

May 31, 2017

Name of the Company: Tokyo Electron Limited
 Name of the Representative: Toshiki Kawai
 President & CEO
 (Representative Director)
 (Code No.8035; The First Section of the Tokyo Stock Exchange)
 Person to contact: Tatsuya Aso
 Director of General Affairs Dept.
 (Tel: 03-5561-7000)

New Medium-Term Management Plan

Tokyo Electron Limited (“TEL”) pursues a global standard level of profitability and aims for sustained growth in corporate value. Compared to the business environment envisioned when TEL determined the Medium-Term Management Plan in July 2015, the business environment that surrounds TEL has dramatically shifted, including the further expansion of the market size for Semiconductor Production Equipment. In light of these circumstances, TEL has reviewed the previous medium-term management plan to determine a new medium-term management plan for the period up to the fiscal year ending March, 2020.

To achieve the new financial model for the fiscal year ending March, 2020, TEL aims to strengthen product competitiveness to achieve sales growth that surpasses the growth of the market and raise development efficiency and business productivity to further improve profitability.

1. Semiconductor Production Equipment Market Size Projected in the Financial Model

- In our financial model announced in July 2015, TEL presented a range according to economic conditions. (Wafer Fab Equipment market size \$30 to \$37 billion, and equipment for wafer-level packaging is not included.)
- Our new financial model anticipates the Wafer Fab Equipment market size to reach a size of \$42 to \$45 billion by the fiscal year ending March, 2020. (Equipment for wafer-level packaging is included.)

2. Financial Model (toward FY2020)

(Billion Yen)

	FY2017 (Actual)	FY2018 (Estimate)	FY2020 (Medium-term plan)	
WFE* Market size	WFE \$37B	WFE \$40B	WFE \$42B	WFE \$45B
Net sales	799.7	980.0	1,050.0	1,200.0
SPE	749.8	910.0	970.0	1,120.0
FPD	49.3	70.0	80.0	80.0
Gross profit	322.2	412.0	452.0	522.0
Gross profit margin	40.3%	42.0%	43.0%	43.5%
SG&A expenses	166.5	196.0	200.0	210.0
SG&A expense ratio	20.8%	20.0%	19.0%	17.5%

Operating income	155.6	216.0	252.0	312.0
Operating margin	19.5%	22.0%	24.0%	26.0%
Net income attributable to owners of parent	115.2	163.0	180.0	220.0

*The semiconductor production process can be divided into two sequential sub-processes: front-end (wafer fabrication) and back-end (assembly and test) production. WFE (Wafer Fab Equipment) is used in the front-end production process. Front-end production equipment includes equipment for wafer-level packaging.

3. Approach to Financial Model

- Pursue technological differentiation
- Cost reductions through integration of development units
 - Establishment of Tokyo Electron Technology Solutions Ltd.
- Meet expanding demand for field solutions
- Raise business productivity, control fixed costs
 - Improve business efficiency of service divisions
 - Control development expenses at level appropriate to balance with current profitability

4. Targeted Management Indicator (toward FY2020)

While maintaining a global standard level of profitability, TEL will continue with development of the next generation of products to aim for sustained growth in corporate value.

WFE* Market size	WFE \$42B	WFE \$45B
Net sales	¥ 1,050 Billion	¥1,200 Billion
Operating margin	24%	26%
ROE (Return on Equity)	20% ~ 25%	

5. Capital policy and Shareholder Return Policy

Approach to capital policy

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.

Approach to shareholder 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.

*The semiconductor production process can be divided into two sequential sub-processes: front-end (wafer fabrication) and back-end (assembly and test) production. WFE (Wafer Fab Equipment) is used in the front-end production process. Front-end production equipment includes equipment for wafer-level packaging.