



August 8, 2022

To all persons concerned

Name of the Company: Tokyo Electron Limited  
Name of the Representative: Toshiki Kawai  
President & CEO  
(Representative Director)  
(Code No.8035; The Prime Market of the Tokyo Stock Exchange)  
Person to contact: Makoto Shinto  
Vice President of Legal Dept.  
(Tel: 03-5561-7000)

## **Notice Regarding Continuation of and Partial Changes to the Stock Delivering Scheme for the TEL Group Officers in Japan and Abroad**

The Board of Directors of Tokyo Electron Limited ("Company") have resolved in a meeting held on August 8, 2022, to continue the stock delivering scheme (the "Scheme"), with partial changes to eligible persons under the Scheme, in 2022, which has been introduced in 2018, as a common global incentive plan for directors, senior employees and mid-class employees including executive officers of the Company and Group companies in Japan and abroad ("Relevant Companies").

### Description

#### 1. Purpose of introduction of the Scheme, etc.

(1) We have introduced the Scheme from 2018 as an incentive plan that is closely linked to the Company performance in order to underline for directors (excluding outside directors), senior employees and mid-class employees including executive officers of Relevant Companies the awareness of improving the Group's medium-term performance and increasing the awareness of contributing to the increase in enterprise value by sharing the viewpoints of shareholders through shareholding, under the global framework. At our Company, dynamism and vitality is created by the entrepreneurial spirit of staff members, especially the senior-employees and mid-class employees, holding in mind a shared purpose with the top management team to realize the Company's business targets in line with the top management team. To this end, we have introduced the Scheme to align the work of executive officers, senior employees and mid-class employees in order to achieve specific, high-level targets in the capital markets as well as our business and financial targets in the markets in which the Company operate.

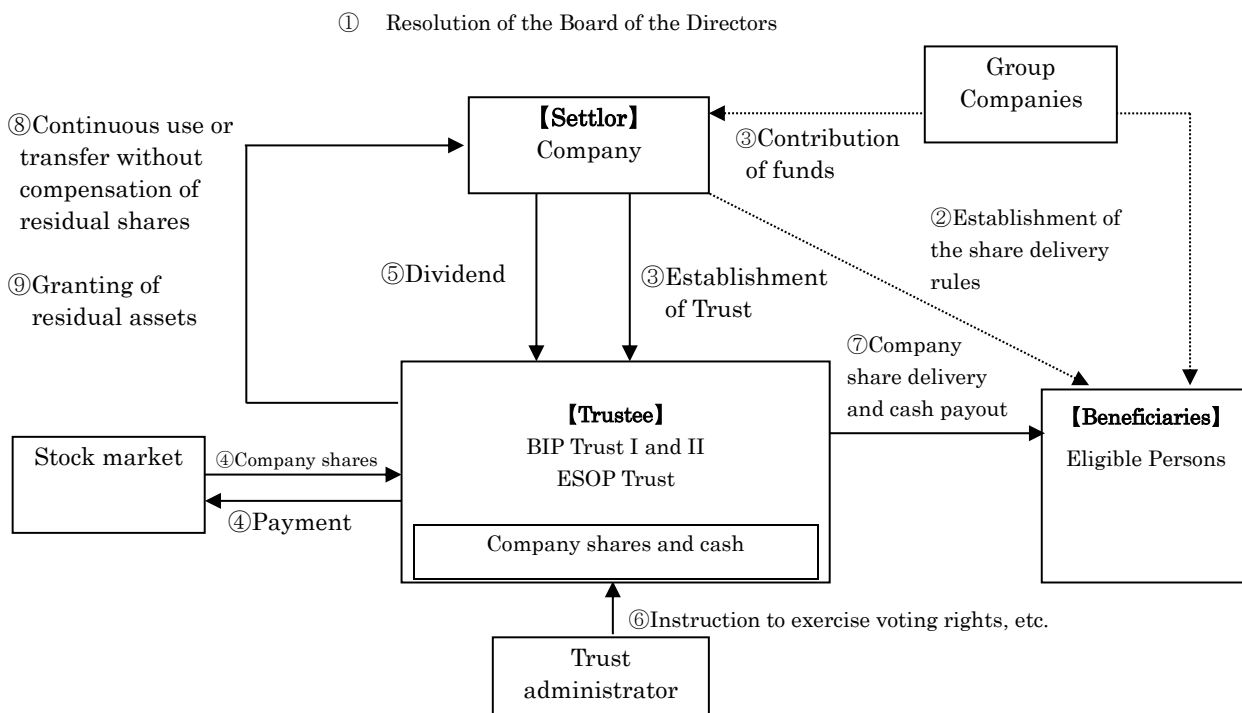
- (2) With a view to establishing a compensation system that is more consistent with the expected roles of outside directors not only to supervise the management but also to provide the management with advice from the viewpoint of enhancement of corporate value over the medium- to long-term, and to further promote the sharing of interests with shareholders, the Company has introduced a non-performance-linked stock-based compensation system for outside directors of the Company since 2020. Accordingly, we have also included outside directors of the Company in the Scheme.
- (3) In addition, the Company has decided to introduce the corporate officer system on March 30, 2022 in order to further strengthen corporate governance. Accordingly, we will add the Company's corporate officers to the eligible persons under the Scheme.
- (4) The Scheme for directors of the Relevant Companies ("Eligible Directors") and the Company's corporate officers (together with Eligible Directors, collectively, "Eligible Directors, etc.") has a mechanism called the Officers' compensations Board Incentive Plan ("BIP") Trust ("BIP Trust"). The BIP Trust is a similar scheme to performance-linked, stock-based compensation (Performance Shares) and stock-based compensations with transfer restrictions (Restricted Stock) in the US and Europe, and shares of the Company and the monies corresponding to cash conversion value of the Company Shares etc. ("Company Shares etc.") are delivered or provided ("delivered") to eligible persons. Two BIP Trusts will be set up according to the following Eligible Persons categories.

