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May 29, 2017

NOTICE OF FISCAL YEAR 2017 (the 54th FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Our Shareholders:

We are pleased to announce that the 54th Annual General Meeting of Shareholders (the "AGM") of Tokyo Electron Ltd. ("TEL") will be held on Tuesday, June 20, 2017, at 10:00 a.m. Japan standard time, at PALACE HOTEL TOKYO, located at 1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo. Shareholders will also be asked to vote upon the following Agenda:

- 1: Election of Twelve Corporate Directors**
- 2: Election of Three Audit & Supervisory Board Members**
- 3: Payment of Bonuses to Corporate Directors for the 54th 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 2017 AGM, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IF YOU ARE UNABLE TO ATTEND THE AGM, PLEASE CONTACT YOUR BROKER OR CUSTODIAN WITH YOUR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.

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

Sincerely,

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

This is a summary translation of a notice in Japanese language distributed to Japanese shareholders and provided for the convenience of foreign shareholders. The Japanese version is the official, legal document. Please vote by using the form or Internet websites etc. by 5:30 p.m. on Monday, June 19, 2017 (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 FY2017 (the 54th FY; from April 1, 2016 to March 31, 2017), 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 FY2017 (the 54th FY; from April 1, 2016 to March 31, 2017).

Proposal 1: Election of Twelve Corporate Directors

At the conclusion of the Annual General Meeting of Shareholders, the term of office for all 11 Corporate Directors will expire. We believe that the appropriate size of the Board of Directors shall enable high quality, active debate as well as maintain the level of diversity expected from both inside Directors and independent outside Directors. As the optimal composition in line with the current business environment considering the balance of knowledge, experience and skills, we ask you to agree to elect 12 Corporate 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)	<p><u>April 1976</u> Joined Tokyo Electron Ltd.</p> <p><u>June 1992</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>June 1996</u> Senior Managing Director, Tokyo Electron Ltd.</p> <p><u>June 2003</u> Vice Chairman of the Board, Tokyo Electron Ltd.</p> <p><u>June 2015</u> Chairman of the Board, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Chairman of the Board (To be appointed Representative Director, Chairman of the Board as of June 1, 2017.)</p> <p>(Significant concurrent posts) Corporate Director, Tokyo Electron Device Ltd.</p>	14,158
<p>[Reason for selection as Corporate Director nominee] Other than his involvement in the semiconductor manufacturing equipment business of the Company, Mr. Tsuneishi has been involved in management in a wide range of fields from IR, legal and business strategies, and is equipped with ample experience and a proven track record. With the expectation of utilizing these experiences and track record in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
2	Toshiki Kawai (August 26, 1963)	<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>	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. With the expectation of leveraging these experiences and achievement in decision making concerning the Group management policies at the board of directors, we nominate him as a corporate director.</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	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.</p> <p><u>June 2016</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Representative Director, Internal Control, Executive Vice President & General Manager</p>	2,034
<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
4	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.</p> <p><u>June 2016</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Representative Director, Executive Vice President & General Manager (To retire as Representative Director and be Corporate Director, Executive Vice President & General Manager as of June 1, 2017.)</p> <p>(Significant concurrent posts) President, Tokyo Electron Tohoku Ltd. Chairman of the Board, Tokyo Electron (Kunshan) 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
5	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. Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2007</u> Corporate Director, Tokyo Electron Ltd.</p> <p><u>April 2009</u> Executive Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2013</u> Senior Executive Vice President, Tokyo Electron Ltd.</p> <p><u>June 2016</u> Corporate Director, Tokyo Electron Ltd. (Present position) President, Tokyo Electron Miyagi Ltd. (Present position)</p> <p><u>June 2017</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (To be appointed as of June 1)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) President, Tokyo Electron Miyagi Ltd.</p>	8,000
<p>[Reason for selection as Corporate Director nominee] Mr. Kitayama has been involved in management duties in manufacturing and technology development among other fields within the Company and Group companies, and has ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominate him as a corporate director.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
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><u>June 2017</u> Executive Vice President & General Manager, Tokyo Electron Ltd. (To be appointed as of June 1)</p> <p>(Position in the Company) Corporate Director, Senior Vice President & General Manager</p> <p>(Significant concurrent posts) President, Tokyo Electron Kyushu Ltd.</p>	1,600
<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 function of the board of directors, we nominate him as a corporate director.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
7	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 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	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><u>June 2017</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (To be appointed as of June 1)</p> <p>(Position in the Company) Corporate Director, Business Ethics, CSR Promotion, Vice President & General Manager</p>	1,890
<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
9	<New candidate> Kiyoshi Sunohara (September 8, 1958)	<p><u>April 1981</u> Joined Tokyo Electron Ltd.</p> <p><u>October 1992</u> Director, Varian Products Department, Tokyo Electron Ltd.</p> <p><u>April 1998</u> Corporate Senior Staff, Tokyo Electron Ltd. General Manager, Diffusion and Chemical Vapor Deposition Business Unit, Tokyo Electron Ltd.</p> <p><u>July 2000</u> General Manager, Business Development & Account Management, North America & Europe, Tokyo Electron Ltd.</p> <p><u>April 2003</u> Vice President & General Manager, Tokyo Electron Ltd.</p> <p><u>June 2007</u> General Manager, Marketing Division, Tokyo Electron Ltd.</p> <p><u>April 2009</u> General Manager, Post Sales Business Unit (currently General Manager, Field Solutions Business Unit), Tokyo Electron Ltd. (Present position)</p> <p><u>July 2016</u> Senior Vice President & General Manager, Tokyo Electron Ltd. (Present position)</p> <p>(Position in the Company) Senior Vice President & General Manager</p>	11,405
<p>[Reason for selection as Corporate Director nominee] Mr. Sunohara has promoted global sales of semiconductor manufacturing equipment and contributed to expanding the field services business under his helm, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we newly 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	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
11	[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 11 years as an outside director of the Company as of the end of this General Meeting.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
12	<p>[Outside Director] Charles Ditmars Lake II (January 8, 1962)</p>	<p><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 Ballantine LLP <u>June 1999</u> Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus <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) <u>June 2016</u> Corporate Director, Tokyo Electron Ltd. (Present position) Outside Director, Japan Post Holdings Co., Ltd. (Present position)</p> <p>(Position in the Company) Corporate Director</p> <p>(Significant concurrent posts) Chairman and Representative in Japan, American Family Life Assurance Company of Columbus President, Aflac International, Incorporated Outside Director, Japan Post Holdings Co., Ltd.</p>	0
<p>[Reason for selection as Outside Director nominee] Serving as chairman and representative in Japan of American Family Life Assurance Company of Columbus, and also as president of Aflac International, Incorporated, Mr. Charles Ditmars Lake II has a wealth of experience and knowledge as a bridge of both corporate managements in Japan and U.S.. We nominate him as an outside director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the viewpoint of ensuring objectively the effectiveness of decision making at the board of directors by utilizing his experience and knowledge. Note that he has served for 1 year as an outside director 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 candidates for outside Directors are described below.

