

TRIO TECH INTERNATIONAL
Form 10-Q
November 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ___ to ___

Commission File Number 1-14523

TRIO-TECH INTERNATIONAL
(Exact name of Registrant as specified in its Charter)

California
(State or other jurisdiction of
incorporation or organization)

95-2086631
(I.R.S. Employer
Identification Number)

16139 Wyandotte Street
Van Nuys, California
(Address of principal executive offices)

91406
(Zip Code)

Registrant's Telephone Number, Including Area Code: 818-787-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 5, 2013, there were 3,442,980 shares of the issuer’s Common Stock, no par value, outstanding.

TRIO-TECH INTERNATIONAL
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SIGNATURE

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FORWARD-LOOKING STATEMENTS

The discussions of Trio-Tech International's (the "Company") business and activities set forth in this Form 10-Q and in other past and future reports and announcements by the Company may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and assumptions regarding future activities and results of operations of the Company. In light of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the following factors, among others, could cause actual results to differ materially from those reflected in any forward-looking statements made by or on behalf of the Company: market acceptance of Company products and services; changing business conditions or technologies and volatility in the semiconductor industry, which could affect demand for the Company's products and services; the impact of competition; problems with technology; product development schedules; delivery schedules; changes in military or commercial testing specifications which could affect the market for the Company's products and services; difficulties in profitably integrating acquired businesses, if any, into the Company; risks associated with conducting business internationally and especially in Southeast Asia, including currency fluctuations and devaluation, currency restrictions, local laws and restrictions and possible social, political and economic instability; changes in U.S. and global financial and equity markets, including market disruptions and significant interest rate fluctuations; and other economic, financial and regulatory factors beyond the Company's control. Other than statements of historical fact, all statements made in this Quarterly Report are forward-looking, including, but not limited to, statements regarding industry prospects, future results of operations or financial position, and statements of our intent, belief and current expectations about our strategic direction, prospective and future financial results and condition. In some cases, you can identify forward-looking statements by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential," "believes," "can impact," "continue," or the negative thereof or other comparative terminology. Forward-looking statements involve risks and uncertainties that are inherently difficult to predict, which could cause actual outcomes and results to differ materially from our expectations, forecasts and assumptions.

Unless otherwise required by law, we undertake no obligation to update forward-looking statements to reflect subsequent events, changed circumstances, or the occurrence of unanticipated events. You are cautioned not to place undue reliance on such forward-looking statements.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT NUMBER OF SHARES)

| | September 30, 2013 (Unaudited) | June 30, 2013 |
|---|---|------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash & cash equivalents | \$ 2,521 | \$ 2,793 |
| Short-term deposits | 103 | 104 |
| Trade accounts receivable, less allowance for doubtful accounts of \$137 and \$139 | 8,996 | 8,728 |
| Other receivables | 394 | 993 |
| Loans receivable from property development projects | 1,144 | 1,139 |
| Inventories, less provision for obsolete inventory of \$899 and \$912 | 1,952 | 2,463 |
| Prepaid expenses and other current assets | 408 | 358 |
| Asset held for sale | - | - |
| Total current assets | 15,518 | 16,578 |
| NON-CURRENT ASSETS: | | |
| INVESTMENTS | 795 | 791 |
| INVESTMENT PROPERTIES, Net | 1,870 | 1,893 |
| PROPERTY, PLANT AND EQUIPMENT, Net | 12,540 | 12,851 |
| OTHER ASSETS | 801 | 437 |
| RESTRICTED TERM DEPOSITS | 3,511 | 3,494 |
| Total non-current assets | 19,517 | 19,466 |
| TOTAL ASSETS | \$ 35,035 | \$ 36,044 |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Lines of credit | \$ 2,953 | \$ 3,864 |
| Accounts payable | 4,208 | 4,136 |
| Accrued expenses | 3,002 | 3,060 |
| Income taxes payable | 469 | 459 |
| Current portion of bank loans payable | 769 | 770 |
| Current portion of capital leases | 92 | 105 |
| Total current liabilities | 11,493 | 12,394 |
| NON-CURRENT LIABILITIES: | | |
| BANK LOANS PAYABLE, net of current portion | 2,364 | 2,613 |
| CAPITAL LEASES, net of current portion | 259 | 228 |
| DEFERRED TAX LIABILITIES | 127 | 191 |
| OTHER NON-CURRENT LIABILITIES | 37 | 12 |
| Total non-current liabilities | 2,787 | 3,044 |
| TOTAL LIABILITIES | \$ 14,280 | \$ 15,438 |
| COMMITMENT AND CONTINGENCIES | - | - |
| EQUITY | | |

TRIO-TECH INTERNATIONAL'S SHAREHOLDERS' EQUITY:

| | | | | |
|---|----|--------|----|--------|
| Common stock, no par value, 15,000,000 shares authorized; 3,399,555 shares issued and outstanding as at September 30, 2013, and 3,321,555 as at June 30, 2013 | \$ | 10,665 | \$ | 10,531 |
| Paid-in capital | | 2,870 | | 2,756 |
| Accumulated retained earnings | | 1,651 | | 1,668 |
| Accumulated other comprehensive gain-translation adjustments | | 3,602 | | 3,680 |
| Total Trio-Tech International shareholders' equity | | 18,788 | | 18,635 |
| NON-CONTROLLING INTEREST | | 1,967 | | 1,971 |
| TOTAL EQUITY | \$ | 20,755 | \$ | 20,606 |
| TOTAL LIABILITIES AND EQUITY | \$ | 35,035 | \$ | 36,044 |

See notes to condensed consolidated financial statements.

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UNAUDITED (IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

| | Three Months Ended | |
|--|--------------------|-------------------|
| | Sept. 30, 2013 | Sept. 30, 2012 |
| Revenue | | |
| Products | \$ 5,405 | \$ 5,636 |
| Testing Services | 4,048 | 3,909 |
| Others | 44 | 30 |
| | 9,497 | 9,575 |
| Cost of Sales | | |
| Cost of products sold | 4,346 | 5,026 |
| Cost of testing services rendered | 3,025 | 2,677 |
| Others | 35 | 33 |
| | 7,406 | 7,736 |
| Gross Margin | 2,091 | 1,839 |
| Operating Expenses: | | |
| General and administrative | 1,834 | 1,751 |
| Selling | 205 | 128 |
| Research and development | 52 | 73 |
| Loss / (gain) on disposal of property, plant and equipment | 13 | (3) |
| Total operating expenses | 2,104 | 1,949 |
| Loss from Operations | (13) | (110) |
| Other Income / (Expenses) | | |
| Interest expenses | (68) | (78) |
| Other income, net | 164 | 254 |
| Total other income / (expenses) | 96 | 176 |
| Income from Continuing Operations before Income Taxes | 83 | 66 |
| Income Tax Benefits | 43 | 124 |
| Income from continuing operations before non-controlling interest, net of tax | 126 | 190 |
| Other Operating Activities | | |
| Equity in earnings of unconsolidated joint venture, net of tax | - | - |
| Discontinued Operations (Note 19) | | |
| Loss from discontinued operations, net of tax | (42) | (231) |
| NET INCOME / (LOSS) | 84 | (41) |
| Less: net income / (loss) attributable to the non-controlling interest | 101 | (24) |
| | \$ (17) | \$ (17) |

| | | | |
|--|-------|--------|-----------|
| Net Loss Attributable to Trio-Tech International Common Shareholder | | | |
| Amounts Attributable to Trio-Tech International Common Shareholders: | | | |
| Income from continuing operations, net of tax | 6 | | 93 |
| Loss from discontinued operations, net of tax | (23) | | (110) |
| Net Loss Attributable to Trio-Tech International Common Shareholders | \$ | (17) | \$ (17) |
| Comprehensive Income / (Loss) Attributable to Trio-Tech International Common Shareholders: | | | |
| Net income / (loss) | 84 | | (41) |
| Foreign currency translation, net of tax | (183) | | 555 |
| Comprehensive (Loss) / Income | (99) | | 514 |
| Less: Comprehensive (loss) / income attributable to the non-controlling interest | (4) | | 98 |
| Comprehensive (Loss) / Income Attributable to Trio-Tech International Common Shareholders | (95) | \$ | 416 |
| Basic and Diluted Loss / Income per Share: | | | |
| Basic and diluted loss / income per share from continuing operations attributable to Trio-Tech International | \$ | - | \$ 0.03 |
| Basic and diluted loss per share from discontinued operations attributable to Trio-Tech International | \$ | (0.01) | \$ (0.04) |
| Basic and Diluted Loss per Share from Net Loss Attributable to Trio-Tech International | \$ | (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | | | |
| Basic | 3,399 | | 3,322 |
| Dilutive effect of stock options | - | | - |
| Number of shares used to compute earnings per share diluted | 3,399 | | 3,322 |

