May 27, 2019

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)

Revisions to Medium-Term Management Plan and 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 Flat Panel Display (FPD) industries enter new stages in their development, the TEL Group's business developments in our focus areas are progressing smoothly, with TEL Group sales and operating income growth at rates far outpacing the market as one example of our progress.

It is in this environment that the TEL Group seeks to revise our financial model to achieve even greater growth and set our sights on achieving a world-class operating margins and ROE, while continuing to sustainably pursue provision of the best products and best services.

1. Revision of the Financial Model

As data society is being built ever faster with the dissemination of IoT, AI, 5G and the like, we anticipate sustained growth in the medium to long term in both the semiconductor and FPD production equipment markets thanks to the expanded use of semiconductors and demands for technological innovations such dissemination and data society requires. It is therefore the TEL Group's policy to continue strategic yet aggressive investment bolstering our future growth. More specifically, we anticipate investments in developments to reach 400 billion yen in the next 3 years.

However, we cannot ignore the uncertainties presented by trade frictions between the US and China as well as Brexit, and thus seek to revise our financial model in FY2021, and work to fully implement the revised model within the following 5 years. Furthermore, in addition to achieving sales of 2 trillion yen or more and operating margins of at least 30%, this model will also aim to achieve an ROE of at least 30%.

In addition, the financial model developed by the TEL Group seeks not to anticipate the scope of our future sales growth but the optimization of business management that we should seek to achieve for each kind of sales scope anticipated. By realizing this type of financial model, the TEL Group intends to attain a world-class operating margins and ROE.

Net sales	¥ 1,500 Billion	¥1,700 Billion	¥2,000 Billion
Operating margin	26.5%	28.0%	>30.0%
ROE (Return on Equity)	> 30.0%		

2. Principal initiatives to achieve the Financial Model

- Promote development of technologies that leverage TEL Group's comprehensive strengths
- Expanding revenues in the Field Solutions business by utilizing the full potential of our world-leading shipping results
- Increase productivity and added-value using data and AI
- Promote efficiency through launch of business reform project
- Implement medium-term incentive plan

3. 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.