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

(2) As Hiroshi Inoue and Charles Ditmars Lake II meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 26) established based on the requirements for Independent Standards set forth by Tokyo Stock Exchange Inc., TEL has notified the Tokyo Stock Exchange Inc. that they have been appointed as independent Directors.

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

Proposal 2: Election of Three Audit & Supervisory Board Members

At the conclusion of the Annual General Meeting of Shareholders, the term of office for Audit & Supervisory Board Members Mikio Akaishi and Takatoshi Yamamoto will expire, and Shojiro Mori will resign. Therefore, we ask you to agree to elect three 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	<New candidate> Yoshikazu Nunokawa (June 22, 1959)	<u>April 1982</u> Joined Tokyo Electron Ltd. <u>October 1997</u> Director, Finance Department, Tokyo Electron Ltd. <u>April 2003</u> Vice President & General Manager, Tokyo Electron Tohoku Ltd. <u>November 2005</u> Vice President & General Manager, Tokyo Electron Ltd. <u>July 2010</u> Senior Vice President & General Manager, Tokyo Electron AT Ltd. <u>April 2011</u> Senior Vice President & General Manager, Tokyo Electron Miyagi Ltd. (Present position)	3,709
[Reason for selection as Audit & Supervisory Board Member nominee] Mr. Nunokawa is equipped with ample experience in a wide range of fields in TEL including sales, finance and human resources, and through his career serving as vice president responsible for the administrative division of TEL Group companies, also possesses considerable amount of knowledge in finance and accounting. We newly nominate him as an Audit & Supervisory Board Member, with the expectation of utilizing these experiences and expertise in the enhancement of audit functions at TEL.			

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] Takatoshi Yamamoto (October 20, 1952)	<p><u>April 1975</u> Joined Nomura Research Institute, Limited</p> <p><u>April 1989</u> Joined Morgan Stanley Japan Limited</p> <p><u>December 1995</u> Managing Director, Morgan Stanley Japan Limited</p> <p><u>June 1999</u> Vice Chairman & Managing Director, Morgan Stanley Japan Limited Tokyo Branch</p> <p><u>July 2005</u> Vice Chairman & Managing Director, UBS Securities Japan Limited</p> <p><u>June 2009</u> Managing Director, Casio Computer Company, Limited</p> <p><u>June 2011</u> Advisor, Casio Computer Company, Limited</p> <p><u>June 2012</u> Outside Corporate Auditor, Fuji Heavy Industries Limited</p> <p><u>June 2013</u> Audit & Supervisory Board Member, Tokyo Electron Ltd. (Present position)</p> <p><u>June 2016</u> Outside Director, Hitachi, Ltd. (Present position)</p> <p>(Position in the Company) Audit & Supervisory Board Member</p> <p>(Significant concurrent posts) Outside Director, Hitachi, Ltd.</p>	0
<p>[Reason for selection as Outside Audit & Supervisory Board Member nominee] Mr. Yamamoto has extensive experience as a securities analyst covering the electronics industry in Japan and the U.S.. He is also Chartered Member of The Securities Analysts Association of Japan, holding considerable amount of knowledge of finance and accounting. We nominate him as an outside Audit & Supervisory Board Member to obtain an objective perspective of the appropriateness of audits by utilizing these experiences and insight. Note that he has served for 4 years as an outside Audit & Supervisory Board Member of the Company as of the end of this General Meeting.</p>			

No.	Name (Date of birth)	Brief Personal History (Position in the Company and significant concurrent posts)	Number of the Company's shares owned by candidate
3	<p><New candidate> [Outside Audit & Supervisory Board Member] Kyosuke Wagai (February 5, 1953)</p>	<p><u>October 1977</u> Joined "Tohmatsu Awoki & Co." (currently "Deloitte Touche Tohmatsu LLC") <u>September 1982</u> Certified Public Accountant <u>July 1991</u> Partner, "Tohmatsu & Co." (currently "Deloitte Touche Tohmatsu LLC") <u>July 1999</u> Representative Partner, "Tohmatsu & Co." <u>July 2010</u> Executive Board Member, The Japanese Institute of Certified Public Accountants <u>May 2016</u> Resigned from "Deloitte Touche Tohmatsu LLC" <u>June 2016</u> Established Wagai CPA Office (Present position) Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd. (Present position) <u>July 2016</u> Auditor, The Japanese Institute of Certified Public Accountants (Present position)</p> <p>(Significant concurrent posts) Certified Public Accountant Auditor, The Japanese Institute of Certified Public Accountants Outside Audit & Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.</p>	0
<p>[Reason for selection as Outside Audit & Supervisory Board Member nominee] Having served as a certified public accountant at an auditing firm for a long time and also having held positions including executive board member of The Japanese Institute of Certified Public Accountants, Mr. Wagai possesses considerable amount of knowledge in finance and accounting. We nominate him as an outside Audit & Supervisory Board Member to obtain an objective perspective of the appropriateness of audits by utilizing these experiences and insight. 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.</p>			

(Notes)

1. The candidates have no special interests in the Company.
2. The Audit & Supervisory Board has consented to this proposal.
3. At the 52nd Annual General Meeting of Shareholders held on June 19, 2015, the Company revised its Articles of Incorporation so that TEL can conclude liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Directors who do not execute business and Audit & Supervisory Board Members. In accordance with its Articles of Incorporation, the Company has concluded such contract with Takatoshi Yamamoto, and will continue the contract if his reappointment is approved. As for Yoshikazu Nunokawa and Kyosuke Wagai, if this proposal is approved, TEL intends

to conclude the same liability-limiting contracts with them upon their appointment. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the outside Audit & Supervisory Board Members perform their duties in good faith without gross negligence.

4. The candidates for outside Audit & Supervisory Board Members are described below.

(1) Takatoshi Yamamoto and Kyosuke Wagai are candidates for outside Audit & Supervisory Board Members.

(2) As Takatoshi Yamamoto meets TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members" (see page 26) 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 Audit & Supervisory Board Member. In addition, there are no business transactions between Kyosuke Wagai and the Company. Accordingly, he meets the same requirements as well, and TEL is planning to appoint him as independent Audit & Supervisory Board Member and provide notice to Tokyo Stock Exchange Inc.

<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 the compensation of Corporate Directors and executive officers and individual compensation amounts for the CEO and the Representative Directors, including the bonus, based not only on analysis of monetary amount, but also on analysis of the various points of the environment for 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. Share compensation is awarded in the form of share subscription rights with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment.

The 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 1,029 million yen for 11 Corporate Directors as of the final day of the 54th FY and stock-based compensation of no more than 1,034 million yen as annual performance-linked compensation for 10 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 54th Fiscal Year

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 54th fiscal year, the Company seeks shareholder approval to pay 1,029 million yen (including 26 million yen for outside Directors) as the cash bonus portion of annual performance-linked compensation to 11 Corporate Directors in office (including two outside Directors) at the end of the 54th fiscal year.