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS)

| | Common Stock Shares | Common Stock Amount \$ | Additional Paid-in Capital \$ | Accumulated Retained Earnings \$ | Accumulated Other Comprehensive Income \$ | Non- Controlling Interest \$ | Total \$ |
|--|---------------------------|---------------------------------|--|---|---|---------------------------------------|-------------|
| Balance at June 30, 2012 | 3,322 | 10,531 | 2,431 | 2,687 | 3,187 | 1,720 | 20,556 |
| Stock option expenses | - | - | 42 | - | - | - | 42 |
| Net loss | - | - | - | (1,019) | - | (83) | (1,102) |
| Translation adjustment | - | - | - | - | 493 | 141 | 634 |
| Dividend declared by subsidiary | - | - | - | - | - | (39) | (39) |
| Contributions to capital by related party – loan forgiveness | - | - | 283 | - | - | 232 | 515 |
| Balance at June 30, 2013 | 3,322 | 10,531 | 2,756 | 1,668 | 3,680 | 1,971 | 20,606 |
| Stock option expenses | - | - | 114 | - | - | - | 114 |
| Net (loss) / income | - | - | - | (17) | - | 101 | 84 |
| Translation adjustment | - | - | - | - | (78) | (105) | (183) |
| Increase in Share Capital | 77 | 134 | - | - | - | - | 134 |
| Contributions to capital by related party – loan forgiveness | - | - | - | - | - | - | - |
| Balance at Sept. 30, 2013 | 3,399 | 10,665 | 2,870 | 1,651 | 3,602 | 1,967 | 20,755 |

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

| | Three Months Ended | |
|---|----------------------------------|----------------------------------|
| | Sept. 30, 2013 (Unaudited) | Sept. 30, 2012 (Unaudited) |
| Cash Flow from Operating Activities | | |
| Net income / (loss) | \$ 84 | \$ (41) |
| Adjustments to reconcile net loss to net cash flow provided by operating activities | | |
| Depreciation and amortization | 602 | 625 |
| Stock compensation | 114 | 11 |
| Inventory provision | (17) | - |
| Bad debt reversal | (3) | (11) |
| Accrued interest expense | 3 | 49 |
| Loss / (Gain) on sale of property | 13 | (3) |
| Warranty expense, net | 4 | 3 |
| Deferred tax provision | (64) | (150) |
| Changes in operating assets and liabilities, net of acquisition effects | | |
| Accounts receivables | (266) | 414 |
| Other receivables | 599 | 264 |
| Other assets | (364) | (39) |
| Inventories | 524 | 573 |
| Prepaid expenses and other current assets | (52) | (63) |
| Accounts payable and accrued liabilities | 25 | (1,513) |
| Income tax payable | (12) | 13 |
| Other non-current liabilities | 23 | (267) |
| Net cash provided by / (used in) operating activities | 1,213 | (135) |
| Cash Flow from Investing Activities | | |
| Proceeds from maturing of unrestricted and restricted term deposits, net | - | 56 |
| Additions to property, plant and equipment | (484) | (673) |
| Proceeds from disposal of plant, property and equipment | 28 | 3 |
| Net cash used in investing activities | (456) | (614) |
| Cash Flow from Financing Activities | | |
| (Repayment) / Borrowing on lines of credit | (869) | 1,387 |
| Repayment of bank loans and capital leases | (285) | (24) |
| Proceeds from long-term bank loans | 66 | - |
| Proceeds from exercising stock options | 134 | - |
| Net cash (used in) / provided by financing activities | (954) | 1,363 |
| Effect of Changes in Exchange Rate | (75) | (98) |
| NET (DECREASE) / INCREASE IN CASH | (272) | 516 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 2,793 | 1,572 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 2,521 | \$ 2,088 |

Supplementary Information of Cash Flows

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Cash paid during the period for:

| | | | | |
|--------------|----|----|----|----|
| Interest | \$ | 68 | \$ | 75 |
| Income taxes | \$ | 19 | \$ | 35 |

Non-Cash Transactions

| | | | | |
|--|----|----|----|---|
| Capital lease of property, plant and equipment | \$ | 66 | \$ | - |
|--|----|----|----|---|

See notes to condensed consolidated financial statements.

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TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)

1. ORGANIZATION AND BASIS OF PRESENTATION

Trio-Tech International (“the Company” or “TTI” hereafter) was incorporated in fiscal 1958 under the laws of the State of California. TTI provides third-party semiconductor testing and burn-in services primarily through its laboratories in Southeast Asia. In addition, TTI operates testing facilities in the United States. The Company also designs, develops, manufactures and markets a broad range of equipment and systems used in the manufacturing and testing of semiconductor devices and electronic components. In the first quarter of fiscal 2014, TTI conducted business in four business segments: Manufacturing, Testing Services, Distribution and Real Estate. In fiscal 2013 TTI conducted business in the foregoing four segments and the fifth segment, Fabrication Services segment was discontinued during the fourth quarter of fiscal 2013. TTI has subsidiaries in the U.S., Singapore, Malaysia, Thailand, China and Indonesia as follows:

| | Ownership | Location |
|--|-----------|-------------------------------|
| Express Test Corporation (Dormant) | 100% | Van Nuys, California |
| Trio-Tech Reliability Services (Dormant) | 100% | Van Nuys, California |
| KTS Incorporated, dba Universal Systems (Dormant) | 100% | Van Nuys, California |
| European Electronic Test Centre (Dormant) | 100% | Dublin, Ireland |
| Trio-Tech International Pte. Ltd. | 100% | Singapore |
| Universal (Far East) Pte. Ltd. * | 100% | Singapore |
| Trio-Tech International (Thailand) Co. Ltd. * | 100% | Bangkok, Thailand |
| Trio-Tech (Bangkok) Co. Ltd. (49% owned by Trio-Tech International Pte. Ltd. and 51% owned by Trio-Tech International (Thailand) Co. Ltd.) | 100% | Bangkok, Thailand |
| Trio-Tech (Malaysia) Sdn. Bhd. (55% owned by Trio-Tech International Pte. Ltd.) | 55% | Penang and Selangor, Malaysia |
| Trio-Tech (Kuala Lumpur) Sdn. Bhd. (100% owned by Trio-Tech Malaysia Sdn. Bhd.) | 55% | Selangor, Malaysia |
| Prestal Enterprise Sdn. Bhd. (76% owned by Trio-Tech International Pte. Ltd.) | 76% | Selangor, Malaysia |
| Trio-Tech (Suzhou) Co. Ltd. * | 100% | Suzhou, China |
| Trio-Tech (Shanghai) Co. Ltd. * (Dormant) | 100% | Shanghai, China |
| Trio-Tech (Chongqing) Co. Ltd. * | 100% | Chongqing, China |
| SHI International Pte. Ltd. (Dormant) (55% owned by Trio-Tech International Pte. Ltd) | 55% | Singapore |
| PT SHI Indonesia (Dormant) (100% owned by SHI International Pte. Ltd.) | 55% | Batam, Indonesia |

| | | |
|--------------------------------|------|----------------|
| Trio-Tech (Tianjin) Co. Ltd. * | 100% | Tianjin, China |
|--------------------------------|------|----------------|

* 100% owned by Trio-Tech International Pte. Ltd.

