



(Translation)

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Issuance of Subscription Rights for Stock-linked Compensation

Tokyo Electron Limited (TEL) announced that, at the Board of Directors Meeting held today, a decision was made to submit a proposal at TEL's 61th Annual General Meeting of Shareholders (scheduled to be held on June 18, 2024) entrusting TEL's Board of Directors with the determination of subscription requirements for subscription rights issued for the purpose of implementing stock-linked compensation (the "**General Meeting of Shareholders**"). This issuance is based on the provisions of Article 236, Article 238, and Article 239 of the Companies Act.

1. The reason for the necessity of issuing subscription rights according to particularly advantageous conditions

In the past, TEL and its subsidiaries have actively introduced incentive systems such as compensation that is linked to business performance and share subscription rights. TEL 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.

In order to raise awareness of the need to improve corporate value over the medium- to long-term, the ratio of stock-based compensation in annual performance-linked compensation has been increased and a portion of it has been made non-performance-linked compensation (stock-based compensation) beginning in the 61st fiscal year. The TEL Group's executive (excluding Outside Directors) compensation system consists of fixed basic compensation, annual performance-linked compensation, medium-term performance-linked compensation, and non-performance-linked compensation (stock-based compensation). The TEL Group has turned part of executive compensation into performance-linked compensation and has clearly correlated it to its net income attributable to owners of the parent and consolidated ROE, thus increasing the compensation's linkage to consolidated

financial results and stock prices. Non-performance-linked compensation is adopted to raise awareness of the need to enhance corporate value over the medium- to long-term, and is intended to raise awareness of the need to share shareholders' viewpoints and increase corporate value over the medium- to long-term.

In order for executives to have incentives for share prices to rise through better business performance and to share the risks of share price fluctuations with shareholders, the ratio of cash bonuses to stock compensation-based stock option as the total of annual performance-linked compensation and non-performance-linked compensation, is set roughly from 3:7 to 4:6, depending on the position and responsibility of the person to be compensated. We will issue share subscription rights with a set strike price of 1 yen per share as stock compensation-based stock option, based on the financial results in the 61st fiscal year, which will have the same effect.

2. Content and maximum number of subscription rights for which it is possible to determine subscription requirements based on a resolution of the General Meeting of Shareholders

Overview of issued subscription rights

(1) People eligible for the allotment of subscription rights

- TEL Corporate Directors (excluding Outside Directors and people who are not TEL Corporate Directors at the end of the General Meeting of Shareholders) as of the final day of the 61st fiscal year
- People who are judged that allotment is necessary, among Corporate Officers, executive officers, senior employees of TEL as of the final day of the 61st fiscal year
- People who are judged that allotment is necessary, among Corporate Directors and executive officers, senior employees of TEL's subsidiaries as of the final day of the 61st fiscal year

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

TEL common stocks up to 171,500 shares (of which, the maximum number to be issued for annual performance-linked compensation: 115,600 shares, and the maximum number to be issued for non-performance-linked compensation: 55,900 shares). Out of such stocks, the maximum number of TEL common stocks to be allotted to TEL Corporate Directors (excluding Outside Directors) shall be up to 43,100 shares (of which, the maximum number to be issued for annual performance-linked compensation: 24,600 shares, and the maximum number to be issued for non-performance-linked compensation: 18,500 shares).

If the Company implements a share split or share consolidation, the number of subject shares shall be adjusted according to the formula below; provided, however, that this adjustment will be made only with respect to the number of shares subject to subscription rights not yet exercised at the time of splitting or consolidation. In this calculation, any fraction of a share smaller than one share will be disregarded.

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

In addition, if the number of shares to be issued needs to be adjusted for any reason, TEL will adjust the number of shares to be issued as appropriate in a reasonable scope according to a resolution of a meeting of the Board of Directors.

(3) Aggregate number of subscription rights

Up to 1,715 (of which, the maximum number to be issued for annual performance-linked compensation: 1,156, and the maximum number to be issued for non-performance-linked compensation: 559). Out of such subscription rights, the maximum number of subscription rights to be allotted to TEL Corporate Directors (excluding Outside Directors) shall be up to 431 (of which, the maximum number to be issued for annual performance-linked compensation: 246, and the maximum number to be issued for non-performance-linked compensation: 185). (The number of shares to be issued for one subscription right is 100 shares. However, in the event that the number of shares is adjusted as determined in (2) above, this number will be similarly adjusted.)

