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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
 Vice President of General Affairs Dept.
 (Tel: 03-5561-7000)

Medium-Term Management Plan and New Financial Model

Tokyo Electron Limited (“TEL”) Group is aiming for sustained growth in corporate value through a management base with global-standard strength. As the semiconductor and FPD (Flat Panel Display) industry has entered a new growth stage on the expansion of new applications that support social infrastructure such as AI and IoT, business development in TEL group’s focus areas is making good progress.

In light of these circumstances, TEL group has established a new financial model backgrounded by expected growth in semiconductor and production equipment markets. TEL group is aiming to increase sales and generate profit beyond market growth rate through stronger competitiveness of products and further enhance profitability.

The newly established financial model is as follows.

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

Our new financial model anticipates that Wafer Fab Equipment market size will reach \$55 billion to \$62 billion by the fiscal year ending March, 2021.

(In the Medium-Term Management Plan announced in May 2017, Wafer Fab Equipment market size was expected to reach from \$42 billion to \$45 billion.)

2. New Financial Model (FY2021)

Our group will raise management efficiency and secure even higher profitability and resistance to market shifts. We are aiming for a world class operating margin of over 30% in the medium- to long-term.

WFE Market size	WFE \$55B	WFE \$62B
Net sales	¥ 1,500 Billion	¥1,700 Billion
Operating margin	26.5%	28%
ROE (Return on Equity)	30% ~ 35%	

(Billion Yen)

	FY2018 (Actual)	FY2019 (Estimates)	FY2021 (Medium-term plan)	
WFE Market size	WFE \$51B	WFE \$58B	WFE \$55B	WFE \$62B
Net sales	1,130.7	1,400.0	1,500.0	1,700.0
SPE	1,055.2	1,288.0	1,400.0	1,600.0
FPD	75.0	112.0	100.0	100.0
Gross profit	475.0	598.0	650.0	745.0
Gross profit margin	42.0%	42.7%	43.3%	43.8%
SG&A expenses	193.8	232.0	252.0	269.0
SG&A expense to sales ratio	17.1%	16.6%	16.8%	15.8%
Operating income	281.1	366.0	398.0	476.0
Operating margin	24.9%	26.1%	26.5%	28.0%
Net income attributable to owners of parent	204.3	270.0	292.0	348.0

3. Principal initiatives to achieve the financial model going forward

- Promote development of technologies that leverage TEL Group's comprehensive strengths
- Promote early stage joint development and evaluation with customers
- Increase productivity and added-value using data and AI
- Respond to growing China business
- Increase earnings in field solutions business
- Promote efficiency through launch of business reform project
- Implement medium-term incentive plan

4. Capital policy and Shareholder Return Policy

Our group will continue to move forward with the following policies.

① Approach to capital policy

While securing and generating resources necessary for growth investment, TEL will make continuous 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 further improving operating income to sales and capital efficiency and make efforts to expand cash flow.

② Approach to shareholder return 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.