

Interview with the CEO

Vision

A truly global company

generating high added value and profits in the semiconductor and flat panel display industries through innovative technologies and groundbreaking proactive solutions that integrate diverse technologies.

Q1

From your new position as CEO, what do you see ahead for Tokyo Electron's businesses?

The semiconductor and flat panel display (FPD) production equipment industries are approaching a new phase of growth for which I have great expectations. I am certain that we will be able to use this opportunity as a springboard for dramatic new growth to create a business structure with world-class profitability.

Semiconductor manufacturing technologies are evolving every minute. Miniaturization technologies have now reached the 10 nanometer

level. In addition to lithography and other existing technologies that have steadfastly upheld Moore's Law, development of new semiconductor technologies, such as 3D structure devices and the use of new materials, is advancing. Customers are now looking for advanced semiconductor production technologies that combine such cutting-edge technologies in complex and novel ways. I think that breadth of Tokyo Electron's product lineup, one of the greatest in

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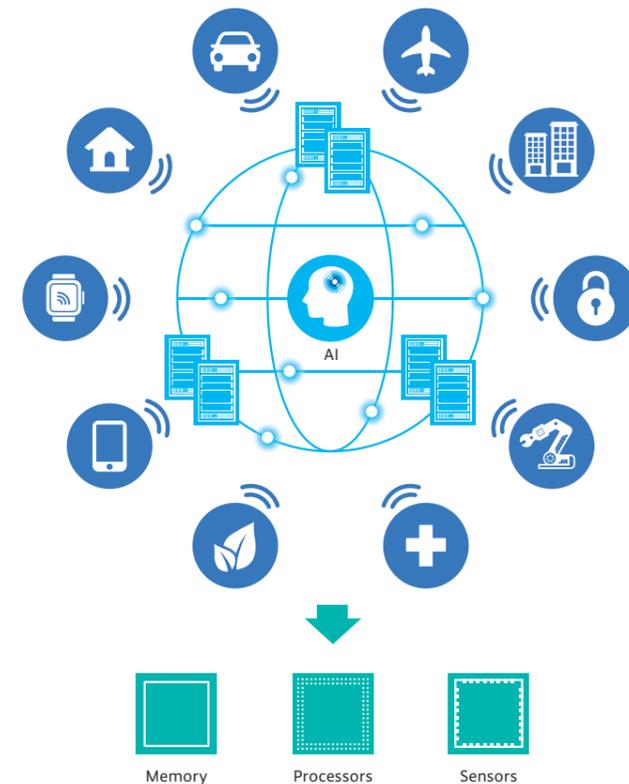
the industry, and our wealth of cutting-edge technologies will serve as major strengths in creating such innovative technologies. Greater demand for more sophisticated technologies means greater opportunities for growth.

Furthermore, the full-fledged arrival of the internet of things (IoT), which will connect all kinds of devices and objects, is just around the corner. This is expected to cause semiconductor applications to rapidly expand, from conventional uses in mobile and other electronics, to automobiles, healthcare, and virtually all other fields of business. In China, the world's greatest consumer

of semiconductors, domestic production is expected to grow, with both overseas and local manufacturers expanding their production facilities in the country. I believe that the establishment of such new semiconductor manufacturing bases will present Tokyo Electron with excellent opportunities for business expansion.

The continued evolution of semiconductors is powered by semiconductor production equipment manufacturers. By continuing to provide innovative technologies, I believe Tokyo Electron can achieve greater growth than ever.

➤ As the IoT broadens semiconductor applications, new technological needs are emerging in semiconductor manufacturing processes of all generations



Q₂

How will you turn these expanded business opportunities into real growth for the Company?

As technologies grow more advanced, there is greater demand for solutions that take a comprehensive view of the whole semiconductor production process. I think it is important for Tokyo Electron to not just improve the performance of its existing individual products, but also to leverage its extensive product lineup to combine advanced technologies across product categories. By doing so, we will be able to speed development of next generation products that optimize entire production processes.

Furthermore, the IoT will cause rapid growth in semiconductor applications in the near future. In addition to the advanced semiconductors used in mobile devices, data centers and artificial intelligence, there will be an enormous number of sensors and other simple semiconductor devices in all kinds of everyday objects. With all these different devices being used together, different generations and technologies will increasingly be used along-

side one another. Tokyo Electron's delivered semiconductor production systems number over 59,000, among the highest installed bases in the semiconductor production equipment industry. This broadening of technological applications therefore presents us with a chance to generate income on par with the opportunities in cutting-edge technologies. We will steadily turn this chance into results by selling older generations of equipment, offering upgrades and providing new forms of service to increase customer productivity.