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

Based on TEL's executive compensation system, net income attributable to owners of parent and consolidated ROE for the 54th 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 1,034 million yen annually to Corporate Directors (excluding outside Directors), in addition to Proposal 3. If Proposal 1 is approved as proposed, there will be 10 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 stock-based compensation. 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 19 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 2017, 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 103,400 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 1,034 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 2017 (the 54th 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, multiplied by the total number of options allocated as well as Proposal 4.

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

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

Options shall be allocated free of charge as stock-based compensation based on the consolidated performance for the term ended March 2017, 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 54th fiscal year (excluding those who also serve as Corporate Directors in office as of the allocation date), 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 54th 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 87,200 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 872 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 2017 (the 54th FY) General Meeting of Shareholders.

[Reference] Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members

The board of directors of Tokyo Electron Ltd. ("Tokyo Electron") has established the independence requirement for outside directors and outside audit & supervisory board members (as defined under item 15 and 16, Article 2, of the Companies Act) as follows.

The following persons shall not be considered independent if such person could cause a conflict of interest against the shareholders:

1. A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into 2. below;
 - ※ "A person for whom Tokyo Electron is a Major Business Partner" means a person who, or a person who is a current employee or current executive officer of a company that, has received payments from Tokyo Electron or its subsidiaries for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 100 million yen, or more. If Tokyo Electron cannot reasonably know the amount of payments received in certain fiscal years, the amount in the fiscal year available to Tokyo Electron is used in determining whether a person falls under this 1. The same shall apply hereinafter.
 - ※ "A person who is a Major Business Partner of Tokyo Electron" means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron's consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
2. A person who is a consultant, an accountant, or a lawyer who receives, or who works on a full-time basis at a firm which receives, a Large Amount of Money or Other Property from Tokyo Electron or its subsidiaries, other than compensation for being a director or an audit & supervisory board member;
 - ※ "a Large Amount of Money or Other Property" means an amount of money or other property which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 10 million yen, or more.
3. A person who has recently fallen under either of 1. or 2. above; or
 - ※ "A person who has recently fallen under either of 1. or 2. above" means a person who could be substantially deemed to fall under either of 1. or 2. above. Concretely, it means a person who fell under 1. or 2. above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.
4. A person whose Immediate Family Member (except for those who do not hold an important position) falls under (a) through (d) below, provided that (c) below applies to an outside audit & supervisory board member only:
 - (a) a person who falls under any of 1. through 3. above;
 - (b) an employee or an executive officer of subsidiary of Tokyo Electron;
 - (c) a non-executive director of subsidiary of Tokyo Electron; or
 - (d) a person who has recently fallen under (b) or (c) above or who was an employee or an executive officer, or in the case of an outside audit & supervisory board member, a non-executive officer, of Tokyo Electron.
 - ※ Whether an Immediate Family Member holds an important position or not shall be determined according to *ho* item 6, paragraph 4, Article 74, of the Ordinance for Enforcement of the Companies Act. For instance, with respect to 1. above, a director or an employee who is above head of department level of a business partner company, and with respect to 2. above, a certified public accountant who belongs to an auditing firm and a lawyer (including associate lawyer) who belongs to a law firm are considered to hold an important position.
 - ※ "Immediate Family Member" means a relative within the second degree of relationship. If a person is no longer a relative within the second degree of relationship as a result of divorce, dissolution of adoption, or death, etc., such a person shall not be considered as "Immediate Family Member".

Business Report (From April 1, 2016 to March 31, 2017)

1. Current Status of the TEL Group

(1) Business Developments and Results

General Overview

In the fiscal year under review, there was generally a modest recovery in the global economy, with the US economy maintaining moderate growth and the Chinese economy also showing signs of a recovery.

In the electronics industry, which the Tokyo Electron (TEL) Group is part of, semiconductor manufacturers stepped up capital investment against the backdrop of an increase in demand for servers used in data centers stemming from growing in frequency and volumes of the data communications, associated with the continued evolution of the Internet of things (IoT), and higher functionality and sales volumes for smartphones made in China; thus, the semiconductor production equipment market was buoyant.

In this environment, with respect to the consolidated business results for the fiscal year under review, net sales for the fiscal year increased 20.4% from the previous fiscal year to 799,719 million yen; operating income increased 33.3% to 155,697 million yen; ordinary income increased 32.0% to 157,549 million yen; extraordinary losses totaled 8,433 million yen, compared to a loss of 12,932 million yen in the previous fiscal year, due mainly to the recording of an unusual or infrequent loss resulting from due to the impact of the 2016 Kumamoto Earthquakes; and net income attributable to owners of parent was 115,208 million yen year-on-year growth of 47.9%.

By division

(i) Semiconductor Production Equipment

In addition to an increase in demand for servers used in data centers, smartphone manufacturers accelerated the pace of internal memory expansion, so demand for 3D NAND flash memory and DRAM was brisk. Given these market conditions, memory manufacturers maintained capital investment in order to boost production capacity. Logic semiconductor manufacturers also proactively allocated capital investment to cutting-edge technologies targeting more advanced semiconductor functionality. Under these circumstances, the segment's net sales to external customers during the fiscal year under review were 749,893 million yen (up 22.3% compared to the previous fiscal year).

(ii) FPD (Flat Panel Display) Production Equipment

The FPD production equipment market was strong, with capital investment in small to medium-sized flat panel displays for mobile devices growing, and capital investment in large-sized flat panel displays in China also providing a boost. Under these circumstances, the segment's net sales to external customers during the fiscal year under review were 49,387 million yen (up 10.5% compared to the previous fiscal year).

(iii) Other

For businesses that are not included in the above two segments, sales to external customers during the fiscal year under review totaled 438 million yen.

(2) Capital Investment and Procurement of Funds

In the current consolidated period, the TEL Group acquired 20,697 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 accelerate advanced development toward achievement of 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

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

(i) Business Policies

As a company that began as a trade company specializing in technology, TEL perceived at an early stage changes in the environment and quickly responded to such changes. This involved making the transition to becoming a manufacturer with development production functions and building a global sales and support framework. In this way, TEL has provided 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.

(ii) Medium-term Vision

The TEL Group aims to be a real global company generating high added-value and profits in Semiconductor and FPD industries through innovative technologies and groundbreaking solutions with integrated diverse technologies.

Measures to Achieve the Medium-term Vision

As we enter the age of IoT, it is expected that the number of things connected to the Internet will dramatically increase and that the amount of information for data communication will grow by 22% per annum. The advanced network society is now being established by transition of telecommunications standards applied by automatic driving of vehicles, remote health care, etc. to the next-generation telecommunications standard (5G) that is ultra reliable and with no latency time, and combination of new applications such as virtual reality, augmented reality, artificial intelligence, etc.

