

**Tokyo Electron Corporate Governance Guidelines****Contents**

## Section I Principles

1. Basic Views on Corporate Governance
2. Corporate Principles
3. Building a Relationship of Trust with Stakeholders for TEL's Sustainable Growth
4. Business Policies
5. Medium-term Management Plan
6. Basic Strategy for Capital Policy

## Section II Cooperation with Stakeholders

1. Appropriate Cooperation with Shareholders
  - (1) Securing the rights of shareholders
  - (2) Exercise of rights at general shareholder meetings
  - (3) Ensuring appropriate information disclosure and transparency
  - (4) Constructive dialogue with shareholders
  - (5) Policy on cross-shareholdings
  - (6) View regarding anti-takeover measures
  - (7) Capital policy that may harm shareholder interests
  - (8) Related party transactions
2. Appropriate Cooperation with Stakeholders Other Than Shareholders
  - (1) Establishment of "Tokyo Electron Group Code of Ethics" and actions for ensuring compliance of it
  - (2) Positive actions for sustainability issues
  - (3) Ensuring diversity
  - (4) Investments in human capital
  - (5) Investments in intellectual property
  - (6) Roles of corporate pension funds as asset owner

## Section III Governance Structure

1. Basic View on Governance that will Lead to Sustainable Growth for TEL
2. Structure for Achieving Growth-Oriented Governance Directed at Sustainable Growth
3. Board of Directors
  - (1) Role and responsibilities of the Board of Directors
  - (2) View on overall balance of knowledge, experience, and skills in the Board of Directors, its diversity and size
  - (3) Nominations for Corporate Director and CEO
  - (4) Planning directed at developing a successor to the CEO and other executive management
  - (5) Fair evaluation of the CEO
  - (6) Director and CEO compensation
  - (7) Initiatives directed at stimulating debate in the Board of Directors
  - (8) Corporate Director training
  - (9) Evaluating the effectiveness of Board of Directors
4. Audit & Supervisory Board
  - (1) Composition of the Audit & Supervisory Board
  - (2) Auditor compensation
  - (3) Cooperation with Audit & Supervisory Board Members and executive management, the Internal Audit Department, and the Accounting Auditors
  - (4) Effectiveness of Audit by the Audit & Supervisory Board members
5. Internal Controls and Risk Management (Basic Policy on Internal Controls)
6. Relationship to the Accounting Auditors

## (Appendix)

1. Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members
2. Reasons for Appointing the CEO, Individual Corporate Directors and Audit & Supervisory Board Members; Status of Concurrent Duties at Other Listed Companies
3. Skill Matrix and Board Diversity
4. Basic Policy on Internal Controls and Overview of the Status of Operations

# Tokyo Electron Corporate Governance Guidelines

## Section I Principles

### 1. Basic Views on Corporate Governance (Principle 3.1.i, 3.1.ii)

In view of Tokyo Electron's corporate philosophy that we strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support, Tokyo Electron (TEL) believes improving corporate governance is important for achieving success in global competition, realizing sustainable growth, and increasing corporate value over the mid- to long- term.

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

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

These guidelines provide a governance framework that will contribute to the achievement of this aspiration.<sup>1</sup>

### 2. Corporate Principles (Principles 2.1, 3.1.i)

In June 2022, we revised our Vision, putting our system of Corporate Principles<sup>2</sup> in alignment with our Mission, Vision, and Values, as detailed below, as well as aspiring to be a world-class, highly profitable company with both dreams and vitality.



#### <Mission>

##### Corporate Philosophy

We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.

<sup>1</sup> In addition to these Guidelines, please also refer to the Integrated Report.

<sup>2</sup> For details of the corporate principles: <https://www.tel.com/about/ptc/>

## Management Policies

- **Profit is Essential**

The TEL Group aims to contribute to the development of society and industry and to the enhancement of corporate value while continually pursuing profit.

- **Scope of Business**

The TEL Group leads markets by providing high-quality products in leading-edge technology fields with a focus on electronics.

- **Growth Philosophy**

We will tirelessly take on the challenges of technological innovation to achieve continuous growth through business expansion and market creation.

- **Quality and Service**

The TEL Group strives to understand the true needs to achieve customer satisfaction and secure customer trust while continuously improving quality and service.

- **Employees**

The TEL Group's Employees both create and fulfill company values, performing their work with creativity, a sense of responsibility, and a commitment to teamwork.

- **Organizations**

The TEL Group builds optimal organizations that maximize corporate value in which all employees can realize their full potential.

- **Safety, Health and the Environment**

The TEL Group gives the highest consideration to the safety and health of every person connected with our business activities as well as to the global environment.

- **Social Responsibility**

Feeling a strong sense of corporate social responsibility, we strive to gain the esteem of society and to be a company where employees are proud to work.

## <Vision>

### Vision

**A company filled with dreams and vitality that contributes to technological innovation in semiconductors**

- Tokyo Electron pursues technological innovation in semiconductors that supports the sustainable development of the world.
- We aim for medium- to long-term profit expansion and continuous corporate value enhancement by utilizing our expertise to continuously create high value-added leading-edge equipment and technical services.
- Our corporate growth is enabled by people, and our employees both create and fulfill company values. We work to realize this vision through engagement with our stakeholders

## <Value>

### TEL Values

The TEL Values together constitute a code of conduct that encapsulates the driving force of growth and important values of TEL, and are practiced by Corporate Directors, Audit & Supervisory Board Members and all employees of TEL.

|                  |   |
|------------------|---|
| <b>Pride</b>     | We take pride in providing high-value products and services.  |
| <b>Challenge</b> | We accept the challenge of going beyond what others are doing in pursuing our goal of becoming number one globally.             |
| <b>Ownership</b> | We will keep ownership in mind as we think things through, and engage in thorough implementation in order to achieve our goals. |
| <b>Teamwork</b>  | We respect each other's individuality and we place a high priority on teamwork.   |
| <b>Awareness</b> | We must have awareness and accept responsibility for our behavior as respectful members of society.                             |

### 3 . Building a Relationship of Trust with Stakeholders for TEL's Sustainable Growth<sup>3</sup> (General Principle 2, Principle 3.1.i)

With the understanding that the support of our stakeholders is vital for TEL, TEL will build a relationship of trust with our stakeholders to achieve sustainable growth and create corporate value over the mid- to long-term based on the following views.

- Shareholders and investors  
To fulfill our fiduciary responsibility to shareholders and investors, TEL will endeavor to increase shareholder value by improving the profitability and capital efficiency.
- Customers  
Based on the customer-oriented principle, TEL will provide products and services with high added value through our expertise in providing creative proposals that integrate innovative technological know-how and diverse technologies.
- Employees  
Employees are the foundation of corporate development. TEL aims to continue to be a company replete with dreams and vitality, where each and every employee has creativity, a sense of responsibility and passion, and where diverse human resources can demonstrate their abilities to the fullest.
- Business Partners  
TEL will build on our expertise in the manufacture of advanced, high-quality products underpinned by a relationship of ongoing trust with our Business Partners.
- Communities  
TEL will endeavor to resolve social issues that surround its business operations through growth in our business, and will contribute to the development of a dream-inspiring society.

---

<sup>3</sup> For details on TEL's relationship with our stakeholders: <https://www.tel.co.jp/sustainability/materiality/>

#### **4. Business Policies (Principle 3.1.i, Supplementary Principle 5.2.1)**

As a company that began as a trade company specializing in technology, TEL perceived at an early stage changes in the business environment and quickly responded to such changes. This involved making the transition to becoming a manufacturer with development production functions and building a global sales and support framework. In this way, TEL has provided products and services with high added value in world markets. Moreover, TEL has maintained growth through taking the lead in original technology mainly in semiconductor production equipment and related domains using its original technology, where innovations in technology will generate new value, and high added value and high earnings can be expected.

The driving forces of our company are comprised of abundant technical know-how cultivated as a leading company in semiconductors production equipment, the trust from customers based on our reliable technical services, and the challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

With the aim of becoming a leading world corporation, TEL will continue our efforts in the future in business creation where TEL will leverage our leading-edge technologies in growth areas based on electronics technology which value creation through technical innovation can be expected.