Based on these measures, we formulated the medium-term management plan assuming a scenario in which we will be able to meet the medium-term financial targets for fiscal 2020 of ¥900 billion in net sales, a 25% operating margin, and 20% ROE. We will further reinforce our strengths in product competitiveness and responsiveness to customers and achieve world-class profitability.

Q₃

Strengthening product competitiveness and responsiveness to customers are pillars of the medium-term management plan. How, specifically, do you intend to achieve these goals?

In my new position as CEO, I have had the chance to take a fresh look at Tokyo Electron's history. Doing so has reaffirmed my belief that the driving force behind the Company's growth is its advanced and diverse technological prowess that generates innovation, the commitment to putting customers first passed down since its founding, and the Company's trailblazing, future-oriented spirit. To maximize these strengths and achieve

world-class profitability, we have built a new operating structure, focusing on strengthening the development divisions.

We integrated Tokyo Electron's development divisions and reallocated resources. This was aimed at effectively combining the Group's many diverse technologies, such as those related to wet and dry cleaning, atmospheric and low-pressure deposition, plasma etching and temperature control, in

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order to bring new products to market ahead of the competition. We reevaluated our development priorities, and are now focusing on strengthening the areas of etching, deposition and cleaning systems, markets which are expected to grow. Furthermore, we have assigned account technology general managers for each customer to help us zero in on and quickly offer new proposals to meet

the technological needs presented by the next generation of products and generations to come.

Through these initiatives, we will seek to generate customer demand by creating and providing products that surpass expectations. By also bolstering product competitiveness and operational efficiency, we aim to achieve the financial targets of the medium-term management plan.

Q4

Please tell us about your management philosophy as CEO and the kind of company you think Tokyo Electron should aim to be.

As CEO, I want to do three things. These are providing returns to the shareholders who have trusted and invested in the Company, helping our employees and their families prosper, and contributing to industry and society.

To achieve these goals, we must create profit. The source of profit is our technologies, and our technologies are created by our employees. We must therefore be a company where employees are excited to work, where they can grow by taking on ambitious goals, and where growth is rewarded fairly. To this end, it is important that we maintain the open and energetic corporate culture that Tokyo Electron has nurtured since its founding and create frameworks that allow each employee to use his or her abilities to the fullest. By broadening

the scope of compensation systems that objectively evaluate ability and contribution based on clearly defined roles and responsibilities, I believe we can help all employees become high performers. I want each employee to feel highly motivated to work together toward big goals, thus fostering a dynamic culture of ambition and energy.

The profits generated this way will feed a virtuous cycle to create new profits, providing continuous returns to all stakeholders. By doing so, we can contribute to the development of society as a leader in the semiconductor and flat panel display production equipment markets. Working toward these goals is my mission as a member of Tokyo Electron's top management.

Q5

Tokyo Electron generates steady cash flows. Please tell us your thoughts about shareholder returns and how cash should be used.

Our greatest priority is the development of new technologies for growth. The source of Tokyo Electron's profits is the Company's advanced technological capabilities that create innovation. As such, our policy for using cash is now even more focused on aggressive investment in R&D.

In terms of shareholder returns, beginning fiscal 2016, we have raised the payout ratio from 35% to 50%. As we aim for world-class profitability, we feel that we must bolster returns to shareholders accordingly. Furthermore, with an eye to ensuring stable dividends, we have set a lower limit on annual dividends of ¥150 per share.* We will also flexibly consider stock repurchases, tak-

ing a comprehensive view of such factors as needed investment for growth, cash on hand and the macroeconomic environment.

Fiscal 2016 annual dividends reached ¥237 per share, a second consecutive record-high, due to increases in the payout ratio and net income. The Company also repurchased and cancelled stock (15,400,000 shares, or 8.53% of issued shares before the cancellation). Going forward, we will continue working to maximize corporate value and boost shareholder value through continuous growth in profit.

* This lower limit may be revised in the event that the Company does not generate net income for two consecutive fiscal years.

» New Policy for Shareholder Returns

Dividend payout ratio: 50%
Annual DPS of not less than ¥150

We will review our dividend policy if the company does not generate net income for two consecutive fiscal years

We will flexibly consider share buybacks