In association with the above circumstances, the use of semiconductors is diversified and is expanding, and the improvement of performance of devices such as larger capacity, higher speed, higher reliability, lower power consumption is further required. In this environment, customers also increasingly require more cutting-edge technologies such as miniaturization, new structure, new materials, new memory and new packaging technology.

With respect to displays, performance such as super-high resolution, low power consumption, enlargement, and high flexibility in machining is also required. Taking into consideration of the fact that the rapid growth of organic EL displays is leading the market, the scale of the FPD production equipment market is expected to exceed 1 trillion yen again.

As stated above, the growth of the semiconductor and FPD industry is entering the next phase and expectations for technological innovation is rising ever so high.

In the aforementioned business environment, while TEL's business results have been steadily improving, we will endeavor to establish a solid foundation for growth to achieve the goal we aim at based on the following three areas to strengthen ongoing since the 52nd fiscal year:

3 areas to strengthen

- **Strengthening product competitiveness....to create next-generation products with high added value**
- **Strengthening response to customers....to become the sole strategic partner of customers**
- **Strengthening profit structure....to pursue efficiency in operation**

In January 2016, TEL has reinforced its internal structure to strengthen response to customers by deploying general managers respectively for sales and technology for each customer. In addition, within the development group, TEL has established the Process Integration Center and developed a structure to enable TEL to utilize its superiority of abundant product lineup and make business proposals that create customer needs. Under this structure, we will endeavor to secure a position of the one sole strategic partner of our customers by holding regular development meetings with our customers' advanced development departments to clarify issues of the next-generation devices and deepen cooperation with customers at an early stage by making proposals to solve the issues.

In order to secure the aforementioned position, as TEL's internal optimization is required, TEL has made efforts to promote optimization of development resources, etc., by reorganizing six product Business Units ("BUs") of semiconductor production equipment to four BUs, and for the deposition division with particularly high potential for market expansion, deciding to integrate Tokyo Electron Yamanashi Ltd. and Tokyo Electron Tohoku Ltd. While maintaining the concept of centralization of development that TEL has held since the previous year, TEL reorganized the Development & Production Division into four divisions as the market scale is expanding and will endeavor to improve the flexibility of each strategic division and create high-value added products.

Further, in the age of IoT, the use of semiconductors will greatly widen, and demand not only for cutting-edge devices but also for commodity devices is expected to rapidly increase as well. In such an environment where multiple generation semiconductor devices coexist, we will actively promote the field solution businesses by taking advantage of our world-record shipment of over 60 thousand units of equipment. In addition to the equipment upgrading and remodeling business, we will endeavor to create more channels of profitability through the broad penetration of our quality services, our heritage developed since inception.

At the same time, by developing the TEL Group's IT infrastructures and promoting unified management of people, objects and money resources, and business progress, we will remove all types of resource duplication and waste and improve our productivity. Moreover, the focus of allocation of management resources will be reviewed continuously as they are not inexhaustible, and the unrelenting efforts for selection and concentration will be vital for enhancing profitability. Capital investment will also be continued as a growth driver in line with expansion in the size and share of the market upon carefully assessing return on investment. Through these efforts, we will strive to be able to conduct growth investment stably even in times of temporary economic change in an aim for profitability on a global scale.

The TEL Group develops its business on a global basis. The TEL Group's overseas sales ratio exceeds 80% of its overall sales and the percentage of employees working in our overseas bases is around 40%. As such, we will establish a personnel and compensation system that enables flexible utilization of human resources that reflects the responsibilities and contribution of each person by implementing a new job rank and assessment system in order to build a personnel management system that can be shared globally. The 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.

(iii) Capital Policy

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

View regarding Capital Efficiency

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

Shareholder Return Policy

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

TEL will flexibly consider share buybacks.

(iv) Approach to corporate social responsibility

The TEL Group recognizes that it is important to establish good relationships with its stakeholders including shareholders, customers, trading partners and regional society to generate sustainable growth and medium- to long-term corporate value. Based on the CSR policy introduced in 2013, the TEL Group has not only complied with laws and regulations and social norms but also addressed various social issues from a global standpoint through its business activities such as global warming prevention, conservation of biological diversity and respect of human rights. Additionally, to reduce environmental burden generated by our customers, we are moving ahead with efforts to make our products more energy efficient.

Through the above efforts, the TEL Group will generate high added value in the semiconductor and FPD industries through proprietary proposals that integrate innovative technical know-how and diverse technologies. We appreciate our shareholders' continued support and look forward to sharing a brighter future with our shareholders.

(4) Changes in the business performance and property

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

Items	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; From April 1, 2015 to March 31, 2016)	FY2017 (54th FY; current fiscal year) (From April 1, 2016 to March 31, 2017)
Net sales (million yen)	612,170	613,124	663,948	799,719
Operating income (million yen)	32,204	88,113	116,788	155,697
Ordinary income (million yen)	35,487	92,949	119,399	157,549
Net income (loss) attributable to owners of parent (million yen)	(19,408)	71,888	77,891	115,208
Net income (loss) per share (yen)	(108.31)	401.08	461.10	702.26
Total assets (million yen)	828,591	876,153	793,367	957,447
Net assets (million yen)	590,613	641,162	564,239	645,999

(Notes)

- From the 53rd 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 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.
- In the 53rd consolidated fiscal year, due to the increasing number of chips used per handset as mobile device functions become more advanced and the growing demand for servers for data centers accompanying the growing use of big data, sales in the semiconductor production equipment business, our key line of business, remained strong resulting in significantly increased revenue and profit.
- The business performance and property of the TEL Group for FY2017 (the 54th FY; current fiscal year) are described in (1) "Business Developments and Results."

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

Items	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; From April 1, 2015 to March 31, 2016)	FY2017 (54th FY; current fiscal year) (From April 1, 2016 to March 31, 2017)
Net sales (million yen)	462,282	555,092	582,623	751,097
Operating income (million yen)	16,230	47,094	42,092	60,557
Ordinary income (million yen)	27,839	86,502	74,861	61,895
Net income (loss) (million yen)	(26,420)	63,267	63,549	46,682
Net income (loss) per share (yen)	(147.44)	352.98	376.20	284.56
Total assets (million yen)	608,206	671,759	625,968	768,651
Net assets (million yen)	356,701	405,468	329,351	340,518

(5) Major business of the TEL Group (As of March 31, 2017)

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, Etch system, Thermal Processing system, Single Wafer Deposition system, Cleaning system, Wafer Prober
FPD production equipment	FPD Etch/Ash system, FPD Coater/Developer

(6) Major subsidiaries (As of March 31, 2017)

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 current consolidated fiscal year, the number of consolidated subsidiaries including the above listed companies was 35.
- Tokyo Electron Yamanashi Ltd. and Tokyo Electron Tohoku Ltd. executed a merger agreement on April 6, 2017 pursuant to which they will conduct an absorption-type merger with Tokyo Electron Yamanashi Ltd. as the surviving company and with Tokyo Electron Tohoku Ltd. as the absorbed company on July 1, 2017. The company name will be changed to Tokyo Electron Technology Solutions Ltd.