#### **5. Medium-term Management Plan (Principle 3.1.i)**

We at the Tokyo Electron Group announced our new Medium-Term Management Plan on June 8, 2022, looking toward realizing our Vision, which imagines a future we want to see in the medium to long term, with an eye to realizing our Corporate Philosophy, as well as looking toward achieving world-class operating margins and ROE (Return on Equity).

##### ➤ Financial Targets

Aiming for future growth and development, in June 2022, TEL Group announced its Medium-term Management Plan with the fiscal year ending March 31, 2027 as the target year. With the high-growth expectations of the semiconductor market and the semiconductor production equipment market, we have positioned this Medium-term Management Plan as a milestone on our way to pursuing medium-to long-term profit expansion and continuous corporate value enhancement.

| <b>Financial targets<br/>(up to the term ending March 31, 2027)</b> |                         |
|---|-------------------------|
| <b>Net sales</b>  | <b>≥ 3 trillion yen</b> |
| <b>Operating margin</b>   | <b>≥ 35%</b>            |
| <b>ROE</b>  | <b>≥ 30%</b>            |

##### ➤ Material issues for TEL

Through realizing our Vision and enacting our Corporate Philosophy, we have identified material issues that to be prioritized in order to achieve medium- and long-term profit growth and continuous improvement of our corporate value.

| <b>Material Issues</b>                       |
|--|
| Climate Change and Net Zero                  |
| Product Energy Efficiency                    |
| Best Products with Innovative Technology     |
| Best Technical Service with High Added Value |
| Customer Satisfaction and Trust              |
| Supplier Relationship                        |
| Respect for Human Rights                     |
| Employee Engagement                          |

|                            |
|----------------------------|
| Safety First Operation     |
| Quality Management         |
| Compliance                 |
| Ethical Behavior           |
| Information Security       |
| Enterprise Risk Management |

## ■ Engagement Status

- Investment for future growth and human resources  
In order to aim for world class profit creation and further improvements in corporate value, we made the following updates to our plan in February 2024 for investing in growth and human resources over the five years from the fiscal year ended March 2025.
  - R&D investments: 1.5 trillion yen or more (5-year cumulative total)
  - Capital investments: 700.0 billion yen or more (5-year cumulative total)
  - Recruitment: Hire 10,000 people globally (5-year cumulative total)

## **6. Basic Strategy for Capital Policy** (Principle 1.3)

Based on the business policies and business plans stated above, TEL's objective in our capital policy is as follows.

### ➤ **View regarding capital efficiency**

The TEL's capital policy is based on securing the funds necessary for investment in growth, continuing to make proactive efforts to return profits to shareholders, and striving for appropriate balance sheet management from a medium- to long-term growth perspective. Specifically, TEL will target sustainable growth by further improving our operating income to sales and capital efficiency and making efforts to expand cash flow, and shall pursue a high level of capital efficiency, including improving ROE.

### ➤ **View regarding 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 50 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.

## Section II Cooperation with Stakeholders

### **1. Appropriate Cooperation with Shareholders**

TEL believes that cooperation with various stakeholders of TEL is indispensable for the sustainable growth of TEL. In particular, appropriate cooperation with shareholders as the providers of capital is important in the discipline of corporate governance. TEL will endeavor to engage in appropriate cooperation with shareholders to ensure that their rights are effectively secured and can be exercised with ease.

#### **(1) Securing the rights of shareholders (Principle 1.1, Supplementary Principle 1.1.2, 1.1.3)**

TEL will take appropriate measures to fully secure shareholders' rights including their voting rights at general shareholder meetings. Moreover, the board will put in place a framework for appropriately fulfilling our corporate governance role and responsibilities. In addition, the board will make adequate consideration for ensuring equality in regard to the rights of minority shareholders.

#### **(2) Exercise of rights at general shareholder meetings (Principle 1.2)**

TEL recognizes that general shareholder meetings are an opportunity for constructive dialogue with shareholders and, takes measures to ensure that shareholders can appropriately exercise their shareholder rights at the general shareholder meeting.

#### **■ Engagement Status**

|   |  |
|---|--|
| Date of the general shareholder meeting | <ul style="list-style-type: none"><li>When setting the date for holding the general shareholder meeting, TEL avoids as much as possible days where the holding of a number of other general shareholder meetings is expected.</li></ul>  |
| Date for sending the convocation notice | <ul style="list-style-type: none"><li>TEL endeavors to send out the convocation notice for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. Therefore, TEL forwards notices to shareholders at least three weeks prior to the date of the general shareholder meeting.</li></ul>   |
| Provision of materials                  | <ul style="list-style-type: none"><li>Before sending out the convocation notice, TEL discloses details of the notice on the website of Tokyo Stock Exchange and TEL.</li><li>The English translation of the convocation notice is disclosed in the same manner at least three weeks prior to the date of the general shareholder meeting.</li><li>As necessary, TEL also discloses on our website supplementary information on proposals, etc. to enable shareholders to make appropriate decisions at the general shareholder meeting.</li><li>Securities reports are disclosed the day before the general shareholder meeting.</li></ul>         |
| Exercise of voting rights               | <ul style="list-style-type: none"><li>Through the introduction of electronic voting and the use of an electronic voting platform, TEL provides opportunities to enable all shareholders including institutional and foreign shareholders to exercise their voting rights with ease. When an institutional investor who holds shares in the name of a trust bank, etc. expresses an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, TEL will give consideration to the investor's wish to the extent possible after consulting with the trust bank, etc.</li></ul> |

### **(3) Ensuring appropriate information disclosure and transparency (Principle 3)**

TEL works to contribute to the formation of fair prices for shares, etc. by disclosing corporate information to investors in an appropriate and timely manner, and to contribute to the soundness of the financial instruments market. With this perspective in mind, we established the “Timely Disclosure Rules,” and are working to ascertain and manage facts and settlement information that could have a significant impact on the investment decisions of investors, and to disclose such facts and information in a timely and appropriate manner.

In addition, we will strive to expand disclosure of non-financial information that we believe will be effective in helping our stakeholders gain a thorough understanding of TEL.

#### **■ Engagement Status**

- The dissemination of corporate information takes place through disclosure to public institutions, the publication of press releases and various reports, and the use of TEL website. TEL also makes efforts to facilitate prompt, appropriate communication. For example, as contact points where two-way exchanges of opinions are possible, TEL appoints an IR department responsible for responding to investors and a Corporate Communication Department responsible for communicating with the media.

### **(4) Constructive dialogue with shareholders (Principle 5.1)**

To promote TEL’s sustainable growth and increase corporate value over the mid- to long-term, TEL will make efforts to engage in constructive dialogue with investors including shareholders on a regular basis. The following is our policy for establishing a framework and initiatives for promoting such dialogue.

#### **Policy for Establishing a Framework and Initiatives for Promoting Constructive Dialogue with Shareholders**

##### **1) Basic view (Supplementary Principle 5.1.1)**

TEL will endeavor to provide opportunities for constructive dialogue with a larger number of investors around the world, we are actively working to create opportunities for dialog, including with the CEO directly.

##### **2) Dialogue with shareholders in general (Supplementary Principle 5.1.2(i))**

The IR Department and the Corporate Governance Department are responsible for dialogue with investors including shareholders. When there is an individual request from an investor, the CEO or other officers will engage in dialogue as necessary.

##### **3) Measures to ensure positive cooperation between internal departments to support dialogue (Supplementary Principle 5.1.2(ii))**

In response to opinions and requests, etc. of shareholders, the IR Department will assume the core role in assisting the realization of constructive dialogue with shareholders through positive cooperation with relevant departments such as the business, marketing and corporate administration divisions.

##### **4) Measures to promote opportunities for dialogue aside from individual meetings (Supplementary Principle 5.1.2(iii))**

TEL will provide opportunities for shareholders to engage in dialogue through business briefing sessions including quarterly results briefings and teleconferences, as well as opportunities to participate in overseas road shows, conferences sponsored by securities companies in Japan and overseas, and inspection tours of TEL’s factories. Moreover, TEL will endeavor to transmit company information through various means including our integrated report, fact book and TEL website.

##### **5) Measures to relay shareholder views (Supplementary Principle 5.1.2(iv))**

The IR Department will regularly provide reports to the CEO and other officers and engage in discussion with them regarding investors’ views and questions obtained through individual meetings, to ensure that these resources are being utilized to increase business and corporate value. Moreover, the CEO and others will provide reports to and engage in discussion with the board and the Corporate Officers Meeting in regard to important matters.