(4) Payment amount for subscription rights

Gratis

(5) Value of assets required for the exercise of subscription rights

The value of assets required to exercise one subscription right shall be the amount determined by multiplying 1 yen per share in payment by the number of shares to be issued for one subscription right as determined in (3) above.

(6) Exercise period for subscription rights

The period in which subscription rights may be exercised is from the first date of the next month after three years have passed since the date of allotment, until the last date of the previous month after 20 years have passed since the date of allotment.

(7) Matters regarding increase in capital and capital reserves upon issuance of shares through exercising of subscription rights

(i) The amount of increased capital due to issuing of shares through exercising of subscription rights shall be half of the maximum amount of increase in capital as calculated according to the provisions of Paragraph 1 of Article 17 of the Company Calculation Regulations, and fractions under 1 yen resulting from calculations shall be rounded up.

(ii) The amount of increased capital due to issuing of shares through exercising of subscription rights shall be the amount of increased capital stipulated in (i), subtracted from the maximum amount of increase in capital stated in (i).

(8) Conditions for exercising subscription rights

(i) Subscription rights may not be exercised for a unit of less than one. (The minimum number of subscription rights exercisable shall be one.)

(ii) When exercising the Subscription Rights, the Optionee shall be a director, a statutory auditor, a corporate officer, an employee, etc. of TEL, or a director, a statutory auditor, an employee, etc. of a subsidiary or affiliated company of TEL.

(iii) Notwithstanding the preceding Paragraph, in the event of the death of the Optionee on or before the day prior to the start date of the Exercise Period the successor of the Optionee may succeed to and exercise the Subscription Rights within 1 year from the start date of the Exercise Period, or in the

event of the death of the Optionee on or after the start date of the Exercise Period, the successor of the Optionee may succeed to and exercise the Subscription Rights within 1 year after the Optionee's death; provided, however, that the successor of the Optionee shall exercise the Subscription Rights by the end of the Exercise Period.

(iv) Notwithstanding Paragraph (ii) of this Article, when the Optionee resigns (or retires) from a director, a statutory auditor, a corporate officer, an employee, etc. of TEL, or a director, a statutory auditor, an employee, etc. of a subsidiary or affiliated company of TEL on or before the day prior to the start date of the Exercise Period (if the Optionee holds several offices at the same time or consecutively, this means when the Optionee resigns (or retires) from all offices, hereinafter the same shall apply), the Optionee may exercise the Subscription Rights within 1 year from the start date of the Exercise Period; or when the Optionee resigns (or retires) from a director, a statutory auditor, a corporate officer, an employee, etc. of TEL, or a director, a statutory auditor, an employee, etc. of a subsidiary or affiliated company of TEL on or after the start date of the Exercise Period, the Optionee may exercise the Subscription Rights within 1 year from the date of resignation (or retirement); provided, however, that the Optionee shall exercise the Subscription Rights by the end of the Exercise Period.

(v) Notwithstanding the Exercise Period, when any of the following (a) through (d) become applicable to the Optionee, the Optionee may not exercise the Subscription Rights thereafter and the Subscription Rights will lapse immediately.

(a) When the Optionee becomes subject to an imprisonment;

(b) When the Board of Directors of TEL determines that the Optionee has intentionally or through gross negligence caused material damages to be incurred by TEL, or subsidiaries or affiliated companies of TEL;

(c) When the Optionee becomes a director or an employee of a competitor of TEL, or subsidiaries or affiliated companies of TEL (excluding the case where TEL gives prior written consent to the Optionee); or

(d) When the Optionee offers in writing to waive the Subscription Rights in whole or in part.

(9) Acquisition of subscription rights

If any of the proposals set forth in (i) through (iii) below is approved by TEL's general shareholders meeting (or approved by TEL's Board of Directors if the approval of the general shareholders meeting is not required), TEL may acquire the subscription rights without payment on a day to be determined separately by the Board of Directors.

(i) A proposal approving a merger agreement causing TEL to cease to exist;

(ii) A proposal approving a demerger agreement or demerger plan making TEL a demerging company; or

(iii) A proposal approving a stock-for-stock exchange agreement making TEL a wholly-owned subsidiary or a stock-transfer plan making TEL a wholly-owned subsidiary.

(10) Restriction on acquisition of subscription rights by way of transfer

The acquisition of the subscription rights by way of a transfer requires approval being granted at a meeting

of the Board of Directors of TEL.