BIP Trust I: Directors and corporate officers of the Company

BIP Trust II: Directors of the Group companies

The Scheme for the senior employees and mid-class employees including executive officers of the Relevant Companies ("Eligible Employees" and collectively with Eligible Directors, etc., "Eligible Persons") has a mechanism called the stock-delivering ESOP (Employee Stock Ownership Plan) Trust ("ESOP Trust"). The ESOP Trust is an employee incentive plan based on ESOP schemes in the US whereby the Company Shares etc. are delivered to Eligible Employees according to their position and attainment of performance targets etc.

## 2. Structure of the Scheme



	BIP Trust I and II	ESOP Trust
①	The Company shall obtain a resolution from the Board of Directors Meeting for continuation of the Scheme.	
②	Each Relevant Company shall establish the share delivery rules concerning the Scheme.	
③	The Company shall set up a BIP Trust I for the benefit of the Company's directors and corporate officers who meet the beneficiary requirements, a BIP Trust II for the benefit of the Group company directors who meet the beneficiary requirements, and an ESOP Trust for the benefit of Eligible Employees who meet the beneficiary requirements (collectively, "the Trust"). Each Relevant Company contributes to the trust fund within the scope resolved in the General Meeting of Shareholders held prior to the establishment of the Trust.	
④	The Trust will, in accordance with instructions from the trust administrator, use the trust money to acquire the Company shares from the stock market.	
⑤	Dividends on the Company shares in the Trust will be distributed with other shares of the Company.	
⑥	The voting rights of the Company shares within the Trust shall not be exercised.	The voting rights of the Company shares in the Trust will be exercised in accordance with instructions from the trust administrator.
⑦	Eligible Persons shall be delivered points based on their position and attainment of performance targets according to the share delivery rules (outside directors of the Company shall be delivered a fixed amount of points). The Eligible Persons meeting the beneficiary requirements shall have the Company shares and the cash conversion value delivered from the Trust according to the relevant number of points.	
⑧	In the cases where there are residual shares at the expiration of the trust term, the Trust will continue to be used for the Scheme or same kind of stock delivering scheme, or a transfer without compensations of these residual shares will be made to the Company.	
⑨	Any residual assets at the termination of the Trust will be vested in the Company within the limit, which is calculated by deducting from the trust money the cost for acquiring the shares.	

## 3. Scheme Details

(1) Scheme overview

The Scheme continuing in the current fiscal year deliveries Company Shares etc., based on the position and attainment level of performance targets etc. to Eligible Persons for the three fiscal years ("Term") starting in the fiscal year ending March 31, 2023 and ending in the fiscal year ending March 31, 2025 (outside directors shall be delivered a fixed amount of Company Shares etc.).

The Company establishes a Trust for continuing the Scheme in the current fiscal year, and plans to continue running similar incentive plans by setting up a new Trust each year from the next fiscal year onwards or continuing the Trust according to (3) ② below. The relevant Term of each Incentive Plan that will run in the next fiscal year onwards shall be for three fiscal years from the fiscal year during which the Trust for the Incentive Plan is set up or continued.

(2) Eligible Persons under the Scheme (Beneficiary Requirements)

As a general rule, Eligible Persons may be delivered Company Shares, etc. corresponding to the number of stock delivering points (see (4) below) by the Trust after undergoing set procedures for confirming beneficiary rights outlined below has been met at the end of the relevant term.