**6) Control of insider information (Supplementary Principle 5.1.2(v))**

TEL will appropriately manage important corporate information and disclose them in a fair, equitable and timely manner. Moreover, TEL will establish internal rules to prevent insider trading and thoroughly familiarize employees with these. In addition, every quarter TEL will establish the period from the bookclosing date until the announcement of financial results as a period during which officers and employees of TEL are prohibited from buying and selling company shares.

**7) Identifying shareholder ownership structure (Supplementary Principle 5.1.3)**

TEL will endeavor to identify our shareholder ownership structure by periodically investigating shareholding conditions of beneficiary shareholders and using these in constructive dialogue with investors.

**8) Establishing and disclosing business strategy and business plan (Principle 5.2)**

In formulating management strategies and management plans, TEL strives to realize capital efficiency exceeding the cost of shareholders' equity, focusing on the balance with business stability, although TEL is aware of its cost of shareholders' equity as a comprehensive indicator reflecting fluctuations in the business environment and expectations from shareholders. TEL articulates our earnings plans and basic objectives regarding our capital policy, and along with indicating targets for profitability and capital efficiency such as net sales, gross profit margin, operating margin, net profit, and return on equity (ROE), will provide explanations to shareholders in a manner that is easy to understand about specific measures it intends to take to achieve our plans and target.

**■ Engagement Status**

- In order to achieve sustainable growth and increase corporate value over the medium- to long-term, management is taking the initiative to engage in Investor Relations (IR) and Shareholder Relations (SR) activities.
  - IR Activities: The CEO and each executive officer in charge will speak at the quarterly earnings release conferences and Medium-term Management Plan briefing sessions to share stories related to business strategy and growth.
  - SR Activities: Company executives play a central role in dialogue with major investors and proxy advisory firms. In addition to explaining proposals from the General Shareholders' Meetings, this provides opportunities to exchange opinions on topics such as policies and initiatives related to corporate governance and sustainability, as well as to build mutual understanding through dialogue.

**(5) Policy on cross-shareholdings (Principle 1.4)****1) Policy concerning cross-shareholding of listed shares**

TEL does not hold crossheld shares in principle. Only when TEL believes there to be a strong rationale for holding such shares in our relationship with an issuer will TEL hold the shares of another company, such as investing in business partners to maintain medium- to long-term relationships, investing in business partners for stable procurement, investing in business partners to maintain technical alliance.

Regarding the shares held, the executive management should annually verify the rationale of holding shares of another company and provides a report to the Board of Directors from the viewpoint of the investment purpose at the time of stock acquisition, consistency with the latest business strategy, etc., and the benefits and risks of holding the shares. As a result of the above verification, if it is determined that the holding is not rational, we will consider selling the shares.

**2) Policy on the exercise of voting rights in relation to cross-shareholdings**

When TEL exercises our voting rights for shares TEL holds, as a shareholder it carefully considers proposal details, engages in dialogue with the issuer as necessary and makes decisions regarding proposals from the viewpoint of increasing corporate value of TEL and the issuer over the mid- to long-term. TEL will cast an opposing vote on any proposal it believes may harm shareholder value.

#### **(6) View regarding anti-takeover measures (Principle 1.5)**

TEL will not introduced any so-called anti-takeover measures. We believe that improving corporate value is the ultimate anti-takeover measure. TEL will address any acquisition proposals made after first comprehensively assessing the short-, medium-, and long-term impact on corporate value and shareholder value.

#### **(7) Capital policy that may harm shareholder interests (Principle 1.6)**

With respect to capital policy that results in the change of control or in significant dilution, TEL conscientiously examines the necessity and rationale of such measures to ensure they do not unduly harm shareholders' interests. Moreover, TEL provides adequate explanation to shareholders and follows appropriate procedures.

#### **(8) Related party transactions (Principle 1.7)**

TEL requires Corporate Directors or Audit & Supervisory Board Members to obtain the approval of the Board of Directors when engaging in transactions with TEL or transactions that are in conflict with the interests of TEL and the Corporate Directors or Audit & Supervisory Board Members. This includes engagement in competing business with TEL. Moreover, after such transactions take place, a report must be presented to the board regarding material matters concerning such transactions.

#### **■ Engagement Status**

- TEL undertakes regular annual investigations whether or not there are transaction between TEL and a Corporate Director, an Audit & Supervisory Board Member, or a relative thereof.
- With respect to transactions between TEL and major shareholders, there are currently no shareholders that equate to major shareholders (defined as shareholders with at least 10% of voting rights) in TEL. If major shareholders emerge, TEL will take procedures to ensure appropriateness of transactions according to the previously stated policies.

## **2. Appropriate Cooperation with Stakeholders Other Than Shareholders**

Appropriate cooperation with stakeholders other than shareholders is also essential for the sustainable growth of TEL. TEL believes that respecting the rights and position of stakeholders and fostering a climate that conforms with corporate ethics will promote the development of society and the economy as a whole and, in turn, will establish the foundation for the further growth of our company's business.

#### **(1) Establishment of “Tokyo Electron Group Code of Ethics” and actions for ensuring compliance of it (Principle 2.2, Supplementary Principle 2.2.1)**

TEL maintains corporate ethics and compliance with laws and regulations by TEL Group as a whole at a high standard. Giving primary importance to acting in compliance with laws and international rules, TEL has established “Tokyo Electron Group Code of Ethics”<sup>4</sup> and makes efforts to ensure all employees are familiar with this.

Moreover, TEL appoints a Chief Business Ethics Director from among Corporate Directors who is responsible for ethics and has established an ethics committee as a steering organization for promoting corporate ethics throughout TEL.

Furthermore, TEL has established a set of TEL Values (see Section I No. 2) which summarizes intrinsic values that act as a driving force in TEL's growth and which serves as a code of conduct that all Corporate Directors, Audit & Supervisory Board Members, and employees must practice.

---

<sup>4</sup> For details on “Tokyo Electron Group Code of Ethics”: <https://www.tel.com/about/compliance/>

## **(2) Positive actions for sustainability issues**

### **(Principle 2.3, Supplementary Principle 2.3.1, 3.1.3, 4.2.2)**

In order to realize sustainable growth and medium- to long-term improvements in corporate value, we believe it will be necessary to use our entire supply chain to actively and dynamically address social problems pertaining to sustainability, starting with the environment and human rights.

Based on this way of thinking, TEL intends to contribute to the resolution of industrial and social issues and development, as well as the achievement of Sustainable Development Goals (SDGs) adopted by the United Nations, and to the creation of a sustainable society.

#### **■ Engagement Status**

- In our annual targets and Medium-term Management Plan, we have clearly defined important indicators for continuously increasing corporate value in relation to finance and sustainability, and we strive to achieve these through our business activities centered on our materiality issues.<sup>5</sup>
- Through E-COMPASS<sup>6</sup>, an environment-focused initiative, TEL is working to preserve the global environment from three perspectives: semiconductors, production equipment, and business activities. We received SBT<sup>7</sup> certification of our medium-term environmental targets in the fiscal year ended March 2024 and of our net-zero target in the fiscal year ended March 2025.
- In the fiscal year ended March 2024, TEL participated in a TNFD forum supporting the activities of the Taskforce on Nature-related Financial Disclosures (TNFD), and we are strengthening initiatives relating to natural capital and biodiversity.
- We established the Tokyo Electron Group Human Rights Policy in line with the United Nations Guiding Principles on Business and Human Rights, conduct human rights due diligence to identify, assess, prevent, and reduce human rights violations and other issues, and are reinforcing remedies by creating and operating highly-effective grievance mechanisms.
- TEL seeks to build sustainable supply chains and is committed to complying with the RBA<sup>8</sup> Code of Conduct. We voluntarily undergo RBA audits at major manufacturing facilities and promote improvement measures through collaboration with business partners in an effort to eliminate risks and create value in supply chains.

## **(3) Ensuring diversity (Principle 2.4, Supplementary Principle 2.4.1)**

At TEL, diversity, equity and inclusiveness are pillars of management that help realize continuous innovation and increase corporate value, and our management is strongly committed to, and actively engaged in, pursuing diversity around the themes of nationality, gender, and generation.