The accompanying un-audited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. All significant inter-company accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements are presented in U.S. dollars. The accompanying condensed consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2014. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the fiscal year ended June 30, 2013.

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2. NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (“FASB”) has issued Accounting Standards Update (“ASU”) No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists (a consensus of the FASB Emerging Issues Task Force). U.S. generally accepted accounting principles (“U.S. GAAP”) do not include explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward, except as follows. To the extent a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

The FASB has published a new ASU that defers indefinitely certain disclosures about investments held by nonpublic employee benefit plans in their plan sponsors’ own nonpublic equity securities. The ASU was approved by the FASB on June 12, 2013. ASU No. 2013-09, Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04, applies to disclosures of certain quantitative information about the significant unobservable inputs used in Level 3 fair value measurement for investments held by certain employee benefit plans.

The deferral applies specifically to employee benefit plans, other than those plans that are subject to SEC filing requirements, which hold investments in their plan sponsors’ own nonpublic entity equity securities, including equity securities of their nonpublic affiliated entities. The deferral is effective immediately for all financial statements that have not yet been issued. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

The FASB has issued ASU No. 2013-05, Foreign Currency Matters (Topic 830) Parent’s Accounting for the Cumulative Translation Adjustment upon De-recognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided.

For an equity method investment that is a foreign entity, the partial sale guidance in Section 830-30-40 still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the

partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment.

Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity (i.e., irrespective of any retained investment); and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events.

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The amendments in this ASU are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to de-recognition events occurring after the effective date. Prior periods should not be adjusted. Early adoption is permitted. If an entity elects to early adopt the amendments, it should apply them as of the beginning of the entity's fiscal year of adoption. The adoption of this update is not expected to have a significant effect on the Company's consolidated financial position or results of operations.

The FASB has issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting these reclassifications. Other comprehensive income includes gains and losses that are initially excluded from net income for an accounting period. Those gains and losses are later reclassified out of accumulated other comprehensive income into net income. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements. All of the information that this ASU requires already is required to be disclosed elsewhere in the financial statements under U.S. GAAP.

The new amendments will require an organization to:

- Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income - but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period.
- Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

The amendments apply to all public companies that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods (interim and annual). The amendments are effective for reporting period beginning after December 15, 2012, for public companies early adoption is permitted. The adoption of this update did not have a significant effect on the Company's consolidated financial position or results of operations.

Other new pronouncements issued but not yet effective until after September 30, 2013 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

3. INVENTORIES

Inventories consisted of the following:

| | Sept. 30, 2013 (Unaudited) | June 30, 2013 |
|--|----------------------------------|------------------|
| Raw materials | \$ 1,057 | \$ 1,072 |
| Work in progress | 1,392 | 1,930 |
| Finished goods | 391 | 356 |
| Less: provision for obsolete inventory | (899) | (912) |
| Currency translation effect | 11 | 17 |

\$ 1,952 \$ 2,463

The following table represents the changes in provision for obsolete inventory:

| | Sept. 30, 2013 (Unaudited) | June 30, 2013 |
|-------------------------------|----------------------------------|------------------|
| Beginning | \$ 912 | \$ 884 |
| Additions charged to expenses | - | 38 |
| Usage - disposition | (17) | (14) |
| Currency translation effect | 4 | 4 |
| Ending | \$ 899 | \$ 912 |

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4. STOCK OPTIONS

On September 24, 2007, the Company's Board of Directors unanimously adopted the 2007 Employee Stock Option Plan (the "2007 Employee Plan") and the 2007 Directors Equity Incentive Plan (the "2007 Directors Plan") each of which was approved by the shareholders on December 3, 2007. Each of those plans was amended by the Board in 2010 to increase the number of shares covered thereby, which amendments were approved by the shareholders on December 14, 2010. At present, the 2007 Employee Plan provides for awards of up to 600,000 shares of the Company's Common Stock to employees, consultants and advisors, and the 2007 Directors Plan provides for awards of up to 400,000 shares of the Company's Common Stock to the members of the Board of Directors in the form of non-qualified options and restricted stock. These two plans are administered by the Board, which also establishes the terms of the awards.

Assumptions

The fair value for the options granted were estimated using the Black-Scholes option pricing model with the following weighted average assumptions, assuming no expected dividends:

| | Year Ended June 30, 2013 | Three Months Ended September 30, | | | 19,383 | 6,375,069 | | | |
|-----------------------|-----------------------------------|--|-----|-----|--------|-----------|-------|-------|-----------|
| Sam A. Samad | Cash | 127 | 253 | 380 | | | | | |
| | PSU(1) Dec. 11, 2018 | | | | 761 | 1,521 | 2,282 | | 500,257 |
| | RSU(2) Dec. 11, 2018 | | | | | | | 4,561 | 1,500,113 |
| Omead Ostadan | Cash | 187 | 374 | 561 | | | | | |
| | PSU(1) Dec. 11, 2018 | | | | 1,331 | 2,661 | 3,992 | | 875,203 |
| | RSU(2) Dec. 11, 2018 | | | | | | | 7,982 | 2,625,280 |
| Aimee Hoyt | Cash | 127 | 253 | 380 | | | | | |
| | PSU(1) Jan. 8, 2018 | | | | 771 | 1,542 | 2,313 | | 350,127 |
| | RSU(3) Jan. 8, 2018 | | | | | | | 4,625 | 1,050,153 |
| | PSU(1) Dec. 11, 2018 | | | | 571 | 1,141 | 1,712 | | 375,275 |
| | RSU(2) Dec. 11, 2018 | | | | | | | 3,421 | 1,125,167 |
| Garret Hampton, Ph.D. | Cash | 171 | 341 | 512 | | | | | |
| | PSU(1) Dec. 11, 2018 | | | | 951 | 1,901 | 2,852 | | 625,239 |
| | RSU(2) Dec. 11, 2018 | | | | | | | 5,701 | 1,875,059 |

- (1) Performance share units (PSUs) will vest in their entirety on January 2, 2022, based on the achievement of pre-determined earnings per share targets for the fiscal year ending January 2, 2022.
- (2) Stock awards consist of restricted stock units (RSUs) that vest in four 25% increments on November 5th over four years. Vesting is subject to the individual's continued service through each vesting date.
- (3) Stock awards consist of RSUs that vest in four 25% increments on each anniversary of the grant date over four years. Vesting is subject to the individual's continued service through each vesting date.

- (4) This reflects the grant date fair value of awards granted during fiscal 2018 and is computed in accordance with FASB ASC Topic 718, based on the closing stock price on the grant date.

Table of Contents**Outstanding Equity Awards at Fiscal 2018 Year-End**

| Name | Option Awards | | | Stock Awards | | | Market Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1) |
|-----------------------|---|----------------------------|------------------------|---|---|--|--|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(1) | Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2) | |
| Francis A. deSouza | | | | 1,353 (3) 19,831 (4) | 403,505 5,914,199 | 79,088 | 23,586,414 |
| Sam A. Samad | | | | 1,656 (3) 2,616 (4) | 493,869 780,170 | 15,566 | 4,642,248 |
| Omead Ostadan | | | | 7,890 (4) | 2,353,035 | 30,228 | 9,014,896 |
| Aimee Hoyt | | | | 1,141 (3) 1,542 (4) | 340,280 459,871 | 8,046 | 2,399,559 |
| Garret Hampton, Ph.D. | | | | 2,649 (3) 4,091 (4) | 790,011 1,220,059 | 25,057 | 7,472,749 |

- (1) Market value of stock awards was determined by multiplying the number of unvested shares by \$298.23, which was the closing market price of our common stock on The Nasdaq Global Select Market on December 28, 2018, the last trading day of fiscal 2018.
- (2) These stock awards consist of performance share units (PSUs). PSUs vest at the end of a three-year performance period, and the number of shares issuable will range from 0% to 150% of the nominal shares approved in the award based on the Company's performance relative to specified earnings per share targets at the end of the three-year performance period.
- (3) Stock awards consist of RSUs that vest in four 25% increments on each anniversary of the grant date over four years.
- (4) Stock awards consist of RSUs that vest in four 25% increments on November 5th over four years.