- ① He/she was in position and working as an Eligible Person during the first fiscal year in the relevant Term.
- ② The number of stock delivering points set out in (4) below has been determined.
- ③ The person has not committed certain illegal acts while in office or left the position due to a result of his or her own circumstances or termination etc.
- ④ Other requirements that are deemed necessary to achieve the purpose of the Stock Delivering Scheme

(3) Trust term

① The trust term

Until August 31, 2025 (planned).

② Continuation of the Trust

The Trust may continue beyond the trust term shown in ① above by making amendments to the trust agreement, and also by arranging for an additional trust as necessary. In those cases, the trust term of the Trust will be extended by further 3 years, and the Company will make an additional contribution to the Trust, as necessary, for each extended trust term, and will continue to deliver points to Eligible Persons during the extended trust term. However, additional contributions for BIP Trust I and II shall be approved by a resolution at the General Shareholders Meeting of Relevant Companies, as necessary. In this case, additional contributions by each Relevant Company shall be made within the upper limit of trust funds as approved by a resolution at the General Shareholders Meeting of the applicable Relevant Company, and when making such additional contribution, if there are any Remaining Shares, etc., the total amount of the Remaining Shares, etc. and the additional contribution to the trust funds shall be within the upper limit of the trust funds that have been approved by a resolution at the General Shareholders Meeting of the applicable Relevant Company. Extension of the trust term is not limited to once only, and the trust term may be re-extended thereafter in a similar manner.

(4) The Company Shares etc. that will be delivered to Eligible Persons

The number of stock delivering points will be calculated by applying the following formula and the Company

Shares etc. that will be delivered to Eligible Persons will be based on 1 Company share per 1 point. If the Company shares are subject to a split or a merger during the trust term, the number of the Company shares per point and the upper limit of shares shown in (6) below shall be adjusted according to the Company shares split ratio or the merger ratio, etc.

(Formula for calculating stock delivering points)

Reference point (\*1) (\*2) x performance-linked factor (\*3)

(\*1) The reference point is determined by dividing the reference amount determined according to the position in the first year of the relevant term by the share price at the time the Trust acquired the Company shares (if the trust term of the Trust has been extended by making amendments to the trust agreement and putting it in an additional trust, then the average acquisition unit price for the Company shares that will be obtained by the Trust after the extension; however, if the Trust does not acquire additional Company shares, the closing price of the stock on the day when an extension was agreed (if such day is not a business day, the following business day)), and shall be delivered in thirds, one-third of the portion allotted per relevant term. If Eligible Persons are delivered the Company Shares etc. before the end of the relevant term (see (5) below), the number of total points delivered for shares at the time will be used as the basis for calculating stock delivering points.

(\*2) The reference point for outside directors of the Company is determined by dividing the given reference amount by the share price at the time the Trust acquired the Company shares (if the trust term of the Trust has been extended by making amendments to the trust agreement and putting it in an additional trust, then the average acquisition unit price for the Company shares that will be obtained by the Trust after the extension; however, if the Trust does not acquire additional Company shares, the closing price of the stock on the day when an extension was agreed (if such day is not a business day, the following business day)), and shall be delivered in the first fiscal year of the relevant Term.

(\*3) The performance-linking factor fluctuates between 0% and 120% according to the attainment level of performance targets during the relevant term (e.g. target consolidated operating margin or consolidated ROE etc.). However, if Eligible Persons are delivered the Company Shares etc. before the end of the relevant term (see (5) below), the performance-linking factor shall be deemed to be 50% for calculating the number of points for the delivery of shares. The indicators for evaluating the attainment level of performance targets for the relevant term shall be the consolidated operating margin and the consolidated ROE in the fiscal year ending March 31, 2025, and the formula for stock delivering points is "reference points x 0.7 x consolidated operating margin attainment factor + reference points x 0.3 x level of factors in consolidated ROE attainment".

The performance -linking factor shall not apply to non-performance linked compensation for outside directors of the Company.

(5) Timing and method of issuing Company Shares etc. to Eligible Persons

The Eligible Person who have met the beneficiary requirements shall have the Company Shares etc. delivered after the end of the relevant term (if the Eligible Person dies, or the Eligible Person who is an outside director leaves that position before the end of the relevant term, then at the time of death or retirement), shall have

Company Shares etc., delivered.

The applicable Eligible Person shall be delivered the number of shares corresponding to a certain percentage of stock delivering points, and the remainder shall be converted within the Trust, and shall be provided with monies equivalent to the cash conversion value.