#### **■ Engagement Status**

- As a global company, TEL promotes the right person in the right place across countries, such as appointing local personnel to the position of president at its overseas group companies in the United States, Europe, Asia, and other areas, and having overseas personnel take on the position of the headquarters.  
In addition, to enable employees with diverse experiences (ratio of Japan-based employees to overseas employees: roughly 55:45) to play active roles around the world, we are promoting career development and personnel exchanges across countries and regions, based on our global human resource system.
- TEL establishes a competitive compensation system based on role responsibilities and level of contribution (even when re-hiring after retirement) in order to make use of the experience, knowledge and skills that we as a company have cultivated

---

<sup>5</sup> For details on initiatives related to our material issues:

<https://www.tel.com/sustainability/materiality/index.html>

<sup>6</sup> Environmental Co-Creation by Material, Process and Subcomponent Solutions

<sup>7</sup> Science Based Targets. SBTs are targets set by companies for five to 15 years in the future that are consistent with the standards required by the Paris Agreement.

<sup>8</sup> Responsible Business Alliance. The world's largest industry association that promotes supply chain sustainability, primarily in the electronics industry.

- TEL is conducting various initiatives with respect to diversity, equity and inclusion - by March 2027 we aim to achieve a female managerial ratio<sup>9</sup> of 8.0% globally and 5.0% in Japan (March 31, 2025 figures: 6.4% globally, 3.3% in Japan) and we have set targets and action plans for each region, taking into account their unique characteristics.
  - We develop a talent pipeline (plan for developing human resources) for succession planning that takes gender diversity into account, and are engaged in efforts to increase the ratio of women in management positions.
  - Given that the majority of TEL's employees are engineers, we utilize recruiters and invest heavily in branding in order to hire female engineers at a level at least equivalent to the ratio of women with majors in science and engineering in each region.
  - We are promoting the uptake of childcare leave for TEL Group's male employees around the world, holding female engineer networking events, and career round-table discussions before and after taking maternity or childcare leave.

#### **(4) Investments in human capital (Supplemental Principles 3.1.3, 4.2.2)**

Based on the thinking that “Our corporate growth is enabled by people, and our employees both create and fulfill company values”, TEL's management deliberates on the investments in human capital that should be made to powerfully advance management strategies for the company, and strategically implement these investments.

#### **■ Engagement Status**

- Global personnel management
 

TEL has deployed business to 95 bases of operation in 18 countries and regions (as of April 1, 2025), and we believe that it is important for personnel with diverse personalities, skills, experiences, and strengths to share a global sense of values as “One-TEL,” and strive as one to create value. In 2017 we introduced a globally uniform job-based human resource system (GTC: Global TEL Career-Paths) and personnel management system, and focused on developing a common platform for personnel activities, and developing and enhancing the careers of our personnel around the globe. This has allowed us to arrange flexible and optimal resource distribution based on changes in business environments.
- Practicing our Corporate Philosophy and code of conduct (TEL Values) etc.
 

The basis of our global personnel management are our corporate principles and sense of value, which we have treasured since our founding. Management, including the CEO, took the initiative to create opportunities for direct dialogue with employees, through the use of venues like employee meetings, in order to communicate the ideal TEL state to employees. TEL management also implements programs to share and practice our Corporate Philosophy and the TEL Values through our level-based training, which is also provided when an employee is hired.
- Motivated management
 

TEL supports every one of our employees so that they may exercise their capabilities to the fullest, and regularly challenge themselves to achieve ambitious goals. Such initiatives help realize continuous improvements in employee engagement scores, work to enhance product competitiveness and customer support capabilities, and improve productivity.

Based on our globally uniform human resources platform, positions and career opportunities at TEL are made public to all employees, thereby making it possible for employees to autonomously form their careers and visualize their career paths. With respect to career formation, we actively invest in capability development through TEL UNIVERSITY (an internal shared training platform that allows employees to personally form their careers and support employee self-realization). In addition, TEL provides employee treatment that is fair and competitive at a global level, depending on the company's performance and the degree of employee's individual responsibilities and contributions, and works to secure and retain superior human resources.

---

<sup>9</sup> Include experts in the number of managers

## **(5) Investments in intellectual property (Supplemental Principles 3.1.3, 4.2.2)**

We value intellectual property as an important asset in improving our corporate value over the medium- to long- term, and so we are making strategic investments in intellectual property. To achieve sustainable growth in the semiconductor industry, in which technological innovation drives growth, we are conducting research and development on a global scale, including industry-academia collaborations. Furthermore, we have work toward differentiating our technologies and improving the competitiveness of our products through building an intellectual property portfolio that is competitive in terms of quantity and quality.

### **■ Engagement Status**

- We are planning to invest more than 1.5 trillion yen into research and development over a 5-year period, starting fiscal year ending March 2025. Going forward, we will continue to engage in proactive growth investments on top of a strong financial foundation based on profit.
- Intellectual property departments established at major development sites in Japan and overseas collaborate with the headquarters Intellectual Property Dept. and work closely with research and development departments and business departments to strengthen the intellectual property portfolio so that it can accurately capture technological innovation and market needs.
- We encourage active collaboration (open innovation) with customers, consortiums, and academia in Japan and overseas and incorporate the diverse knowledge and technology acquired through such collaboration to create innovative and high-value-added proprietary technology. The number of patents in our company's possession currently stands at 24,996 patents (as of March 31, 2025), putting us in the number one position in the semiconductor manufacturing sector. We are building our superiority in the field of intellectual property at a global level; among inventions that led to patent applications, approximately 70% have had applications made in multiple countries and, moreover, we have achieved an approval rate of approximately 80% in Japan and the US.
- In order to promote intellectual property creation activities, we have established a unique recognition system for our inventors. We recognize our inventors with awards at various stages of their roles as inventors, from those who have filed their first patent application since joining the company to inventors who are particularly outstanding role models.

## **(6) Roles of corporate pension funds as asset owner (Principle 2.6)**

The Tokyo Electron Pension Fund defines its basic policy as preserving the beneficiary interests of its participants, recipients, and others. It also stipulates the roles and responsibilities of related parties who implement the policy, as well as management policies.

### **■ Engagement Status**

- We support the intent of the Asset Owner Principles (established by the Cabinet Secretariat on August 28, 2024), which we consider useful for fulfilling our responsibility to manage pension assets from the perspective of maximizing the benefit to the participants and recipients of TEL's pension funds (i.e., our fiduciary duty), and expressed acceptance of all of the principles in March 2025.
- The Asset Management Committee receives reports from investment management institutions concerning the performance of the pension fund, the results of the exercise of voting rights and stewardship activities and monitors the activities against the investment management institutions. In addition, we joined the Corporate Pension Funds Stewardship Initiative and conduct collaborative monitoring activities.

## Section III Governance Structure

### 1. Basic View on Governance that will Lead to Sustainable Growth for TEL

In view of Tokyo Electron's corporate philosophy that we strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support, TEL regards building governance structure as essential in order to become a real global company that achieves success in global competition achieves sustainable growth.