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| Name | Option Awards | Stock Awards |
|-----------------------|--|---|
| | Number of Shares Acquired on Exercise (#) Value Realized on Exercise (\$)(1) | Number of Shares Acquired on Vesting (#) Value Realized on Vesting (\$) |
| Francis A. deSouza | | 37,708 11,241,607 |
| Sam A. Samad | | 918 243,875 |
| Omead Ostadan | | 15,377 4,559,539 |
| Aimee Hoyt | | |
| Garret Hampton, Ph.D. | | 1,614 451,257 |

- (1) Value realized on exercise of option awards is computed by determining the difference between the closing market price of our common stock on The Nasdaq Global Select Market on the dates of exercise and the exercise price per share exercised.

Nonqualified Deferred Compensation

| Name | Executive Contributions in Illumina | | Aggregate Balance | |
|-----------------------|-------------------------------------|--|--|--|
| | Last Fiscal Year (\$)(1) | Contributions in Last Fiscal Year (\$) | Aggregate Earnings/Withdrawals at Last Fiscal Year (\$)(2) | Aggregate Balance at Last Fiscal Year-End (\$) |
| Francis A. deSouza | | | (65,243) | 862,080 |
| Sam A. Samad | 22,865 | | (2,369) | 20,496 |
| Omead Ostadan | 334,096 | | (241,954) | 2,980,423 |
| Aimee Hoyt | | | | |
| Garret Hampton, Ph.D. | | | | |

- (1) Amounts included in the Summary Compensation Table in the Salary and Non-Equity Incentive Plan Compensation columns.
- (2) These amounts are not included in the Summary Compensation Table because plan earnings were not preferential or above market.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are required to disclose the ratio of our principal executive officer's annual total compensation to the annual total compensation of our median employee.

During fiscal 2018, the principal executive officer of Illumina was our Chief Executive Officer, Francis deSouza. For fiscal 2018, the annual total compensation for Mr. deSouza was \$11,067,566, and for our median employee was \$107,884, resulting in an estimated pay ratio of 103:1.

In accordance with Item 402(u) of Regulation S-K, we identified the median employee by (i) aggregating for each applicable employee (A) annual base salary for permanent salaried employees, or hourly rate multiplied by expected annual work schedule, for hourly employees, as of December 31, 2018 (the median employee determination date), (B) the target bonus, commission, or incentive compensation for 2018, and (C) accounting value for all equity awards granted in 2018, and (ii) ranking this compensation measure for our employees from lowest to highest. This calculation was performed for all employees, excluding Mr. deSouza, whether employed on a full-time, part-time, or seasonal basis.

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Vote on Compensation

Proposal 3: Advisory Vote to Approve the Compensation of Our Named Executive Officers

As required by Section 14A of the Exchange Act, we are seeking an advisory vote to approve the compensation of the named executive officers as disclosed in the section of this proxy statement titled Executive Compensation. Accordingly, stockholders are being asked to vote on the following advisory resolution:

RESOLVED, that the compensation paid to Illumina's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion, is hereby APPROVED.

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 32 of this proxy statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our business objectives, as well as the Summary Compensation Table and other related compensation tables and narrative, appearing on pages 52 through 55, which provide detailed information on the compensation of our named executive officers. The Board of Directors and the Compensation Committee of the Board believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in achieving our goals and that the compensation of our named executive officers reported in this proxy statement has contributed to our recent and long-term success.

Vote Required for Approval

The vote is advisory and not binding on Illumina, the Board of Directors, or the Compensation Committee. Although not binding, the Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding executive compensation. Approval of the advisory resolution set forth above requires the affirmative FOR vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE FOREGOING RESOLUTION TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF ILLUMINA'S NAMED EXECUTIVE OFFICERS

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Proposal 4: Vote to Approve an Amendment to Our Amended and Restated Certificate of Incorporation to Declassify Our Board of Directors

Under our current Amended and Restated Certificate of Incorporation (Certificate of Incorporation), our Board of Directors is divided into three classes of directors, with each class holding office for staggered three-year terms. We are asking you to approve an amendment to our Certificate of Incorporation to declassify our Board and provide for the annual election of directors.

At our 2018 annual meeting, holders of approximately 78% of Illumina's outstanding shares approved a non-binding advisory resolution requesting the Board to take the steps necessary to reorganize Illumina's Board into one class, with each director subject to annual election. In light of the stockholder approval of the non-binding advisory resolution at our 2018 annual meeting, as well as the benefits of annual election of directors, the Board has determined that it is in the best interests of Illumina and its stockholders to amend the Certificate of Incorporation to provide for the declassification of the Board.

The proposed amendment to the Certificate of Incorporation would provide for directors to be elected to a one-year term, beginning at the 2020 annual meeting of stockholders. The proposed amendments to our Certificate of Incorporation would not change the unexpired three-year terms of directors elected prior to the effectiveness of the amendment, including directors elected at this annual meeting. Accordingly:

the three-year term for directors elected at this annual meeting will expire at the 2022 annual meeting,

the current three-year terms for Jay T. Flatley, John W. Thompson, and Gary S. Guthart, Ph.D. will expire at the 2021 annual meeting, and

the current three-year terms for Caroline D. Dorsa, Robert S. Epstein, M.D., and Philip W. Schiller will expire at the 2020 annual meeting.

Director nominees standing for election at the 2020 annual meeting and each annual meeting thereafter would be elected to serve a one-year term. Beginning with the 2022 annual meeting, all directors would stand for annual elections.

The text of the proposed Amended and Restated Certificate of Incorporation may be found in Exhibit A to this proxy statement. The proposed amendment to the Certificate of Incorporation would become effective upon the filing of a new Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would file promptly following the annual meeting, should the stockholders approve the amendment. If our

stockholders approve the proposed amendment to the Certificate of Incorporation, the Board has approved certain conforming changes to our Amended and Restated Bylaws to declassify the Board, which would take effect upon the effectiveness of the new Amended and Restated Certificate of Incorporation. If our stockholders do not approve the proposed amendment, our Board will remain classified.

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In addition, Delaware law provides that a director who serves on a classified Board of directors may only be removed by stockholders for cause. The proposed amendment to the Certificate of Incorporation would permit stockholders to remove directors elected for one-year terms with or without cause. Directors in a class that is serving out the remainder of a three-year term would continue to be removable only for cause.

Vote Required for Approval

The affirmative vote of a majority of our outstanding voting securities, voting as a single class, is required to approve this proposal. If you abstain from voting on this proposal, the abstention will have the same effect as a vote against.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS

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Proposal 5: Advisory Vote on Stockholder Proposal

to Enhance Election-Related Disclosures

In accordance with SEC rules, we have set forth below a stockholder proposal, along with the supporting statement of the stockholder proponent, for which we and our Board accept no responsibility. As explained below, our Board unanimously recommends that you vote **AGAINST** the stockholder proposal.

James McRitchie, 9295 Yorkship Court, Elk Grove, California 95758, a beneficial owner of the Company's common stock on the date the proposal was submitted, has notified the Company of his intent to present the following proposal at the annual meeting.

Proposal 5 Enhance Election-Related Disclosures

Resolved, that the shareholders of Illumina, Inc. (Illumina or Company) hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
 - a. The identity of the recipient as well as the amount paid to each; and
 - b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the Board of directors or relevant Board committee and posted on the Company's website within 12 months from the date of the annual meeting. This proposal does not encompass lobbying spending.