(7) Employees at TEL and in the TEL Group (As of March 31, 2017)

(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	8,462	495
FPD production equipment	527	61
Other	362	(12)
Common to all companies	1,890	68
Total	11,241	612

(Notes)

1. The number of employees indicates the number of persons employed by TEL and its consolidated subsidiaries.
2. "Other" refers to persons employed in transportation of products, facilities management and insurance, etc.
3. "Common to all companies" refers to employees of administration, fundamental research, and other such divisions.

(ii) Number of employees in TEL

Number of employees	Variance from the end of the previous fiscal year
1,531	105

Average age	Average length of service in years
43.9	18.1

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

(8) Major lenders (As of March 31, 2017)

There is no relevant item.

(9) Major offices of the TEL Group (As of March 31, 2017)

(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

2. TEL shares (As of March 31, 2017)

(i) Total number of shares authorized to be issued	300,000,000
(ii) Total number of issued shares	165,210,911
(iii) Number of shareholders	21,937
(iv) Major shareholders	

Shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan Limited (trust account)	26,720	16.28
Japan Trustee Services Bank Limited (trust account)	18,508	11.28
Tokyo Broadcasting System Holdings, Inc.	7,727	4.70
Trust & Custody Services Bank, Limited (securities investment trust account)	3,808	2.32
Japan Trustee Services Bank Limited (trust account 4)	3,667	2.23
State Street Bank and Trust Company	3,243	1.97
State Street Bank West Client Treaty 505234	2,533	1.54
Japan Trustee Services Bank Limited (trust account 5)	2,450	1.49
BNP Paribas Securities (Japan) Limited	2,314	1.41
Japan Trustee Services Bank Limited (trust account 7)	2,083	1.27

(Notes)

- Any fractional sum of less than 1,000 shares is disregarded when the number of shares owned is indicated.
- The shareholding ratios are calculated after eliminating treasury stock (1,135,104 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 February 3, 2017 indicated that Nomura Securities Co., Ltd. and 2 other joint holders held 11,999 thousand shares as of January 31, 2017. 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. Change reports available for public inspection as of March 7, 2017 indicated Asset Management One Co., Ltd. held 9,162 thousand shares as of February 28, 2017. But the table above does not include the portion of shares that TEL cannot confirm that it holds as of March 31, 2017.

3. Matters concerning Share Subscription Rights

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

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

	7th share subscription rights	8th share subscription rights
Allocation date	June 23, 2007	June 21, 2008
Allocation number of share subscription rights	1,004 units	1,779 units
Balance at end of fiscal year	113 units	261 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	-	-
Total number and type of shares to be issued or transferred by exercise of Share Subscription Rights	Common stock of TEL 11,300 shares	Common stock of TEL 26,100 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2010 to May 31, 2027. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2010.	From July 1, 2011 to May 31, 2028. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2011.

	9th share subscription rights	10th share subscription rights
Allocation date	June 18, 2011	June 23, 2012
Allocation number of share subscription rights	2,342 units	1,307 units
Balance at end of fiscal year	434 units	375 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	37 units (1 person)	58 units (2 persons)
Ownership by outside Directors of TEL	-	-
Ownership by Audit & Supervisory Board Members of TEL	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 43,400 shares	Common stock of TEL 37,500 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 1, 2014 to May 30, 2031. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2014.	From July 1, 2015 to May 31, 2032. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2015.

	11th share subscription rights	12nd share subscription rights
Allocation date	June 20, 2015	June 18, 2016
Allocation number of share subscription rights	1,357 units	1,944 units
Balance at end of fiscal year	1,357 units	1,944 units
Ownership by Corporate Directors of TEL (excluding outside Directors)	472 units (9 persons)	882 units (9 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	Common stock of TEL 194,400 shares
Amount paid for the exercise of Share Subscription Rights	1 yen per share	1 yen per share
Exercise period of Share Subscription Rights	From July 2, 2018 to May 31, 2035. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 2, 2018.	From July 1, 2019 to May 30, 2036. However, the period during which taxpayers in the United States can exercise their share subscription rights is limited to July 1, 2019.

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

(i) Condition of Corporate Directors and Audit & Supervisory Board Members (As of March 31, 2017)

Position in TEL	Name	Responsibilities, Significant concurrent posts
Chairman of the Board	Tetsuo Tsuneishi	Corporate Director, Tokyo Electron Device Ltd.
Representative Director President & CEO	Toshiki Kawai	President & CEO
Representative Director	Sadao Sasaki	Executive Vice President & General Manager President, Tokyo Electron Tohoku Ltd. Chairman of the Board, Tokyo Electron (Kunshan) Ltd.
Representative Director	Tetsuro Hori	Internal Control Executive Vice President & General Manager
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	Masami Akimoto	Senior Vice President & General Manager President, Tokyo Electron Kyushu Ltd.
Corporate Director	Tatsuya Nagakubo	Business Ethics CSR Promotion Vice President & General Manager
Corporate Director	Hirofumi Kitayama	President, Tokyo Electron Miyagi Ltd.
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
Corporate Director	Charles Ditmars Lake II	Chairman and Representative in Japan, American Family Life Assurance Company of Columbus President, Aflac International, Incorporated Outside Director, Japan Post Holdings, Co., Ltd.
Audit & Supervisory Board Member	Yoshiteru Harada	
Audit & Supervisory Board Member	Shojiro Mori	
Audit & Supervisory Board Member	Mikio Akaishi	
Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd.
Audit & Supervisory Board Member	Ryuji Sakai	Attorney-at-Law Outside Auditor, Kobayashi Pharmaceutical Co., Ltd.

Members of the Nomination Committee:

Tetsuo Tsuneishi, Masami Akimoto, Hirofumi Kitayama

Members of the Compensation Committee:

Tatsuya Nagakubo, Tetsuro Higashi, Hiroshi Inoue

(Notes)

1. Corporate Directors Hiroshi Inoue and Charles Ditmars Lake II are Outside Directors.
2. Audit & Supervisory Board Members Mikio Akaishi, Takatoshi Yamamoto and Ryuji Sakai are Outside Audit & Supervisory Board Members.
3. As Directors Hiroshi Inoue and Charles Ditmars Lake II 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 Charles Ditmars Lake II 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.
4. TEL has entered into agreements with Corporate Directors Hiroshi Inoue and Charles Ditmars Lake II as well as with Audit & Supervisory Board Members Yoshiteru Harada, 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, provided they carry out their responsibilities in good faith with no gross negligence.
5. Audit & Supervisory Board Member Yoshiteru Harada has led the Group's administrative division as Vice President and General Manager, and has ample experience in operations and management and considerable degree of knowledge in finance and accounting.
6. Audit & Supervisory Board Member Shojiro Mori has experience as the Director of the Accounting Department and as Vice President & General Manager of administrative divisions of companies of the Group, and has abundant experience in operations and management as well as appropriate level of knowledge relating to finance and accounting.
7. Audit & Supervisory Board Member Takatoshi Yamamoto is a chartered member of The Securities Analysts Association of Japan and has the appropriate level of knowledge relating to finance and accounting.