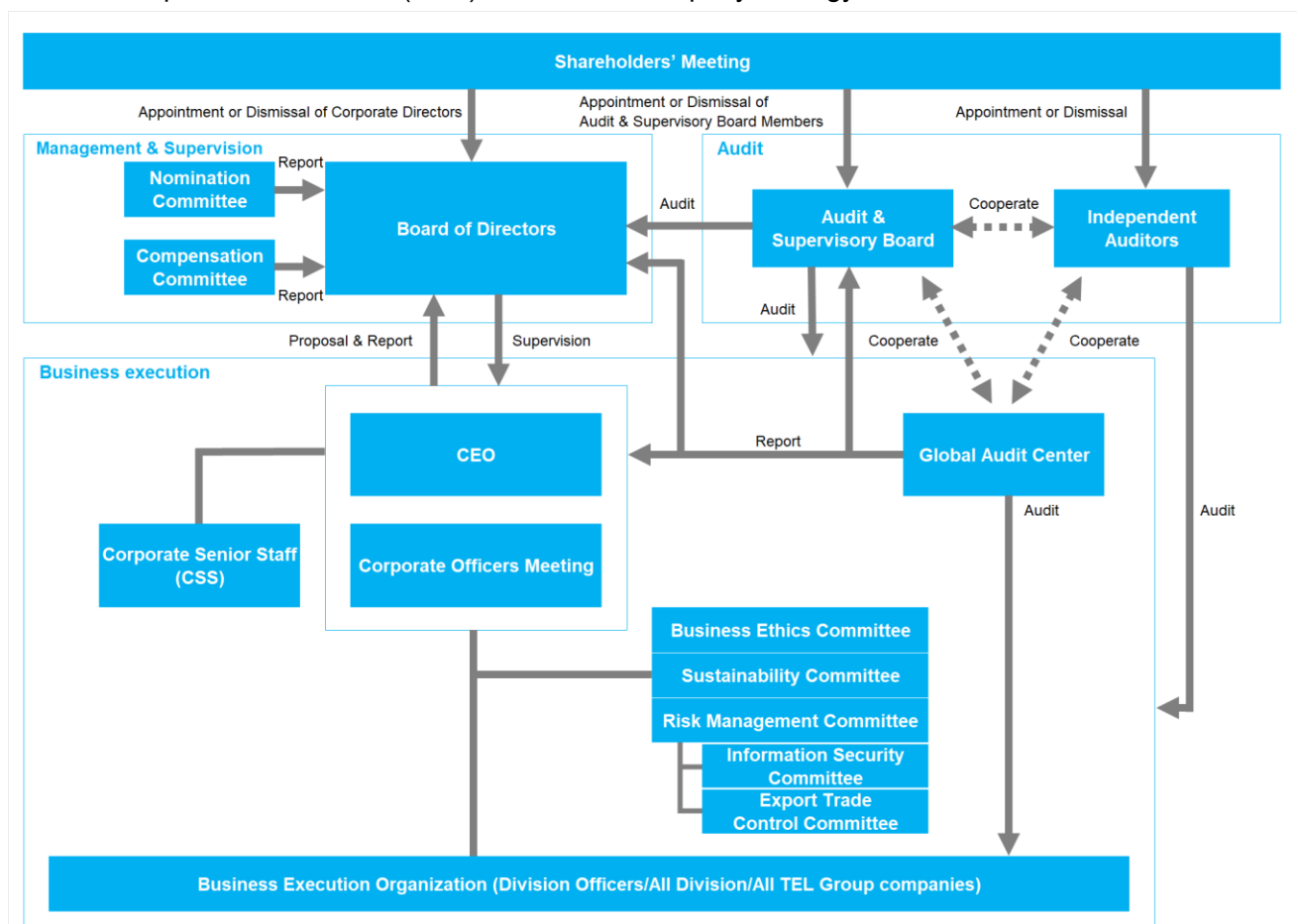
To that end, TEL has built a framework to maximize use of worldwide resources, and has incorporated a wide range of opinions to strengthen our management platform and technology base, establishing a governance structure capable of ensuring that TEL attains global-level earnings power.

### 2. Structure for Achieving Growth-Oriented Governance Directed at Sustainable Growth (Principle 4.2, 4.10)

In the semiconductor production equipment industry, where technological innovation is fast and market changes are active, we will further promote Group management that is on the offense globally, as well as grow short-, medium- and long-term earning and continually improve corporate value with a Board of Directors that plays a supervisory role and by establishing a strong execution system based on the form of corporate organization for the company with the Audit & Supervisory Board. In addition, we will strive to meet the expectations of our stakeholders.

In addition to the Board of Directors, whose role is to make major operational decisions, play a supervisory role in the executive management's execution and support appropriate risk-taking by them, TEL has also established systems that will facilitate growth-oriented governance directed at sustainable growth for TEL, including the following:

- The Nomination Committee and Compensation Committee, to ensure fair, effective, and transparent management
- The Corporate Officers Meeting as the highest decision-making body on the executive side
- The Division Officers Meeting, which deliberates on important topics concerning each division as well as future reform and advancement
- The Corporate Senior Staff (CSS), to advance company strategy



## ■ Engagement Status

### – A Board of Directors

The Board of Directors, which supports appropriate risk-taking by executive management, is aware that its main responsibility is to provide a strategic direction for the TEL Group, and thus conducts constructive deliberations regarding management strategies and management plans, and functions as a venue for supervising the progress of TEL's Medium-term Management Plan, and other similar matters. Furthermore, regarding decision-making authority delegated to the executive side by the Board of Directors, reports and explanations on the status of the Corporate Officers Meeting's deliberations must be presented to the Board of Directors in order to oversee that the decision-making of executive management is functioning appropriately (see 3. Board of Directors, below, for further details). Note that, in FY2025, the Board of Directors meeting held 10 times.

### – The Nomination Committee and the Compensation Committee

The Board of Directors has both a Nomination Committee and a Compensation Committee: both committees engage in proactive deliberations with appropriate guidance and involvement on the part of Independent Outside Directors regarding the nomination of candidates for CEO and directors, as well as the compensation system for officers, respectively.

The existence of these two committees ensures fairness of corporate management and facilitates the sound Growth-Oriented governance of TEL.

#### **Nomination Committee**

Purpose: To ensure a fair and effective Board of Directors composition through the nomination of candidates for CEO and Corporate Director.

Role: To nominate candidates for the Board of Directors to be elected by the General Shareholder Meeting and candidates for CEO to be elected by the Board of Directors and propose these to the Board of Directors.

Composition: A total of three directors: two Independent Outside Directors and one Inside Director (FY2026)

Frequency of Meetings: 9 times (FY2025)

#### **Compensation Committee**

Purpose: To ensure transparency, and fairness in management and adequacy of compensation through the compensation system.

Role: To propose the policy and the system for compensation received by Corporate Directors and executive officers of the TEL Group, as well as individual compensation amounts for the Representative Directors.

Composition: A total of three directors: two Independent Outside Directors and one Inside Director (FY2026)

Frequency of Meetings: 10 times (FY2025)

### – Corporate Officer System

As a leading company in the semiconductor production equipment industry, where technological innovation is rapid and market changes are active, we have introduced a Corporate Officer system on June, 2022 in order to further strengthen governance and implement quick decisionmaking and agile operational execution. Corporate Officers shall, as the highest position on the executive side of the Group, be responsible for executing corporate management beyond their own responsibilities from the same perspective as the CEO. Corporate Officers attend the Board of Directors' meetings to explain important matters related to business execution, as well as to promote an aggressive style of management through the appropriate and speedy utilization of content discussed at Board of Directors' meetings.

To align with the introduction of the Corporate Officer system, we have also established Corporate Officers Meetings as the highest-ranking decision-making body on the executive side.

**Corporate Officers Meeting**

Purpose: To deliberate and reach resolutions regarding important matters related to business execution, including those delegated to the executive side by the Board of Directors, in order to ensure rapid decision-making and agile business execution.

Composition: Eight Corporate Officers (FY2026)

\*Inside Directors who are not Corporate Officers and Audit & Supervisory Board

Members may also attend

Frequency of Meetings: 21 times (FY2025)

– Division Officer System

TEL introduced the new Division Officer System in July 2024. We modified the earlier system, under which corporate officers concurrently served as division heads, and now division officers, who are primarily the next generation of management personnel, oversee business execution by individual divisions. Also, Division Officers Meetings are held by division officers and the CEO.

**Division Officers Meeting**

Purpose: To deliberate on important topics concerning each division as well as future reform and advancement.

Composition: CEO and Fourteen Division Officers (FY2026)

Frequency of Meetings: 7 times (FY2025)

– CSS (Corporate Senior Staff)

TEL has established the Corporate Senior Staff (CSS) as one effective mechanism for utilizing TEL's worldwide resources to the fullest extent, and to realize aggressive governance.

**CSS**

Purpose: In order to advance the corporate strategy effectively and powerfully, CSS aims not only to foster common understanding of the management strategy throughout TEL group through CSS members, but also to manage the progress on strategy execution and review additional measures from a global, cross-organizational perspective and a mid- to long-term management perspective, without being encumbered by short-term perspectives focused primarily on the division where each member is in charge.

Composition: Executive officers and members of management from overseas group companies, etc.

– Liability-limiting contracts, Indemnity agreement, Directors & Officers Liability Insurance contract

TEL has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Outside Directors and Audit & Supervisory Board Members. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the Directors perform their duties in good faith without gross negligence.