Supporting Statement

As long-term shareholders of Illumina, we support transparency and accountability in corporate electoral spending. This includes any activity considered intervention in a political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties, or organizations, and independent expenditures or

electioneering communications on behalf of federal, state, or local candidates.

Disclosure is in the best interest of the Company and its shareholders. The Supreme Court recognized this in its 2010 Citizens United decision, which said, “[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages.

Relying on publicly available data does not provide a complete picture of the Company’s electoral spending. For example, the Company’s payments to trade associations that may be used for election-related activities are undisclosed and unknown. This proposal asks the Company to disclose all of its

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electoral spending, including payments to trade associations and other tax-exempt organizations, which may be used for electoral purposes. This would bring our Company in line with a growing number of leading companies, including Edwards Lifesciences Corporation, Celgene Corporation, and Biogen Inc., which present this information on their websites.

The Company's Board and shareholders need comprehensive disclosure to fully evaluate the use of corporate assets in elections. We urge your support for this critical governance reform.

Enhance Election-Related Disclosures Proposal 5

Illumina Opposing Statement

Illumina is a non-partisan, science and innovation-focused Company committed to unlocking the power of the genome. We are also committed to healthy transparency and accountability. However, we believe the cost of providing the information requested by this stockholder proposal would significantly exceed the value such information would have to our stockholders. As a result, our Board unanimously recommends that our stockholders vote against this stockholder proposal.

Pursuant to our Code of Conduct, we commit to deal with governments, government agencies and public officials according to the highest ethical standards and in compliance with all applicable laws. In that regard, corporations are prohibited under federal and many state laws from making contributions to candidates or political parties.

Furthermore, we believe adoption of this proposal is unmerited given our current practices with respect to political spending. For example:

we have made no direct contributions to candidates for office at any level;

we have made no direct contributions to support or oppose any ballot referendums;

we do not have a Company political action committee (PAC); and

we limit our trade association memberships to those few that are highly relevant to our business. This stockholder proposal is unreasonably broad and burdensome. It would be difficult to draft a more amorphous and unnecessary request, especially for a non-partisan, science and technology-focused Company. If adopted, this stockholder proposal would cause us to incur significant costs and administrative burdens. Irrespective of cost, this proposal could arguably apply to expenditures unrelated to intervention in a political campaign. Notwithstanding a good-faith effort to comply, the vagueness of the proposal would present significant compliance uncertainty. Our Board believes that these resources could be better utilized in promoting our business and seeking to further enhance stockholder value.

As a result, we hope that you, as Illumina stockholder, would prefer that we allocate the resources this overbroad proposal would require us to make to continuing to develop and commercialize innovative products and creating financial returns. We strongly recommend you vote against this proposal.

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Vote Required for Approval

The vote is advisory and not binding on Illumina or the Board of Directors. Approval of the advisory resolution set forth above requires the affirmative for vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSAL TO ENHANCE ELECTIONS-RELATED DISCLOSURES

Illumina, Inc. 2019 Proxy Statement 61

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The following table sets forth the number of shares of our common stock beneficially owned by each of our directors and director nominees and each executive officer named in the Summary Compensation Table (the named executive officers), and by all of our directors, director nominees, and executive officers as a group.

The information set forth below is as of April 1, 2019, and is based upon information supplied or confirmed by the named individuals. The address of each person named in the table below is c/o Illumina, Inc., 5200 Illumina Way, San Diego, California 92122.

| Name | Common Stock Beneficially Owned (Excluding Stock Options)(1) | Stock Options Exercisable Within 60 Days of April 1, 2019(2) | Total Common Stock Beneficially Owned(1)(2) | Percent of Common Stock(3) |
|--|---|---|--|-----------------------------------|
| Francis A. deSouza | 52,752 | | 52,752 | * |
| Sam A. Samad | 892 | | 892 | * |
| Omead Ostadan | 6,554 | | 6,554 | * |
| Aimee Hoyt | 70 | | 70 | * |
| Garret Hampton, Ph.D. | 1,559 | | 1,559 | * |
| Jay T. Flatley(4) | 301,718 | | 301,718 | * |
| John W. Thompson | 3,658 | | 3,658 | * |
| Frances Arnold | 10,159 | | 10,159 | * |
| Caroline D. Dorsa | 5,354 | | 5,354 | * |
| Karin Eastham | 10,838 | 1,600 | 12,438 | * |
| Robert S. Epstein | 3,256 | 12,600 | 15,856 | * |
| Gary S. Guthart | 2,379 | | 2,379 | * |
| Philip W. Schiller | 5,321 | | 5,321 | * |
| Susan E. Siegel(5) | | | | * |
| All directors, director nominees, and executive officers as a group (18 persons, including those directors and executive officers named above) | 497,439 | 68,200 | 565,639 | * |

* Represents beneficial ownership of less than one percent (1%) of the issued and outstanding shares of common stock.

(1)

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Includes shares of stock beneficially owned as of April 1, 2019. Also includes restricted stock and performance stock units, or RSUs and PSUs, vesting within 60 days of April 1, 2019. An RSU represents a conditional right to receive one share of our common stock at a specified future date.

- (2) Includes stock options that are exercisable as of April 1, 2019, and stock options that vest, or become exercisable, within 60 days of April 1, 2019.
- (3) Percentage ownership is based on 146,906,939 shares of common shares of common stock outstanding on April 1, 2019.
- (4) Includes 4,000 shares owned by Mr. Flatley's children.
- (5) Ms. Siegel was appointed as a director in February 2019.

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As of April 1, 2019, the following are the only persons known to us to be the beneficial owner of more than five percent of our common stock:

| Name and Address of Beneficial Owner | Common Stock Beneficially Owned | Percent of Common Stock(1) |
|--|--|-----------------------------------|
| Baillie Gifford & Co.(2) Calton Square, 1 Greenside Row Edinburgh EH1 3AN Scotland UK | 16,078,282 | 10.9% |
| BlackRock, Inc.(3) 55 East 52 nd Street New York, NY 10022 | 11,501,056 | 7.8% |
| The Vanguard Group(4) 100 Vanguard Blvd. Malvern, PA 19355 | 11,500,061 | 7.8% |

- (1) Percentage ownership is based on 146,906,939 shares of common shares of common stock outstanding on April 1, 2019.
- (2) This information is based on a Schedule 13G/A filed with the SEC on February 8, 2019. Baillie Gifford & Co. reports that it has sole voting power with respect to 7,837,874 shares and sole dispositive power with respect to 16,078,282 shares.
- (3) This information is based on a Schedule 13G/A filed with the SEC on February 11, 2019. BlackRock reports that it has sole voting power with respect to 10,233,441 shares and sole dispositive power with respect to 11,501,056 shares.
- (4) This information is based on a Schedule 13G/A filed with the SEC on February 12, 2019. The Vanguard Group reports that it has sole voting power with respect to 180,338 shares, shared voting power with respect to 32,693 shares, sole dispositive power with respect to 11,289,209 shares, and shared dispositive power with respect to 210,852 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of the our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Executive officers, directors, and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during fiscal 2018 each of our executive officers, directors, and greater than 10%

beneficial owners were in compliance with applicable Section 16(a) filing requirements, except a late Form 4 was filed for Dr. Hampton on March 22, 2019 to reflect a transaction that occurred on January 9, 2018.

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Users Guide

General Information

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Illumina, Inc. for the Annual Meeting of Stockholders. This proxy statement and accompanying proxy are being mailed to our stockholders on or about April 16, 2019, concurrently with the mailing of our annual report on Form 10-K for the fiscal year ended December 30, 2018.

How may I attend and participate in the annual meeting?