However, if an Eligible Employee retires involuntarily or if an Eligible Person who is not a resident in Japan does not have a securities account etc. for dealing in Japanese stocks, all stock delivering points will be converted by the Trust for the amount corresponding to the cash conversion value. In addition, if the Eligible Person dies before the end of the relevant term, the Company shares corresponding to the number of points delivered for shares at the time will be converted within the Trust, and the successor of the relevant Eligible Person shall receive monetary benefits equivalent to the cash conversion value.

- (6) The upper limit of trust fund contribution to the Trust and the upper limit of Company Shares, etc. delivered by the Trust as those for Eligible Directors

For BIP Trust I and II, the upper limit of trust fund contribution for the Trust during the trust term and the upper limit of the Company Shares etc. to be delivered by the Trust as those for Eligible Directors shall be subject to the following upper limit (with respect to BIP Trust II, on the condition that the upper limit is approved by a resolution at the General Shareholders Meeting at Group companies, as necessary).

- ① The upper limit of trust fund contribution to the Trust

BIP Trust I: 480 million yen for inside directors of the Company, 50 million yen for outside directors of the Company

BIP Trust II: 391 million yen for directors of Group companies

- ② Upper limit for Company Shares, etc. that will be delivered to Eligible Persons from the Trust

BIP Trust I : 23,800 shares for inside directors of the Company, 5,000 shares for outside directors of the Company

BIP Trust II: 15,080 shares for directors of Group companies

- (7) Method for acquiring the Company shares through the Trust

With respect to the acquisition of the Company shares by the Trust set up in FY 2022, the Company shares will be acquired for Eligible Directors under BIP Trust I and II from the stock market within the limit of the stock acquisition funds and the number of shares to be delivered as specified in (6) above.

- (8) Exercise of voting rights accompanying the Company shares within Trust

For the Company shares within BIP Trust I and II, no voting rights shall be exercised during the trust term, in order to ensure neutrality towards management.

For shares within the ESOP Trust, the trust administrator will provide direction on exercising voting rights as a shareholder, and the ESOP Trust will exercise the voting rights accordingly.

- (9) Handling of dividends for Company shares in the Trust

The dividends paid on the Company shares held in the Trust shall be used for the trust fees and trust expenses after receipt by the Trust.

(10) Handling of remaining shares and dividends at the end of the trust term

The remaining shares arising from termination of the trust term due to non-attainment of performance targets during the relevant term, may be continuously used under the Scheme or a similar stock delivering scheme, by making amendments to the trust agreement and otherwise.

Further, the remaining dividends on the Company shares within the Trust at maturity of the trust term will be used as stock acquisition funds when continuously using the Trust, however, if the Trust will be terminated at the end of the trust term, the amount exceeding the trust expense reserve is planned to be donated to an organization with no interest in the Company or any Eligible Persons.

END

(Reference)

【Trust agreement contents】

	BIP Trust I	BIP Trust II	ESOP Trust
① Eligible Persons:	Company directors and corporate officers (3 inside directors, 3 outside directors, and 4 corporate officers (excluding 3 corporate officers who concurrently serve as directors))	Group Companies Directors (16 directors)	Eligible Employees (2,782 persons)
② Trust type:	An individually-operated designated trust of cash other than cash trust (third party benefit trust)		
③ Trust purpose:	To deliver incentive to the subject of plan		
④ Settlor:	The Company		
⑤ Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)		
⑥ Beneficiaries:	The subject of plan satisfying the beneficiary requirements		
⑦ Trust Administrator:	A third-party who does not have any interest in the Company (certified public accountant)		
⑧ Trust agreement date:	August 1, 2019 (amended trust agreement (to extend the trust term) is planned to be executed on August 9, 2022)		
⑨ Trust term:	August 1, 2019 to August 31, 2022 (Trust term is planned to be extended until August 31, 2025, according to the amended trust agreement dated August 9, 2022)		
⑩ Start of scheme:	August 9, 2022 (planned)		
⑪ Exercise of voting rights:	Not exercised		Exercised
⑫ Class of shares to be acquired:	The Company's common shares		
⑬ Share acquisition method:	Acquisition from the stock market		
⑭ Share acquisition period:	August 10, 2022 (planned) to August 31, 2022 (planned)		
⑮ The amount of additional trust money:	110 million yen (planned)	55 million yen (planned)	970 million yen (planned)
	(The amounts specified above include trust fees and expenses.)		
⑯ Holder of the vested right:	The Company		
⑰ Residual assets:	Residual assets that can be received by the Company, which is the holder of the vested right, shall be within the limit of the trust expense reserve, which is calculated by deducting from the trust money the expense for acquiring the shares.		

Note: The above schedule is subject to change at appropriate times in light of applicable laws and regulations.

END