Furthermore, TEL has concluded an indemnity agreement with Corporate Directors and Audit & Supervisory Board Members, as stipulated under Article 430-2, Paragraph 1 of the Companies Act, whereby we shall duly indemnify the expenses and losses as prescribed respectively in Item 1 and Item 2 of the aforementioned Paragraph, within the limits stipulated by the laws and regulations.

In addition, TEL has concluded a Directors and Officers Liability Insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company. Corporate Directors, Audit & Supervisory Board Members, Corporate Officers and employees including Executive Officers of TEL and TEL subsidiaries are covered as the insured under the insurance contract, and the insurance contract covers damages, such as compensation for damages, settlements, and litigation expenses, arising from acts and nonperformance of acts committed in relation to the execution of duties by the insured.



### **3. Board of Directors**

#### **(1) Role and responsibilities of the Board of Directors (Principle 4.1)**

The Board of Directors works to achieve sustainable growth and increase corporate value over the medium- to long-term based on its fiduciary responsibility to shareholders. The roles and responsibilities of the Board of Directors are as follows:

① Establishing management strategy and vision

The Board of Directors establishes the vision and strategy TEL should target in order to be successful in global competition by setting forth the Corporate Philosophy, Management Policies and other Corporate Principles; presenting the long-term strategic vision; and determining the Medium-term Management Plan and capital policy.

② Making major operational decisions based on strategic direction

**(Supplementary Principle 4.1.1)**

Proactive risk-taking and a risk management structure to support it are essential for being successful in global competition and achieving sustainable growth. The Board of Directors incorporates a wide range of opinions that stem from the extensive knowledge and experience of Independent Outside Directors and Audit & Supervisory Board Members in addition to Inside Directors who are well-versed in the business, making major operational decisions that are of particular importance to the business. Major operational decisions of particular importance refers to matters that have a major impact on such as TEL Group performance and financial status and mid- to long-term growth and corporate value, including approval of the Medium-term Management Plan, policies on shareholder return, corporate reorganization and Mergers & Acquisition, and similar matters. Furthermore, the Board of Directors will request reports and explanations regarding the Corporate Officers Meeting's items for resolution, report items, and items under consideration in order to supervise that the decision-making of the executive management is functioning appropriately.

The strategy determined by the Board of Directors and the Corporate Officers Meeting is implemented expeditiously by the Corporate Officers and the executive officers responsible for each division.

③ Engaging in constructive, open-minded debate

The Board of Directors seeks the active participation of those present in discussions in order to obtain a wide-range of opinions, and supervises management and operational execution based on active debate.

The Board of Directors respects opinions even when they are minority or opposing viewpoints, including opinions voiced by Outside Directors; revises the conditions for implementation or the content of proposals as necessary; and engages in extensive debate with the goal of reaching decisions based on consensus. However, emphasis is placed on making necessary decisions quickly to avoid missing opportunities.

#### **■ Engagement Status**

- The criteria for determining the importance of matters for referral to the Board of Directors are continually revised in light of the environment surrounding TEL, and in light of the provisions of the Companies Act. In order to allow the Board of Directors more time for deliberation of major operational decisions, the Board of Directors rules were partially amended with heightened referral criteria in May 2025 and we accelerated a delegation of authorities from the Board of Directors to the executive side.
- In the TEL Board of Directors meetings, proactive, frank opinions are always presented aggressively also by Independent Outside Directors and Audit & Supervisory Board Members, thereby enabling active debates.

**(2) View on overall balance of knowledge, experience, and skills in the Board of Directors, its diversity and size (Supplementary Principle 4.11.1)**

**① Policy on election of Inside Directors (Principle 3.1.iv, 3.1.v)**

Inside Directors of TEL are required to have superior executional abilities underpinned by experience, insight, and a track record in management, high sensitivity to all possible risks, being able to properly analyze and judge matters, and frankly state the opinion that they believe to be correct during debates.

Moreover, in electing inside Directors, consideration is given to achieving a balance of Corporate Directors who are well-versed in each division of TEL, including sales and service, manufacturing and R&D, corporate administration and other divisions, in order to ensure constructive debate in Board of Directors meetings born out of a broad range of backgrounds and knowledge.

**■ Engagement Status**

- The current inside Directors have been elected in a manner that has achieved the balance described above.
- The role of inside Directors contributes to active debate, proper decision-making, and supervision of execution through objective, constructive opinions coming from different perspectives of each inside Director beyond their own responsibilities.

**② Policy on election of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members (Principle 3.1. iv, 3.1.v, 4.7, 4.8, 4.9)**

Stating their unreserved opinions from an independent perspective, Independent Outside Directors and Independent Outside Audit & Supervisory Board Members guide Board of Directors debates in the proper direction for success in global competition that does not follow the same line of discussion proposed by inside Directors.

From the aforementioned perspectives, Independent Outside Directors and Independent Outside Audit & Supervisory Board Members shall have:

- Knowledge of global business
- Broad insight into related industries
- An extensive network of personal contacts
- Social perspectives
- Objectivity from capital market and other perspectives
- Knowledge of finance and accounting
- Broad legal affairs and risk management knowledge

Each Independent Outside director and Outside Audit & Supervisory Board Member shall have a proper balance of the above traits, and others.

Furthermore, TEL also ensures the independence of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members through separately specified Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members<sup>10</sup>, in addition to the requirements under the Companies Act.

TEL will also take a positive stance on considering people equipped with the knowledge and character that TEL thinks will contribute to sustainable growth for TEL in the future as Independent Directors, etc.

**■ Engagement Status**

- Currently, eight of the 13 Corporate Directors and Audit & Supervisory Board Members, are outside members, consisting of five Independent Outside Directors and three Independent Outside Audit & Supervisory Board Members.
- TEL believes that the current Board of Directors, with Corporate Officers who are well versed in the business also attending, is properly fulfilling its roles of supervising executive management and making important decisions based on engaging in constructive, open-minded debate.

---

<sup>10</sup> For details of Independence Requirements, please refer to Appendix 1 “Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members”.

### ③ Size and diversity of the Board of Directors

TEL considers it essential to maintain a Board of Directors with the appropriate size to ensure high quality, active debate, and in addition, to have a good balance of knowledge, experience and skills as well as the diversity (including gender and international aspects) expected of both inside Directors and Independent Outside Directors. The Board of Directors shall therefore be the appropriate size and composition for the environment at the time, in light of such factors.

Regarding candidates for the Board of Directors and Audit & Supervisory Board Members, TEL will make efforts going forward to appoint a variety of personnel, including gender and international aspects, who have the combination of knowledge, experience and skills expected of them.

#### ■ Engagement Status

- The current Board of Directors consists of eight directors, including two female Corporate Directors and one Corporate Director of foreign nationality, and TEL believes this to be appropriate in terms of both size and a balanced composition of directors.
- We have disclosed a skill matrix that lists the skills of each Corporate Director and Audit and Supervisory Board Member.<sup>11</sup>

### (3) Nominations for Corporate Director and CEO (Principle 3.1.iv, Supplementary Principle 4.3.2, 4.3.3)

TEL has established a Nomination Committee to ensure fairness and efficiency in management. The Nomination Committee Rules stipulate that the CEO is not a member of the Nomination Committee. The authority to propose election or dismissal of the CEO and Corporate Directors is entrusted to Nomination Committee members.

Furthermore, the Nomination Committee has formulated the Nomination Committee Activity Guidelines to enable it to conduct activities every year based on the same standards. These guidelines define the required qualities and eligibility of the CEO and Corporate Directors, and the trigger for investigations for dismissing of the CEO, and efforts are made to ensure the objectivity, timeliness, and transparency of the procedures for appointment and dismissal.

For Corporate Directors, the eligibility and qualities that are considered to be required are:

- Judgement and qualities that contribute to an increase in corporate value in the short-, medium- to long-term
- Skills, character, dignity, and insight appropriate for management
- Fairness, popularity, personality
- Ethical views appropriate to a global company
- Sensitivity and ability to understand risk

For the CEO, in addition to the required qualities and eligibility of Corporate Directors listed above, TEL considers the following to be requirements: the capability to be the driving force of the Group as a whole, strong leadership with the ability to execute, and a high level of management ability.

Regarding dismissal of a CEO, in situations such as when doubts arise concerning these qualities and eligibility based on the Nomination Committee Activity Guidelines, the Nomination Committee will conduct a review.