We will be hosting the 2019 annual meeting live via the internet. **There will not be a physical location for the annual meeting.**

Our Board annually considers the appropriate format of our annual meeting. Our virtual annual meeting allows stockholders to submit questions and comments before and during the meeting. After the meeting, we will spend up to 15 minutes answering stockholder questions. To the extent time doesn't allow us to answer all of the submitted questions, we will answer them in writing on our investor relations website, at www.investor.illumina.com, soon after the meeting. If we receive substantially similar questions, we will group such questions together and provide a single response to avoid repetition.

Our virtual format allows stockholders from around the world to participate and ask questions and for us to give thoughtful responses.

Any stockholder can listen to and participate in the annual meeting live via the internet at www.virtualshareholdermeeting.com/ilmn2019. Stockholders may begin submitting written questions through the internet portal at 9:30 a.m. (Pacific time) on May 29, 2019, and the webcast of the annual meeting will begin at 10:00 a.m. (Pacific time) that day.

Stockholders may also vote while connected to the annual meeting on the internet. You will need the control number included on your Notice of

Internet Availability of Proxy Materials or your proxy card (if you received a printed copy of the proxy materials) in order to be able to vote your shares or submit questions.

Instructions on how to connect and participate via the internet, including how to demonstrate proof of stock ownership, are posted at www.virtualshareholdermeeting.com/ilmn2019.

We will have technicians ready to assist you with any technical difficulties you may have accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting log in page.

If you do not have your control number, you will be able to listen to the meeting only you will not be able to vote or submit questions.

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters described in this proxy statement. In addition, management will report on the performance of Illumina and respond to questions from stockholders.

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What am I voting on at the annual meeting?

Stockholders will be asked to vote on four proposals. The proposals are to:

1. Elect as directors the three nominees named in this proxy statement to hold office for three years or until his or her successor is elected;
2. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019;
3. Hold an advisory vote to approve the compensation paid to the named executive officers as disclosed in this proxy statement;
4. Approve an amendment to our certificate of Incorporation to declassify of our Board of Directors; and
5. Hold an advisory vote on a stockholder proposal to enhance election-related disclosures.

Could other matters be decided at the annual meeting?

Our bylaws require that we receive advance notice of any proposal to be brought before the annual meeting by our stockholders, and we have not received notice of any such proposals. If any other matter were to come before the annual meeting, the proxy holders appointed by the Board of Directors will have the discretion to vote on those matters for you.

What is the recommendation of the Board on each of the matters scheduled to be voted on at the annual meeting?

The Board of Directors recommends that you vote:

FOR each of the nominees to the Board of Directors (Proposal 1);

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2019 fiscal year (Proposal 2);

FOR approval, on an advisory basis, of the compensation paid to the

named executive officers as disclosed in this proxy statement (Proposal 3);

FOR approval of an amendment to our certificate of Incorporation to declassify of our Board of Directors (Proposal 4); and

AGAINST an advisory vote on a stockholder proposal to enhance election-related disclosures (Proposal 5)

Who can vote at the annual meeting?

Only holders of our common stock as of April 1, 2019, the record date, or such holders' proxies are entitled to notice of and to vote on the matters listed in this proxy statement and the accompanying Notice of Annual Meeting of Stockholders.

At the close of business on the record date, there were 146,906,939 shares of common stock outstanding and entitled to vote.

You have one vote for each share of common stock that you hold. A list of stockholders entitled to vote at the annual meeting will be available for examination at our principal executive offices at the address listed above for a period of 10 days prior to the annual meeting, and during the annual meeting such list will be available for examination at www.virtualshareholdermeeting.com/ilmn2019.

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What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholders of Record. You are a stockholder of record if at the close of business on the record date your shares were registered directly in your name with our transfer agent, Computershare Trust Company, N.A.

Beneficial Owner. You are a beneficial owner if at the close of business on the record date your shares were held by a brokerage firm or other nominee and not in your name. Being a beneficial owner means that, like many of our stockholders, your shares are held in street name. As the beneficial owner, you have the right to direct your broker or other nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or other nominee with instructions on how to vote your shares, your broker or other nominee may be able to vote your shares with respect to some of the proposals, but not all. Please see [What will happen if I do not vote my shares?](#) below for additional information.

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How do I vote and what are the voting deadlines?

Stockholders of Record. If you are a stockholder of record, there are several ways for you to vote your shares.

Via the Internet. You may vote at www.proxyvote.com, 24 hours a day, seven days a week. You will need the control number included on your Notice of Internet Availability of Proxy Materials or your proxy card (if you received a printed copy of the proxy materials). Votes submitted through the internet must be received by 11:59 p.m. (Eastern time) on May 28, 2019.

By Telephone. You may vote using a touch-tone telephone by calling 1-800-690-6903, 24 hours a day, seven days a week. You will need the control number included on your Notice of Internet Availability of Proxy Materials or your proxy card (if you received a printed copy of the proxy materials). Votes submitted by telephone must be received by 11:59 p.m. (Eastern time) on May 28, 2019.

By Mail. If you received printed proxy materials, you may submit your vote by completing, signing, and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy card. Proxy cards submitted by mail must be received no later than May 28, 2019, to be voted at the annual meeting.

During the Annual Meeting. Instructions on how to vote while participating in our annual meeting live via the internet are posted at www.virtualshareholdermeeting.com/ilmn2019. We will have technicians ready to assist you with any technical difficulties you may have accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting log in page.

If you vote via the internet or by telephone, your electronic vote authorizes the named proxies in the same manner as if you signed, dated, and returned your proxy card. **If you vote via the internet or by telephone, do not return your proxy card.**

Beneficial Owners. If you are a beneficial owner of your shares, you should have received a Notice of Internet Availability of Proxy Materials or voting instructions from the broker or other nominee holding your shares. You should follow the instructions in the Notice of Internet Availability of Proxy Materials or voting instructions provided by your broker or nominee in order to instruct your broker or other nominee on how to vote your shares. The availability of telephone and internet voting will depend on the voting process of the broker or nominee. Shares held beneficially may not be voted during our annual meeting.

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Can I revoke or change my vote after I submit my proxy?

Stockholders of Record. If you are a stockholder of record, you may revoke or change your vote at any time before the final vote at the annual meeting by:

signing and returning a new proxy card with a later date;

submitting a later-dated vote by telephone or via the internet only your latest internet or telephone proxy received by 11:59 p.m. (Eastern time) on May 28, 2019, will be counted;

participating in the annual meeting live via the internet and voting again;
or

delivering a written revocation to our Corporate Secretary at Illumina, Inc., 5200 Illumina Way, San Diego, California 92122, to be received no later than May 28, 2019.

Beneficial Owners. If you are a beneficial owner of your shares, you must contact the broker or other nominee holding your shares and follow their instructions for revoking or changing your vote.

What will happen if I do not vote my shares?

Stockholders of Record. If you are the stockholder of record and you do not vote by proxy card, by telephone, via the internet before the annual meeting, or during the annual meeting via live webcast, your shares will not be voted at the annual meeting.

Beneficial Owners. If you are the beneficial owner of your shares, your broker or nominee may vote your shares only on those matters on which it has discretion to vote. Under the rules of the New York Stock Exchange, or NYSE, your broker or nominee does not have discretion to vote your shares on non-routine matters such as Proposals 1, 3, 4, and 5. However, your broker or nominee does have discretion to vote your

shares on routine matters such as Proposal 2. The broker's inability to vote on non-discretionary matters for which the broker has not received instructions from the beneficial owner is referred to as a broker non-vote. Please see "What is a broker non-vote?" below for more information.

What is a broker non-vote ? The NYSE has rules that govern brokers who have record ownership of listed Company stock (including stock such as ours that is listed on The Nasdaq Global Select Market) held in brokerage accounts for their clients who beneficially own the shares. Under these rules, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares held by such clients on certain matters (discretionary matters) but do not have discretion to vote uninstructed shares as to certain other matters (non-discretionary matters). Under current NYSE interpretations, Proposals 1, 3, 4 and 5 are considered non-discretionary matters and Proposal 2 is considered a discretionary matter.

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What is the effect of a broker non-vote?