(ii) Condition of Executive officers (As of March 31, 2017)

Name	Position & Responsibilities
Toshiki Kawai	President & CEO, General Manager, Business Division
Sadao Sasaki	Executive Vice President, General Manager, Development & Production Division (Deposition), Product Development Division President, Tokyo Electron Tohoku Ltd.
Tetsuro Hori	Executive Vice President, General Manager, Corporate Administration Division, Accounting, Finance, Intellectual Property / Corporate Strategy / IR / Compliance & Internal Control
Gishi Chung	Senior Vice President, Deputy General Manager, Development Division (Process), Development & Production Division Innovative Technology Planning Division
Masami Akimoto	Senior Vice President, Deputy General Manager, Development Division (Coat & Clean), Development & Production Division President, Tokyo Electron Kyushu Ltd.
Hideyuki Tsutsumi	Senior Vice President, General Manager, Global Field Division President, Tokyo Electron FE Ltd.
Takeshi Okubo	Senior Vice President, Deputy General Manager, Global Field Division
Barry Mayer	Senior Vice President, General Manager, Global Strategy
David Brough	Senior Vice President, General Manager, Global Strategy, Europe Region President, Tokyo Electron Europe Ltd.
Seisu Ikeda	Senior Vice President, Deputy General Manager, Business Division General Manager, Coat & Clean Business Unit
Kenji Washino	Senior Vice President, General Manager, Assemble and Test Systems Business Unit
Kiyoshi Sunohara	Senior Vice President, General Manager, Field Solutions Business Unit
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
Yutaka Nanasawa	VP & General Manager, IT Division President, TEL Solar Services AG
Masayuki Kojima	VP & Deputy General Manager, Development Division (Etch), Development & Production Division
Yoshifumi Tahara	VP & Deputy General Manager, Development Division (Deposition, Assemble and Test Systems / Flat Panel Display), Product Development Division, Development & Production Division President, Tokyo Electron Yamanashi Ltd.
Kazushi Tahara	VP & Deputy General Manager, Production Division, Development & Production Division President, Tokyo Electron India Private Ltd.
Akihisa Sekiguchi	VP & General Manager, Advanced Semiconductor Technology Division
Toshihiko Nishigaki	VP & General Manager, Business Innovation President, TEL FSI, Inc.
Yoshinobu Mitano	VP & General Manager, Etching Systems Business Unit
Shingo Tada	VP & General Manager, Thin Film Formation Business Unit
Tsuguhiko Matsuura	VP & General Manager, Flat Panel Display Business Unit
Yoshiaki Horii	VP & General Manager, Planning of Region Strategy 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 FY2017	Bonus (Note 1)	Stock -based compensation (Share subscription rights) (Note 2)
Total amount of Corporate Director compensation (14 persons)	(million yen) 600	(million yen) 1,029	(million yen) 1,007
Portion of outside Director compensation (3 persons)	24	26	
Total amount of Audit & Supervisory Board Member compensation (5 persons)	129		
Portion of outside Audit & Supervisory Board Member compensation (3 persons, including 1 full-time Audit & Supervisory Board Member)	55		

(Reference)

Individual Compensation of Representative Directors during FY2017

Name and Position	Fixed Compensation (Monthly Remuneration)	Compensation linked to business performance (Annual)	
	Amount paid during FY2017	Bonus (Note 1)	Stock -based compensation (Share subscription rights) (Note 2)
Toshiki Kawai Representative Director, President & CEO	(million yen) 93	(million yen) 169	(million yen) 169
Sadao Sasaki Representative Director, Executive Vice President (Note 7)	64	132	132
Tetsuro Hori Representative Director, Executive Vice President (Note7)	62	132	132

(Notes)

1. The amount indicated is the amount of Director compensation that will be proposed at the Annual General Meeting of Shareholders for fiscal year 2017 (the 54th fiscal year) scheduled to be held on June 20, 2017.
2. The amount indicated is the amount equivalent to the expenses associated with the share subscription rights that will be proposed at the Annual General Meeting of Shareholders for fiscal 2017 (the 54th fiscal year) scheduled to be held on June 20, 2017. From the 54th fiscal year, the indication of the column “stock options for stock-based compensation” is changed to “Stock-based compensation (Share subscription rights).”
3. In the above table, the persons to whom the total amount of Corporate Director compensation and the portion of outside Director compensation are payable includes the number of Corporate Directors who retired from office at the close of the 53rd Annual General Meeting of Shareholders held on June 17, 2016.
4. 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.
5. 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).
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, etc. for the current fiscal year, including compensation as Corporate Directors before their assumption of office of Representative Directors paid from April 2016 to June 2016 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 officers 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 compensation of Corporate Directors and executive officers and individual compensation amounts for the CEO and the Representative Directors, including the bonus, based not only on analysis of monetary amount, but also on analysis of the various points of the environment for 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. Share compensation is awarded in the form of share subscription rights with the exercise price set at one yen per share, restricting exercise for three years from the date of allotment.

In addition, a compensation system that links more closely to medium-and-long term business performance has been discussed by the Compensation Committee and the Board of Directors for future implementation.

(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, 2017)

Position in TEL	Name	Significant concurrent posts	Relationship with TEL
Outside Director	Hiroshi Inoue	Honorary Chairman, Tokyo Broadcasting System Holdings, Inc. Honorary Chairman, Tokyo Broadcasting System Television, Inc. President, The Japan Commercial Broadcasters Association Outside Director, FUJIFILM Holdings Corporation	No significant business relation
Outside Director	Charles Ditmars Lake II	Representative and Chairman in Japan, American Family Life Assurance Company of Columbus President, Member of the Board of Directors, Aflac International Incorporated Outside Director, Japan Post Holdings, Co., Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Takatoshi Yamamoto	Outside Director, Hitachi, Ltd.	No significant business relation
Outside Audit & Supervisory Board Member	Ryuji Sakai	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 11 of the 12 meetings of the Board of Directors held in the year, and, drawing on his wealth of experience and knowledge as a business entrepreneur, made appropriate comments on proposals and other matters of deliberation.
Outside Director	Charles Ditmars Lake II	Charles Ditmars Lake II attended all 10 meetings of the Board of Directors held in the year following his assumption of office of Outside Director on June 17, 2016, and, drawing on his wealth of experience and knowledge as a bridge of both corporate managements in Japan and U.S., made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Mikio Akaishi	Mikio Akaishi attended all 12 meetings of the Board of Directors and all 8 meetings of the Audit & Supervisory Board held in the year, and, drawing on his wealth of experience and knowledge as 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 10 of the 12 meetings of the Board of Directors and all 8 meetings of the Audit & Supervisory Board held in the year, and, drawing on his wealth of experience and knowledge as a securities analyst for the electronics industry, made appropriate comments on proposals and other matters of deliberation.
Outside Audit & Supervisory Board Member	Ryuji Sakai	Ryuji Sakai attended all 12 meetings of the Board of Directors and all 8 meetings of the Audit & Supervisory Board held in the year, and, drawing on his specialist perspective as a lawyer, made appropriate comments on proposals and other matters of deliberation.