#### ① Role of the Nomination Committee

- 1) The Nomination Committee nominates candidates for Corporate Director to be elected by the general shareholder meeting and proposes these to the Board of Directors.
- 2) The Nomination Committee nominates Representative Director candidates for the Chief Executive Officer (CEO) to be elected by the Board of Directors, and proposes these to the Board of Directors.
- 3) The Nomination Committee refers to TEL's Independence Requirements when making proposals from among the Corporate Directors and candidates for Corporate Director to the Board of Directors; note that these requirements were established based on the requirements for Independent Directors set forth by the Tokyo Stock Exchange.

<sup>11</sup> For individual skills of Corporate Directors and Audit & Supervisory Board Members, please refer to Appendix 3 "Skill Matrix and Board Diversity".

② Ensuring the independence of the Nomination Committee (Supplementary Principle 4.10.1)

The Nomination Committee shall consist of three or more members including Outside Directors or Outside Audit & Supervisory Board Members. In order to ensure the independence of those members, CEO may not be elected to the Nomination Committee. Moreover, the Nomination Committee recommends Nomination Committee members for the next period and the Board of Directors elects the members based on those recommendations. This method achieves a high degree of independence and fairness in the election of candidates and ensures the authority of the CEO does not extend to the management of the Nomination Committee.

The term of Nomination Committee members shall be one year. Re-election in principle up to four years is permitted.

■ **Engagement Status**

– Procedure for proposing nominated candidates

• Proposal of candidates for CEO and candidates for inside Director

When proposing candidates from inside TEL, the Nomination Committee will independently select multiple candidates for nomination from a pool of suitable candidates, and will screen them through interviews with the candidates and relevant people inside and outside of TEL, and other means. The Nomination Committee will then propose candidates who possess the above-listed eligibility and required qualities for a CEO and Corporate Directors to the Board of Directors as candidates for CEO or Corporate Director for the next period, after having exchanged opinions with Outside Directors in advance and having engaged in other careful consideration.

• Proposal of candidates for Outside Director

When proposing candidates from outside of TEL, the Nomination Committee will consider people from the pool of candidates who are appropriate because they have the knowledge and background to contribute to the Board of Directors, and other points stated in the proposal of candidates who possess the required eligibility and qualities for inside Director noted above. They will propose candidates for Outside Director to the Board of Directors after also taking the opinions of the currently appointed Outside Directors into consideration.

The respective personal networks of members of the Board of Directors, including Outside directors and Outside Audit & Supervisory Board Members will be used in electing candidates, not the personal networks of the Nomination Committee members alone.

• Proposal of candidates for Audit & Supervisory Board Member

Nominees for Audit & Supervisory Board Member are not subject to nomination by the Nomination Committee. When electing candidates for Audit & Supervisory Board Member, the Audit & Supervisory Board will consider candidates recommended by the Audit & Supervisory Board and from executive management and consider those persons deemed appropriate because they have the knowledge and background to contribute to TEL. Finally, after consented by the Audit & Supervisory Board, candidates for Audit & Supervisory Board Member are proposed to the Board of Directors.

**(4) Planning directed at developing a successor to the CEO and other executive management (Supplementary Principle 4.1.3)**

TEL has formed a pool of candidates for the next generation of management personnel in accordance with the TEL Succession Plan and is working on the development of successor candidates under the supervision of the CEO, and in accordance with the Group's management mission. The Nomination Committee analyzes and scrutinizes the abilities and readiness of successor candidates, and the Board of Directors holds discussions based on reports from the Nomination Committee, and appropriately supervises the progress of the successor candidate training plan. Note that policy dictates that while the CEO is involved in promoting the development of management levels eligible to become successor candidates, the CEO is not involved in nominating specific candidates from the pool of successor candidates.

## ■ Engagement Status

- The CEO and Representative Directors continually evaluate the skill, character, dignity, and insight of successor candidates from multiple perspectives in the course of performing day-to-day duties, and continually support education of the candidates through assignments, training, and other opportunities. They will use the Corporate Senior Staff (CSS), internal seminars for select leaders, and other resources as a pool of promising human resources.
- The abilities and readiness of the successor candidates are confirmed at the Top Management Review Meeting<sup>12</sup> at which missions that lead to the accumulation of knowledge and experience including important challenges related to Group management are assigned, and then their performance is checked.
- External assessment of next-generation senior management human resources is conducted.

### (5) Fair evaluation of the CEO (Supplementary Principle 4.3.1)

TEL takes the following steps to ensure fair and highly transparent evaluation of the CEO.

- The formula for calculating the performance-linked compensation of the CEO is determined by the Board of Directors, based on the proposal of the Compensation Committee. It is decided fairly and in a highly transparent manner.
- In nominating candidates for CEO, the Nomination Committee will evaluate the appropriateness of the candidate based on past performance, including an evaluation of performance on assigned duties, and considering his or her personality, including the character and dignity, as a manager. They then determine whether or not he or she is capable of shouldering those responsibilities. The Nomination Committee has formulated the Nomination Committee Activity Guidelines that summarize CEO requirements up until appointment, such as eligibility and required qualities, as well as the trigger for investigation for dismissal, and these guidelines have been reported and shared with the Board of Directors. In the above manner, efforts have been made to increase the objectivity and transparency of the CEO selection and dismissal process.

### (6) Director and CEO compensation (Principle 3.1.iii, Supplementary Principle 4.2.1, 4.10.1)

#### ① Policy on compensation

The TEL Group emphasizes following points with regard to policies on compensation for Corporate Directors and Audit & Supervisory Board Members:

1. Levels and plans for compensation to secure highly competent management personnel with global competitiveness
2. High linkage with business performance in the short term and medium-and-long term increase of corporate value aimed at sustainable growth
3. Securement of transparency and fairness in the decision process of compensation and appropriateness of compensation

#### ② Composition of compensation

The compensation system for Inside Directors has been enhanced to further strengthen the link with medium- to long-term corporate value and performance improvement. Beginning in the fiscal year ended March 2025, the previous annual performance-linked compensation has been replaced with short-term performance-linked compensation as cash compensation and medium- to long-term performance-linked compensation as stock-based compensation. The Inside Directors compensation system consists of fixed basic compensation, short-term performance-linked compensation, medium- to long-term performance-linked compensation, medium-term performance-linked compensation (medium-term incentive), and non-performance-linked compensation as indicated in the table below.

Outside Directors have a role of giving advice to the management from the perspective for improving

<sup>12</sup> The Top Management Review Meeting: The meeting is attended by Representative Directors, members of the Nomination Committee, the executive officer in charge of human resources, and others, who are responsible for formulating training plans and selecting candidates for successors.

corporate value over the medium- to long-term, in addition to the management supervision. TEL has introduced non-performance-linked stock-based compensation as a system that is more consistent with their expected role, and the compensation for Outside Directors consists of fixed basic compensation and non-performance-linked compensation.

### ③ Policy and decision method according to types of compensation

#### 1. Fixed basic compensation

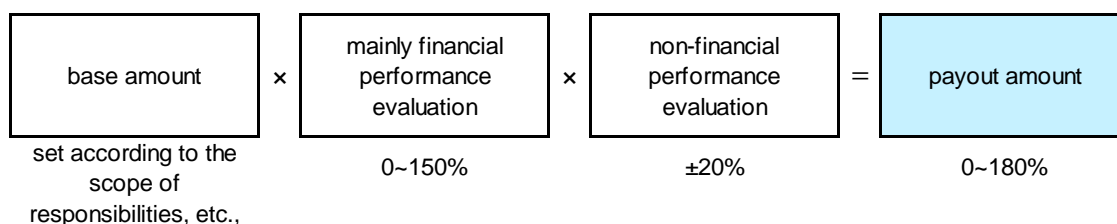
Fixed basic compensation for Inside Directors is determined based on the scope of responsibilities, referencing the job grade framework of an external specialist organization. For Outside Corporate Directors, fixed basic compensation is set according to their respective roles.

#### 2. Short-term performance-linked compensation

Short-term performance linked compensation is granted only to Inside Directors with the aim of enhancing awareness of annual performance improvement, and is paid in cash. When the base amount, set according to the scope of responsibilities, etc., is 100%, the payout amount fluctuates between 0% and 150% based on mainly financial performance evaluation, and can further fluctuate by  $\pm 20\%$  based on non-financial performance evaluation.