Broker non-votes will be counted for purposes of calculating whether a quorum is present at the annual meeting because brokers will have discretionary authority to vote on Proposal 2. Broker non-votes will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to non-discretionary matters. Thus, a broker non-vote will not impact our ability to obtain a quorum and will not otherwise affect the outcome of the vote on Proposals 1, 3, 4 and 5.

Why did I receive a Notice of Internet Availability of Proxy Materials in the mail regarding the internet availability of proxy materials instead of a full set of printed proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission, or the SEC, we are making this proxy statement available to our stockholders electronically via the internet. On or about April 16, 2019, we will mail the Notice of Internet Availability of Proxy Materials to stockholders who held shares at the close of business on the record date, other than those stockholders who previously requested paper delivery or other forms of electronic communications from us. The Notice of Internet Availability of Proxy Materials contains instructions on how to access an electronic copy of our proxy materials, including this proxy statement and our annual report on Form 10-K for the fiscal year ended December 30, 2018. The Notice of Internet Availability of Proxy Materials also contains instructions on how to request a paper copy of the proxy statement. We believe that this process will allow us to provide you with the information you need in a timely manner, while conserving natural resources and lowering the costs of printing and distributing our proxy materials.

What does it mean if I receive more than one proxy card or Notice of Internet Availability of Proxy Materials?

If you receive more than one proxy card or Notice of Internet Availability of Proxy Materials, your shares are registered in more than one name or are registered in different accounts. To make certain all of your shares are voted, please follow the instructions included on the Notice of Internet Availability of Proxy Materials on how to access each proxy card and vote each proxy card over the internet or by telephone. If you received paper proxy materials by mail, please complete, sign, and return each proxy card to ensure that all of your shares are voted.

Can I vote my shares by filling out and returning

No. The Notice of Internet Availability of Proxy Materials only identifies the items to be voted on at the annual meeting. You cannot vote by

**the Notice of Internet
Availability of Proxy
Materials?**

marking the Notice of Internet Availability of Proxy Materials and returning it. The Notice of Internet Availability of Proxy Materials provides instructions on how to cast your vote. For additional information please see [How do I vote and what are the voting deadlines?](#) above.

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How is a quorum obtained, and why is a quorum required?

Under applicable state law and our governing instruments, we may only hold the annual meeting if a quorum is present. A quorum will be present if holders of a majority of the outstanding shares of common stock entitled to vote on a matter at the annual meeting are present or represented by proxy at the meeting. As of the close of business on the record date, we had 146,906,939 shares of common stock outstanding and entitled to vote at the annual meeting, meaning that 73,453,470 shares of common stock must be represented in person or by proxy to have a quorum. If a quorum is not present at the annual meeting, the meeting may be adjourned until a quorum is obtained. If you are a stockholder of record and submit a proxy, your shares will be counted to determine whether we have a quorum even if you abstain or fail to provide voting instructions on any of the proposals described in this proxy statement and listed on the proxy card. If your shares are held in the name of your broker or other nominee, and you do not tell your broker or other nominee how to vote your shares, these shares will be counted for purposes of determining the presence or absence of a quorum for the transaction of business.

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| Proposal | Vote Required | Votes that May be Cast | Board of Directors Recommendation |
|---|--|--|--|
| Proposal 1 Election of three nominees to the Board of Directors | A nominee for director will be elected if the votes cast FOR such nominee exceed the votes cast AGAINST such nominee | FOR, each nominee AGAINST, each nominee ABSTAIN, each nominee Shares voted ABSTAIN will have no effect on the election of directors | FOR, each nominee |
| Proposal 2 Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019 | Majority of the shares present in person or represented by proxy and entitled to vote on the proposal must vote FOR in order for this proposal to pass | FOR AGAINST ABSTAIN If you abstain from voting on this proposal, the abstention will have the same effect as an AGAINST vote | FOR |
| Proposal 3 Advisory vote to approve the compensation of the named executive officers disclosed in this proxy | Majority of the shares present in person or represented by | FOR | FOR |

| | | |
|-----------|---|------------------------|
| statement | proxy and entitled to vote on the proposal must vote FOR in order for this proposal to pass | AGAINST ABSTAIN |
|-----------|---|------------------------|

If you abstain from voting on this proposal, the abstention will have the same effect as an AGAINST vote

| | | | |
|---|--|--|-----|
| Proposal 4 Approve amendment to our certificate of Incorporation to declassify our Board of directors | Majority of our outstanding voting securities, voting as a single class, is required for this proposal to pass | FOR AGAINST ABSTAIN | FOR |
| | | If you abstain from voting on this proposal, the abstention will have the same effect as an AGAINST vote | |

| | | | |
|--|--|-----------------------------------|---------|
| Proposal 5 Advisory vote on stockholder proposal to enhance election-related disclosures | Majority of the shares present in person or represented by proxy and entitled to vote on the proposal must vote FOR in order for this proposal to pass | FOR AGAINST ABSTAIN | AGAINST |
|--|--|-----------------------------------|---------|

If you abstain from voting on this proposal, the abstention will have the same effect as an

AGAINST vote

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How can I find the voting results of the annual meeting?

Preliminary results will be announced at the annual meeting. Final results also will be published in a current report on Form 8-K to be filed with the SEC within four business days after the annual meeting. If the official results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as they become available.

Who is conducting this proxy solicitation?

Illumina's Board of Directors is soliciting your vote for matters being submitted for stockholder approval at the annual meeting. Solicitation may be made by our directors, officers, and other Illumina employees telephonically, electronically, or by other means of communication. Directors, officers, and employees who help us in the solicitation will not be separately compensated for those services, but they may be reimbursed by Illumina for their out-of-pocket expenses incurred in connection with the solicitation. Brokerage houses, nominees, fiduciaries, and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed by Illumina for their reasonable out-of-pocket expenses incurred in sending proxy materials to beneficial owners. The total cost of the solicitation will be borne by Illumina.

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Stockholder Proposals for our 2020 Annual Meeting

Under SEC Rule 14a-8, a stockholder who intends to present a proposal at our 2020 annual meeting of stockholders (other than a director nomination) and who wishes the proposal to be included in the proxy statement for that meeting must submit the proposal in writing to our principal executive offices. The proposal must be received no later than December 18, 2019. The proposal and its proponent must satisfy all applicable requirements of Rule 14a-8.

Our bylaws permit a stockholder or group of stockholders (up to 20) who have owned at least three percent of our common stock for at least three years to submit director nominees (up to the greater of two nominees or 20% of the Board, as determined in accordance with the bylaws) for inclusion in our proxy statement if the nominating stockholder(s) satisfies the requirements specified in the bylaws. With respect to stockholder nominees for director election submitted for inclusion in our proxy statement for our 2020 annual meeting, written notice of nominations must be provided by the stockholder proponent(s) to us in accordance with our bylaws. The notice must be delivered to, or mailed and received by, our Corporate Secretary between November 18, 2019, and December 18, 2019. These deadlines are based on the 150th day and 120th day, respectively, before the one-year anniversary of the date of the proxy statement for the 2019 annual meeting (which date, for purposes of our bylaws, is April 16, 2019). The ability to include a nominee in our proxy statement is subject to the terms and conditions set forth in our bylaws.

With respect to stockholder nominees for director election at our 2020 annual meeting (other than nominees submitted for inclusion in our proxy materials) and stockholder proposals for consideration at our 2020 annual meeting that are not submitted for inclusion in our proxy materials under Rule 14a-8, written notice of nominations and proposals must be provided by the stockholder proponent to us in accordance with our bylaws. The notice must be delivered to, or mailed and received by, our Corporate Secretary between January 30, 2020, and February 29, 2020 and must comply with all applicable provisions of our bylaws. You may obtain a copy of our bylaws by writing to the Corporate Secretary at the address shown on the cover of this proxy statement.

