



【Summary】 Corporate Governance Report

June 24, 2016

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)

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This is a summary translation of Corporate Governance Report in Japanese language.

Our Corporate Governance Report in Japanese is updated on June 24, 2016 based on the Resolutions by the Fiscal Year 2016 (the 53rd FY) Annual General Meeting of Shareholders.

However, there are not any changes in this Summary of a Corporate Governance Report.

Basic Views on Corporate Governance

In view of Tokyo Electron's 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, Tokyo Electron(TEL) believes improving corporate governance is important for achieving success in global competition, realizing sustainable growth, and increasing corporate value over the mid to long term.

To reinforce our corporate governance, TEL will build a structure for utilizing to the maximum the worldwide resources TEL possesses, strengthen our business and technological bases, and put in place a framework that will enable us to establish earning power at a global level.

Moreover, TEL believes that continuing to be a company replete with dreams and vitality will form the foundation that will support the motivation of our employees and the sustainable growth of TEL.

【Disclosure based on corresponding principles in the Corporate Governance Code】

TEL established Tokyo Electron Corporate Governance Guidelines to provide a governance framework that will contribute to the achievement of this aspiration.

For details of Tokyo Electron Corporate Governance Guidelines:

http://www.tel.com/ir/policy/cg/document/index_02.pdf

【Reasons for not implementing some principles in the Corporate Governance Code】

Supplementary Principle 4.1.3 The Board of Directors should engage in appropriate oversight of succession planning for the CEO and other top executives.

Currently, the CEO and Representative Directors are continuously anticipating candidates to succeed them, endeavoring to develop those candidates.

However, oversight of the plan for developing the pool of successor candidates by the Board of Directors is still in progress; in the future, the Nomination Committee will analyze the status of development of the successor pool, and the Board of Directors will exercise appropriate oversight over the succession planning and the development status of the pool of successor, based on the report from the Nomination Committee.

While the CEO is involved in the development of management levels eligible to become successor candidates, the CEO will not be involved in nominating specific candidates from the pool of successor candidates.

Supplementary Principle 4.2.1 Management compensation should be set at an appropriate percentage of compensation linked to mid to long-term results.

At TEL, half of the annual bonus for Corporate Directors is in the form of stock compensation; granting stock options restricting exercise for three years from the date of allotment reflects compensation of short-term performance, while also ensuring a certain degree of linkage to medium-term performance.

However, TEL will consider the issue of having a compensation system that provides stronger linkage to the Medium-term Management Plan as this will become increasingly important in the future

Supplementary Principle 4.3.1 The Board of Directors should ensure that the appointment and dismissal of executive management are based on a fair and highly transparent procedure, and reflect the results of corporate performance.

Personnel matters for the CEO are being handled appropriately, according to a fair and highly transparent procedure, based on proposal from the Nomination Committee.

However, TEL thinks it is important to provide greater incentives in regard to sustainable growth of TEL, so TEL will consider personnel evaluation methods that are more directly linked to progress on the Medium-term Management Plan in the future.

Supplementary Principle 4.8.1 Independent Directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint, by means such as regular meetings consisting solely of Independent Directors (executive sessions).

TEL has not established a meeting consisting solely of Independent Directors.

However, Independent Directors and Outside Audit & Supervisory Board Members communicate freely with one another, and TEL does not believe there is any problem with exchanging the necessary information and developing shared awareness.

Moreover, TEL is striving to ensure to provide Independent Directors and Outside Audit & Supervisory Board Members with sufficient information and dialog with the managements in regard to matters that are of particular importance, by sharing information in advance and exchanging opinions among Independent Directors and Outside Audit & Supervisory Board Members and TEL executive management in advance. TEL believes that, by doing so, the Independent Directors and Outside Audit & Supervisory Board Members have fulfilled their responsibilities through the active participation in discussions at Board of Directors meetings.

Supplementary Principle 4.8.2 Independent Directors should endeavor to establish a system for communicating with the management and for cooperating with Audit & Supervisory Board Members or The Audit & Supervisory Board by, for example, appointing the lead Independent Director from among themselves.

TEL is striving to ensure to provide Independent Directors and Outside Audit & Supervisory Board Members with sufficient information and dialog with the management in regard to matters that are of particular importance, by sharing information in advance and exchanging opinions among Independent Directors and Outside Audit & Supervisory Board Members and TEL executive management in advance.

While TEL has not appointed a lead Independent Director, TEL believes that there are no issues with communication and cooperation between Independent Directors and the management or cooperation with the Audit & Supervisory Board.

Supplementary Principle 4.10.1 In order to strengthen independence, objectivity and accountability of board functions on the matters of nominations, compensation, or other matters

of particular importance, the company should seek appropriate involvement and advice from Independent Directors in the examination by, for example, establishing optional advisory committee under the board to which Independent Directors makes significant contributions.

There are no Independent Directors on the TEL Nomination Committee in this fiscal year.

However, Representative Directors are not included among Nomination Committee Members. The authority of the CEO and other Representative Directors does not extend to management of the Nomination Committee, and the Nomination Committee is employing a high degree of independence and fairness in selecting candidates. In addition, the Nomination Committee is also obtaining appropriate involvement and advice from Independent Directors through such means as consulting Independent Directors before proposing candidates.

Supplementary Principle 4.11.3 Each year the Board of Directors should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each Corporate Director, and should disclose a summary of the results.

At present, the Board of Directors is receiving useful feedback from the Audit & Supervisory Board members as appropriate, but the Board of Directors is not evaluating the effectiveness of the Board of Directors as a whole. Consequently, the Board of Directors will debate concerning the effectiveness of the Board of Directors from this fiscal year onward, and the Board of Directors intends to compile its own analysis and evaluation and disclose a summary of the results each year.