- (11) Policies decided regarding lapse of subscription rights due to restructuring and details regarding delivery of subscription rights from the restructuring company

In the event that a merger (limited to mergers in which TEL will cease to exist), absorption-type demerger or incorporation-type demerger (limited to demergers in which TEL will become the demerging company), stock-for-stock exchange, or stock-transfer (limited to exchanges/transfers in which TEL becomes the wholly-owned subsidiary; all of the above scenarios called “Organizational Restructuring” collectively) occurs, the share subscription rights of the joint stock company(ies) listed in Article 236, Paragraph 1, Items 8 (i) through 8 (ho) of the Companies Act (the “Restructuring Company”) may be delivered to the Optionee who has the remaining subscription rights immediately prior to the effective date of the Organizational Restructure (the effective date of the absorption-type merger in the case of an absorption-type merger; the incorporation date of the company incorporated in the case of an incorporation-type merger; the effective date of the absorption-type demerger in the case of an absorption-type demerger; the incorporation date of the company incorporated in the case of an incorporation-type demerger; the effective date of the stock-for-stock exchange in the case of a stock-for-stock exchange; and the incorporation date of the wholly-owning parent company incorporated in the case of a stock-transfer). In the event the subscription rights of the Restructuring Company are to be delivered, the remaining subscription rights shall lapse, and the Restructuring Company shall issue new subscription rights. Delivery of the subscription rights of the Restructuring Company shall be subject to the following conditions in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, stock-for-stock exchange agreement or stock-transfer agreement.

- (i) Number of subscription rights to be granted

The same number of subscription rights as the number of remaining subscription rights held by the Optionee shall be granted; provided, however, that the number of subscription rights may be adjusted to an appropriate number other than the number of remaining subscription rights depending on the number of subscription rights of the restructuring company provided in (iii), the number of shares for one subscription right of shares of the restructuring company, and other circumstances.

- (ii) Type of shares of the restructuring company subject to the subscription rights

Common stock of the restructuring company

- (iii) Number of shares of the restructuring company subject to the subscription rights

To be determined by applying (2) above mutatis mutandis, taking into consideration the conditions of the organizational restructuring.

- (iv) Value of assets to be contributed upon exercise of the subscription rights

The value of the assets to be contributed for the exercise of each subscription right shall be the amount determined by multiplying the post-restructuring pay-in amount specified below by the number of shares of the restructuring company subject to each subscription right determined in accordance with

- (iii). The post-restructuring pay-in amount is 1 yen per share of the restructuring company that can be granted by exercise of each subscription right granted.
- (v) Exercise period of the subscription rights
- The exercise period of the subscription rights shall be the later of the first day of the period when the subscription rights can be exercised as specified in (6) above or the effective date of the organizational restructuring until the last day of the period when the subscription rights can be exercised as specified in (6) above.
- (vi) Matters regarding increases in capital and capital reserves upon issuance of shares by exercise of subscription rights
- To be determined by applying (7) above mutatis mutandis.
- (vii) Restrictions on acquisition of subscription rights by assignment
- Acquisition of the subscription rights by assignment shall require the approval of the Board of Directors of the restructuring company.
- (viii) Conditions for the exercise and acquisition of subscription rights
- To be determined by applying (8) and (9) above mutatis mutandis.
- (12) Outline of conditions for the allotment of subscription rights
- Subscription rights to be allotted as annual performance-linked compensation shall be allotted based on the TEL's executive compensation plan, net income attributable to shareholders of the parent company for the 61st fiscal year, consolidated ROE, etc. Subscription rights to be allotted as non-performance-linked compensation shall be allotted based on the person's position in a relevant company as well as other factors.
- (13) Entrustment of decisions concerning offering
- Further to the above provisions, other matters including the offering of subscription rights and details concerning the offering shall be determined by resolution of the Board of Directors at a meeting held after the closing of the General Meeting of Shareholders.

Note: Pursuant to the provisions of Article 361 of the Companies Act, TEL plans to submit a proposal limiting non-monetary compensation to Corporate Directors (excluding Outside Directors) to no more than 1,413.9 million yen annually (of which, annual performance-linked compensation: no more than 807.9 million yen, and non-performance-linked compensation: no more than 606 million yen) and the number of subscription rights to no more than a total of 431 subscription rights (43,100 shares) (of which, the maximum number to be issued for annual performance-linked compensation: 246 subscription rights (24,600 shares), and the maximum number to be issued for non-performance-linked compensation: 185 subscription rights (18,500 shares)).

Note: The above content is conditioned on a decision approving the Matter concerning Issuance of Share Subscription Rights as Stock-Based Compensation to Executives of the Company and its Subsidiaries at the General Meeting of Shareholders.