Other Matters

As of the date of this proxy statement, we know of no other matters that will be presented for consideration at the annual meeting. If any other matters properly come before the meeting, it is the intention of the proxy agent named in the enclosed form of proxy to vote the shares represented as the Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

Householding

Our annual report on Form 10-K for the fiscal year ended December 30, 2018, including our audited financial statements for fiscal 2018, is being mailed to you along with this proxy statement. In order to reduce printing and postage costs, in certain circumstances only one annual report, proxy statement, or Notice of Internet Availability of Proxy Materials, as applicable, will be mailed to multiple stockholders sharing an address unless we receive contrary instructions from one or more of the stockholders sharing an address. If your household has received only one annual report, proxy

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statement, or Notice of Internet Availability of Proxy Materials, as applicable, we will deliver promptly a separate copy of the annual report, proxy statement, or Notice of Internet Availability of Proxy Materials, as applicable, to any stockholder who sends a written request to the Corporate Secretary of Illumina, Inc. at 5200 Illumina Way, San Diego, California 92122 or makes an oral request to the office of the Corporate Secretary at (858) 202- 4500. If your household is receiving multiple copies of our annual reports, proxy statements, or Notices of Internet Availability of Proxy Materials and you wish to request delivery of a single copy, you may send a written request to Illumina, Inc., 5200 Illumina Way, San Diego, California 92122, Attention: Corporate Secretary.

Where You Can Find More Information

We maintain an internet site at www.illumina.com. We use our website as a channel of distribution of material Company information. Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this proxy statement.

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Exhibit A: Proposed Amended and Restated Certificate of Incorporation

PROPOSED AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

ILLUMINA, INC.

ARTICLE I

The name of this corporation is Illumina, Inc.

ARTICLE II

The address of the corporation's registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The corporation is authorized to issue two classes of shares of stock, which shall be designated, respectively, Common Stock, \$0.01 par value per share, and Preferred Stock, \$0.01 par value per share. The total number of shares that the corporation is authorized to issue is 330,000,000 shares. The number of shares of Common Stock authorized is 320,000,000. The number of shares of Preferred Stock authorized is 10,000,000.

The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the board of directors (authority to do so being hereby expressly vested in the board). The board of directors is further authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and to fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred Stock. The board of directors, within the limits and restrictions stated in any resolution or resolutions of the board of directors originally fixing the number of shares constituting any series, may increase or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series.

The authority of the board of directors with respect to each such class or series shall include, without limitation of the foregoing, the right to determine and fix:

- (a) the distinctive designation of such class or series and the number of shares to constitute such class or series;

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- (b) the rate at which dividends on the shares of such class or series shall be declared and paid, or set aside for payment, whether dividends at the rate so determined shall be cumulative or accruing, and whether the shares of such class or series shall be entitled to any participating or other dividends in addition to dividends at the rate so determined, and if so, on what terms;
- (c) the right or obligation, if any, of the corporation to redeem shares of the particular class or series of Preferred Stock and, if redeemable, the price, terms and manner of such redemption;
- (d) the special and relative rights and preferences, if any, and the amount or amounts per share that the shares of such class or series of Preferred Stock shall be entitled to receive upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation;
- (e) the terms and conditions, if any, upon which shares of such class or series shall be convertible into, or exchangeable for, shares of capital stock of any other class or series, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;
- (f) the obligation, if any, of the corporation to retire, redeem or purchase shares of such class or series pursuant to a sinking fund or fund of a similar nature or otherwise, and the terms and conditions of such obligation;
- (g) voting rights, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock;
- (h) limitations, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock; and
- (i) such other preferences, powers, qualifications, special or relative rights and privileges thereof as the board of directors of the corporation, acting in accordance with this Restated Certificate of Incorporation, may deem advisable and are not inconsistent with law and the provisions of this Restated Certificate of Incorporation.

ARTICLE V

The corporation reserves the right to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this right.

ARTICLE VI

The corporation is to have perpetual existence.

ARTICLE VII

1. Limitation of Liability. To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or as may hereafter be amended, a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

2. Indemnification. The corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or his or her testator or interstate is or was a director or officer of the corporation, or any predecessor of the corporation, or

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serves or served at any other enterprise as a director, officer or employee at the request of the corporation or any predecessor to the corporation and may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person or his or her testator or intestate is or was an employee of the corporation, or any predecessor of the corporation, or serves or served at any other enterprise as a director, officer or employee at the request of the corporation or any predecessor to the corporation.

3. Amendments. Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of the corporation's Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, would accrue or arise, prior to such amendment, repeal, or adoption of an inconsistent provision.

ARTICLE VIII

In the event any shares of Preferred Stock shall be redeemed or converted pursuant to the terms hereof, the shares so converted or redeemed shall not revert to the status of authorized but unissued shares, but instead shall be canceled and shall not be re-issuable by the corporation.

ARTICLE IX

Holders of stock of any class or series of the corporation shall not be entitled to cumulate their votes for the election of directors or any other matter submitted to a vote of the stockholders, unless such cumulative voting is required pursuant to Sections 214 of the Delaware General Corporation Law, in which event each such holder shall be entitled to as many votes as shall equal the number of votes which (except for this provision as to cumulative voting) such holder would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected by him, and the holder may cast all of such votes for a single director or may distribute them among the number of directors to be voted for, or for any two or more of them as such holder may see fit, so long as the name of the candidate for director shall have been placed in nomination prior to the voting and the stockholder, or any other holder of the same class or series of stock, has given notice at the meeting prior to the voting of the intention to cumulate votes.

1. Number of Directors. The number of directors which constitutes the whole Board of Directors of the corporation shall be designated in the Amended and Restated Bylaws of the corporation. The directors shall, until the annual meeting of stockholders to be held in 2022, be divided, with respect to the time for which they severally hold office, into three classes. The term of office of the class of directors elected at the annual meeting of stockholders held in 2019 shall expire at the 2022 annual meeting of stockholders; the term of office of the class of directors elected at the annual meeting of stockholders held in 2020 shall expire at the 2021 annual meeting of stockholders; and the term of office of the class of directors elected at the annual meeting of stockholders held in 2021 shall expire at the 2022 annual meeting of stockholders. At each annual meeting of stockholders, commencing with the 2020 annual meeting of stockholders, directors shall be elected for a term of office to expire at the annual meeting of stockholders held in the year following the year of their election, with each director to hold office until his or her successor shall be duly elected and qualified, or, if earlier, such director's death, resignation, retirement, disqualification or removal from office.

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2. Election of Directors. Elections of directors need not be by written ballot unless the Amended and Restated Bylaws of the corporation shall so provide.

3. Removal of Directors. So long as the directors are divided into three classes, they may be removed only for cause by the affirmative vote of the holders of a majority of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors.

ARTICLE X

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Amended and Restated Bylaws of the corporation.

ARTICLE XI

No action shall be taken by the stockholders of the corporation except at an annual or special meeting of the stockholders called in accordance with the Amended and Restated Bylaws, no special meetings of the stockholders shall be called by stockholders without approval of the Board of Directors, and no action, including the removal of directors without cause shall be taken by stockholders by written consent. The affirmative vote of a majority of the then outstanding voting securities of the corporation, voting together as a single class, shall be required for the amendment, repeal or modification of the provisions of Article IX, Article X or Article XII of this Amended and Restated Certificate of Incorporation or Sections 2.3 (Special Meeting), 2.4 (Notice of Stockholders Meeting), 2.4 (Advanced Notice of Stockholder Nominees and Stockholder Business), 2.8 (Voting), or 2.10 (Stockholder Action by Written Consent Without a Meeting), or 3.2 (Number of Directors) of the corporation's Amended and Restated Bylaws.

ARTICLE XII

Meetings of stockholders may be held within or without the State of Delaware, as the Amended and Restated Bylaws may provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Amended and Restated Bylaws of the corporation.

ARTICLE XIII

This Amended and Restated Certificate of Incorporation shall be effective as of the date of the closing of the Corporation's initial public offering.

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