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	163
ii	Total monetary compensation and other benefits to be paid to accounting auditors by TEL and its subsidiaries	194

(Notes)

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

(iv) The responsible Directors shall report periodically to the Board of Directors concerning the status of major risks and measures taken to counter them.

4. Structures to ensure the efficient performance of the duties of Directors

(i) The Board of Directors shall determine key items of the Group's management including management policies and matters specified by law and shall oversee the status of the entire TEL Group's implementation.

(ii) The Company shall take measures to have outside (independent) Directors join the Board to objectively ensure efficient decision-making by the Board of Directors.

(iii) The Board of Directors shall by resolution of the Board have the Representative Directors, Executive Directors, and Executive Officers carry out their respective duties.

(iv) The Company shall define the criteria of authority and decision-making accordance with the Regulations of the Board of Directors, Administrative Authority Regulations and Regulations for Authorization Chart, and shall have each company of Group establish the structure based on these regulations.

5. Structures to ensure the appropriateness of operations by the corporate group consisting of TEL and its subsidiaries

(i) Various regulations applicable to the entire group shall be prepared as necessary to ensure the proper and efficient performance of business activities as a corporate group.

(ii) The Audit & Supervisory Board Members shall establish a structure for cooperation with the Audit & Supervisory Board Members of other group companies to facilitate the effective and proper performance of supervision and audits of the TEL Group as a whole.

(iii) The Internal Audit Dept. shall perform audits of the appropriateness of the activities of the corporate group.

6. Matters relating to employees when the assignment of employees is necessary to assist in the performance of the Audit & Supervisory Board Member's duties and matters relating to the independence and effectiveness of such employees from Directors

(i) When the Audit & Supervisory Board Members request the assignment of employees to assist them in the performance of their duties, employees shall be assigned to the Audit & Supervisory Board Members.

(ii) Employees assigned to the Audit & Supervisory Board Members shall perform work duties in accordance with instructions from the Audit & Supervisory Board Members and these duties are given priority over other duties even the employees are combined with other departments.

(iii) To ensure the independence of the employees specified above, matters relating to personnel administration, such as appointment and dismissal, transfers, and performance evaluations, shall require the consent of a full-time Audit & Supervisory Board Members.

7. Structures for reports by Directors and employees to the Audit & Supervisory Board Members and for other reports to the Audit & Supervisory Board Members

(i) If a Director, Audit & Supervisory Board Members or employee of the TEL Group discovers any facts in violation of applicable laws or any matter that will have a material impact on TEL and the TEL Group, the Director, Audit & Supervisory Board Members or employee must immediately report to the Audit & Supervisory Board Members of TEL, and it will be guaranteed that reporter to the Audit & Supervisory Board Members will not be subject to any disadvantage.

(ii) The department in charge of internal reporting system of the TEL Group shall report periodically to the Audit & Supervisory Board Members of TEL about the status of internal reporting which were reported by the Director, Audit & Supervisory Board Members or employee of the TEL Group.

(iii) Each Audit & Supervisory Board Members shall attend key meetings and shall review significant documents submitted for approval, and when necessary request reports from Directors, responsible Executive Officers, and other departments.

(iv) Audit & Supervisory Board shall receive reports from the Internal Audit Dept. concerning the results of internal audits.

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

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

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. In the current fiscal year, given global code of conduct of the industry, the Code of Ethics of the TEL Group was partially revised.
- (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. In addition, in the current fiscal year, the Group has provided training to Directors and Executive Officers to reinforce the efforts to prevent foreign bribery.
- (iii) The 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) The TEL Group establishes the "Risk Management Regulations" and "Crisis Management Regulations," and assesses and analyzes the risks which could affect the Group. In the current fiscal year, the Group reviewed material risks which could affect the Group. The Group promotes necessary measures focusing on material risks, and reports on risk management activities to the Board of Directors and the Audit & Supervisory Board Members on a regular basis, in an aim to reduce risks.
- (ii) The 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. The Group also promotes necessary measures to further secure safety, including reconfirmation of seismic safety of the Group's office buildings.

3. Management of the TEL Group companies' business

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

4. Performance of duties by Directors

TEL's Board of Directors determines important matters, and oversees the execution of duties by the entire Group by receiving reports from Executive Directors including the CEO on the status of

execution of their duties. Further, the Board of Directors appointed Representative Director, Executive Director and Executive Officers for the execution of their duties.

5. Audit system by Audit & Supervisory Board Members

- (i) The Audit & Supervisory Board Members confirm the status of establishment and operations of internal control system by attending meetings of the Board of Directors and other key meetings such as the Top Management Conference or the ethics committee.
- (ii) The Audit & Supervisory Board Members share information and collaborate on a regular basis with the accounting auditors and the Audit & Supervisory Board Members of TEL Group companies, with aim of enhancing the effectiveness of audits. The Audit & Supervisory Board Members and the Audit & Supervisory Board Members of TEL's domestic subsidiaries receive reports from the Global Audit Center on a regular basis.

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

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

Shareholder Return Policy

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

TEL will flexibly consider share buybacks.

With regard to year-end dividends for the current fiscal year, TEL will pay 224 yen per share, applying the aforementioned policy. Its payment date will be May 30, 2017. As a result, the annual dividend will be 352 yen per share, which includes an interim dividend of 128 yen.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
ASSETS		
Current assets		
Cash and deposit	75,674	70,866
Trade notes and accounts receivable	116,503	133,858
Securities	160,999	244,500
Merchandise and finished goods	130,478	152,629
Work in process	41,556	51,112
Raw materials and supplies	23,044	32,514
Deferred income taxes	31,203	36,892
Others	38,003	53,628
Allowance for doubtful accounts	(48)	(63)
Total current assets	<u>617,416</u>	<u>775,938</u>
Long-term assets		
Tangible fixed assets		
Buildings and structures	147,653	145,901
Accumulated depreciation	(99,794)	(100,003)
Buildings and structures , net	<u>47,859</u>	<u>45,898</u>
Machinery and carriers	99,976	102,144
Accumulated depreciation	(83,172)	(83,804)
Machinery and carriers , net	<u>16,803</u>	<u>18,340</u>
Land	23,867	24,855
Others	32,966	35,925
Accumulated depreciation	(25,180)	(24,577)
Others, net	<u>7,786</u>	<u>11,347</u>
Total tangible fixed assets	<u>96,316</u>	<u>100,441</u>
Intangible fixed assets		
Others	<u>17,603</u>	<u>15,401</u>
Total intangible fixed assets	<u>17,603</u>	<u>15,401</u>
Others		
Investment securities	19,914	24,119
Deferred income taxes	20,781	19,128
Net asset for defined benefits	1,623	4,818
Others	21,537	19,416
Allowance for doubtful accounts	(1,825)	(1,816)
Total investments and other assets	<u>62,031</u>	<u>65,666</u>
Total long-term assets	<u>175,951</u>	<u>181,508</u>
Total assets	<u>793,367</u>	<u>957,447</u>

