiaries and affiliates | 1,609 | 1,110 |
| Decrease (increase) in trade notes and accounts receivable | (1,318) | (8,649) |
| Decrease (increase) in inventories | (26,849) | (23,535) |
| Increase (decrease) in accounts payable | 9,432 | 31 |
| Decrease (increase) in prepaid consumption tax | (11,383) | (1,910) |
| Increase (decrease) in accrued consumption tax | 2,706 | (1,022) |
| Increase (decrease) in customer advances | 12,911 | (15,003) |
| Others | (1,203) | (202) |
| Subtotal | 94,424 | 83,797 |
| Receipts from interest and dividends | 1,621 | 956 |
| Income taxes paid or refund (paid) | (24,239) | (15,356) |
| Net cash generated by operating activities | 71,806 | 69,398 |
| Cash flow from investing activities | | |
| Payment into time deposits | - | (25,000) |
| Proceeds from time deposits | 5 | 12 |
| Payment for purchase of short-term investments | (24,996) | (184,490) |
| Proceeds from redemption of short-term investments | 188,296 | 68,492 |
| Payment for purchase of tangible fixed assets | (11,898) | (11,294) |
| Proceeds from sales of tangible fixed assets | 2,548 | 2,150 |
| Payment for purchase of intangible fixed assets | (422) | (707) |
| Proceeds from sales of investment securities | 1,093 | 1,330 |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 1,726 | - |
| Others | (615) | (506) |
| Net cash used in investing activities | 155,737 | (150,013) |
| Cash flow from financing activities | | |
| Payment for purchase of treasury stock | (183) | (105,532) |
| Dividends paid | (17,923) | (33,013) |
| Others | (106) | (55) |
| Net cash generated by financing activities | (18,213) | (138,600) |
| Effect of exchange rate changes on cash and cash equivalents | 3,505 | (2,776) |
| Net increase (decrease) in cash and cash equivalents | 212,835 | (221,993) |
| Cash and cash equivalents at beginning of period | 104,797 | 317,632 |
| Cash and cash equivalents at end of period | 317,632 | 95,638 |