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	55,050	79,217
Income taxes payable	22,460	31,069
Accrued employees' bonuses	11,623	21,853
Customer advances	33,522	67,976
Others	43,403	47,653
Total current liabilities	<u>166,060</u>	<u>247,770</u>
Long-term liabilities		
Net liability for defined benefits	55,302	55,825
Others	7,765	7,851
Total long-term liabilities	<u>63,067</u>	<u>63,677</u>
Total liabilities	<u>229,128</u>	<u>311,447</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	427,618	503,325
Treasury stock, at cost	(8,050)	(7,766)
Total shareholders' equity	<u>552,551</u>	<u>628,543</u>
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	7,902	10,788
Net deferred gains (losses) on hedging instruments	50	59
Foreign currency translation adjustments	6,742	5,789
Accumulated remeasurements of defined benefit plans	(4,877)	(2,086)
Total accumulated other comprehensive income (loss)	<u>9,817</u>	<u>14,551</u>
Share subscription rights	1,641	2,620
Non-controlling interests	228	284
Total net assets	<u>564,239</u>	<u>645,999</u>
Total liabilities and net assets	<u>793,367</u>	<u>957,447</u>

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	663,948	799,719
Cost of sales	396,738	477,427
Gross profit	<u>267,209</u>	<u>322,291</u>
Selling, general & administrative expenses		
Salaries and allowances	24,210	23,724
Research and development expenses	76,286	83,800
Others	49,923	59,069
Total selling, general and administrative expenses	<u>150,420</u>	<u>166,594</u>
Operating income	<u>116,788</u>	<u>155,697</u>
Non-operating income		
Interest income	547	722
Dividend income	308	310
Share of profit of associates accounted for using the equity method	325	342
Dividend income of insurance	296	300
Foreign exchange gain	886	-
Others	1,433	1,255
Total non-operating income	<u>3,798</u>	<u>2,931</u>
Non-operating expenses		
Foreign exchange loss	-	791
Commission for purchase of treasury stock	662	-
Others	525	287
Total non-operating expenses	<u>1,187</u>	<u>1,079</u>
Ordinary income	<u>119,399</u>	<u>157,549</u>
Unusual or infrequent profit		
Gain on sales of fixed assets	1,025	55
Gain on sale of investment securities	445	6
Total unusual or infrequent profit	<u>1,470</u>	<u>61</u>
Unusual or infrequent loss		
Loss on disaster	-	7,521
Loss from restructuring	2,235	-
Others	12,168	973
Total unusual or infrequent loss	<u>14,403</u>	<u>8,494</u>
Income before income taxes	<u>106,466</u>	<u>149,116</u>
Provision for income taxes and enterprise taxes	32,559	40,633
Deferred income taxes	(4,029)	(6,765)
Total income taxes	<u>28,530</u>	<u>33,867</u>
Net income	<u>77,936</u>	<u>115,248</u>
Net income attributable to non-controlling interests	44	39
Net income attributable to owners of parent	<u>77,891</u>	<u>115,208</u>

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2017

(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	427,618	(8,050)	552,551
Changes of items during the period					
Cash dividends			(39,371)		(39,371)
Net income attributable to owners of parent			115,208		115,208
Repurchase of treasury stock				(6)	(6)
Disposal of treasury stock			(130)	290	159
Net change except shareholders' equity					
Total changes of items during the period	-	-	75,707	283	75,991
Balance at end of period	54,961	78,023	503,325	(7,766)	628,543

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance at beginning of period	7,902	50	6,742	(4,877)	9,817	1,641	228	564,239
Changes of items during the period								
Cash dividends								(39,371)
Net income attributable to owners of parent								115,208
Repurchase of treasury stock								(6)
Disposal of treasury stock								159
Net change except shareholders' equity	2,886	9	(953)	2,791	4,733	979	56	5,769
Total changes of items during the period	2,886	9	(953)	2,791	4,733	979	56	81,760
Balance at end of period	10,788	59	5,789	(2,086)	14,551	2,620	284	645,999

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	106,466	149,116
Depreciation and amortization	19,257	17,872
Amortization of goodwill	970	631
Increase (decrease) in accrued employees' bonuses	(283)	10,112
Interest and dividend revenue	(855)	(1,032)
Loss (gain) on sales of affiliates' shares	1,110	-
Decrease (increase) in trade notes and accounts receivable	(8,649)	(17,411)
Decrease (increase) in inventories	(23,535)	(44,102)
Increase (decrease) in trade notes and accounts payable	31	24,053
Decrease (increase) in prepaid consumption tax	(1,910)	(12,350)
Increase (decrease) in customer advances	(15,003)	34,444
Others	6,199	6,970
Subtotal	<u>83,797</u>	<u>168,304</u>
Receipts from interest and dividends	956	1,266
Income taxes paid or refund (paid)	(15,356)	(32,622)
Net cash provided by operating activities	<u>69,398</u>	<u>136,948</u>
Cash flows from investing activities		
Payment into time deposits	(25,000)	(25,000)
Proceeds from time deposits	12	50,034
Payment for purchase of short-term investments	(184,490)	(177,200)
Proceeds from redemption of short-term investments	68,492	142,198
Payment for purchase of fixed assets	(11,294)	(17,557)
Payment for acquisition of intangible assets	(707)	(1,116)
Others	2,974	(252)
Net cash provided by (used in) investing activities	<u>(150,013)</u>	<u>(28,893)</u>
Cash flows from financing activities		
Payment for purchase of treasury stock	(105,532)	(6)
Dividends paid	(33,013)	(39,371)
Others	(55)	(2)
Net cash used in financing activities	<u>(138,600)</u>	<u>(39,380)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,776)</u>	<u>53</u>
Net increase (decrease) in cash and cash equivalents	<u>(221,993)</u>	<u>68,728</u>
Cash and cash equivalents at beginning of period	<u>317,632</u>	<u>95,638</u>
Cash and cash equivalents at end of period	<u>95,638</u>	<u>164,366</u>