Financial performance is evaluated based on metrics such as the consolidated operating margin, which is a key indicator in achieving world-class goals. Non-financial performance is evaluated based on individually set missions (evaluation items). These missions include content related to sustainability for sustainable growth and medium- to long-term corporate value improvement, as well as initiatives towards short- and medium-term management strategy goals.

<formula of calculating the payout amount>

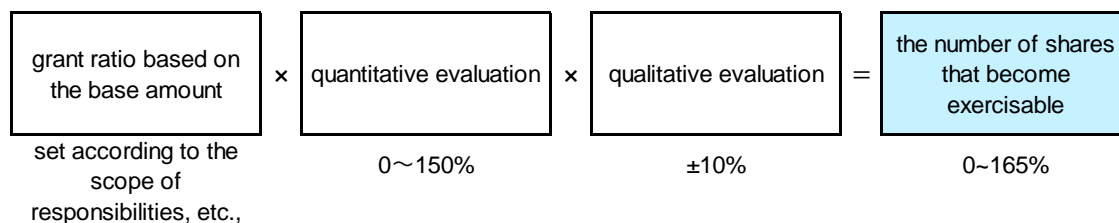


#### 3. Medium- to long-term performance-linked compensation

Medium- to long-term performance-linked compensation is granted only to Inside Directors with the aim of enhancing awareness of medium- to long-term corporate value improvement and fostering a shareholder perspective through stock ownership. It is granted in the form of stock compensation-based stock options.

The performance evaluation period is three years, and the proportion of shares becoming exercisable is determined based on performance evaluation at the end of the evaluation period. When the grant ratio based on the base amount set according to the scope of responsibilities, etc., is 100%, the number of shares that become exercisable fluctuates between 0% and 150% based on quantitative evaluation, and can further fluctuate by  $\pm 10\%$  based on qualitative evaluation. Quantitative evaluation is based on relative TSR (Total Shareholder Return), a key indicator of corporate value improvement, as well as consolidated operating margin and consolidated operating growth rate, evaluated under the principle of outperforming competitor companies, both of which are key metrics prioritized in management. Relative TSR is evaluated by comparing the fluctuation rate of the XSOX (PHLX Semiconductor Sector Total Return) and the Company's TSR. Consolidated operating margin and consolidated operating growth rate are evaluated based on comparison with competitor companies. Qualitative evaluation of initiatives towards long-term corporate value improvement is conducted by the Compensation Committee.

<formula of calculating the number of shares that become exercisable>



#### 4. Medium-term performance-linked compensation

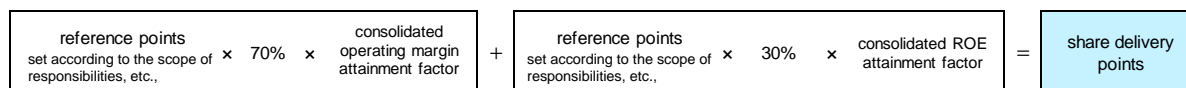
Medium-term performance-linked compensation (medium-term incentive) is granted only to Inside Directors, with the aim of motivating recipients to contribute to improving medium-term business performance, as well as to share a shareholder perspective by holding Company shares and raising awareness toward enhancing corporate value. It is granted in the form of stock compensation through stock grant trust. The number of TEL shares granted fluctuates between 0% and 50% to 120% based on the achievement rate of performance targets in the final fiscal year of the target period (three fiscal years), when the payout ratio based on the base grant quantity set according to the scope of responsibilities, etc., is 100%.

Performance is evaluated based on financial performance, and consolidated operating margin has been adopted as an indicator to measure profitability, linked to the Company's Medium-term Management Plan. Additionally, consolidated ROE is adopted as a performance evaluation indicator to indicate capital efficiency.

The number of TEL shares to be issued to Inside Directors is determined by allocating one TEL share per point and using the number of share delivery points calculated by the formula.

The calculation formula, reference points used in such formula, and performance attainment factor shall be determined by the Board of Directors based on the proposal of the Compensation Committee.

<formula of calculating the share delivery points>



#### 4. Non-performance-linked compensation

The non-performance-linked stock compensation system (stock compensation-based stock options) applicable to Inside Directors has been introduced with the purpose of enhancing awareness of medium- to long-term corporate value improvement and retention, etc. The payout amount is determined according to the scope of responsibilities, etc., and a three-year vesting period is established after the grant to foster a shareholder perspective and enhance awareness of increasing corporate value over the medium to long term.

For TEL's Outside Directors, TEL provides non-performance-linked stock-based compensation through stock grant trust as a system that is more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision. The amount paid is set at around 50% to 60% of the fixed basic compensation to ensure appropriate balance between cash compensation and stock-based compensation, and TEL shares shall be delivered after the expiration of the applicable period (three fiscal years).

#### Method for determining compensation

Matters relating to the content of Director compensation, including the basic policy regarding executive compensation, are deliberated by the Compensation Committee with reference to advice from external experts, and then decided by the Board of Directors.

The amount of compensation for Directors is determined within the range of the compensation limit resolved at the General Meeting of Shareholders. The compensation for the Representative Director is

decided by the Board of Directors based on a proposal from the Compensation Committee, while the compensation for Directors excluding the Representative Director is decided by the CEO based on a resolution of the Board of Directors. In making the final determination of compensation amounts, the Compensation Committee verifies the appropriateness of the amounts, referencing domestic and international compensation levels provided by external research institutions and obtaining advice from external experts.

Regarding the non-financial performance portion of short-term performance-linked compensation, as it is evaluated based on individually set missions (evaluation items), the process indicated in the table below is followed for setting and evaluating the missions of the Representative Directors, including the CEO, to ensure transparency and objectivity:

| Setting the mission<br>(evaluation items)  | Performance evaluation   | Determination of the amount of<br>compensation  |
|--|--|---|
| Set the mission after deliberations by the Compensation Committee as well as deliberations by the attendees of the Board of Directors excluding the Representative Directors | After deliberations by the Compensation Committee, evaluated by the attendees of the Board of Directors excluding the Representative Directors | Determined by resolution of the Board of Directors upon proposal of the amount to be paid by the Compensation Committee to the Board of Directors |

#### ④ Shareholding guidelines

TEL established the Shareholding Guidelines (effective as of July 1, 2021), and management will ensure continuous improvements to corporate value, and definitive sharing of profits with stakeholders. The guidelines were revised on April 30, 2024, to reflect the increase in the stock compensation ratio following the introduction of non-performance-linked compensation for the fiscal year ended March 31, 2024. The revision increased the range for the CEO's fixed basic compensation (annual amount) from 3 to 6 times, and for Inside Directors (excluding the CEO) and Corporate Officers from 2 to 3 times. We have set goals to, after these Guidelines are revised or within five years of inauguration, retain TEL shares equivalent to the values described below.

| CEO   | Inside Directors (excluding the<br>CEO)<br>Corporate Officers | Outside Directors<br>TEL Executive Officers         |
|---|---|---|
| 6 times fixed basic compensation<br>(annual amount) | 3 times fixed basic compensation<br>(annual amount)           | 1 times fixed basic compensation<br>(annual amount) |

#### ⑤ Clawback policy

TEL has enacted a Claw-back Policy (effective as of July 1, 2021) and if major corrections of financial figures are deemed necessary due to intentional misconduct of Executive Directors and Corporate Officers, we will demand the return of performance-linked compensation. The compensation that will be subject to return will be the excess portion of performance-linked compensation received during the fiscal year in which the misconduct was discovered, as well as such compensation received during the preceding three fiscal years as a result of the above amendment to financial figures.

#### ⑥ Role of the Compensation Committee

In order to secure transparency and fairness in management and appropriateness of compensation through our compensation system, the Company has established the Compensation Committee, which is comprised of three or more Corporate Directors (excluding Representative Directors), including outside Director. Every meeting of the Compensation Committee was attended by an external expert. The Compensation Committee utilizes advice from the external expert, compares wage levels with companies in Japan and abroad, analyzes the latest trends in Japan and abroad and best practices such as reflecting ESG indicator in compensation, and proposes a compensation system that is most appropriate for the Group in light of the Company's basic policies on compensation and individual compensation amounts for the Representative Directors among other matters, to the Board of Directors.



**(7) Initiatives directed at stimulating debate in the Board of Directors**  
**(Principle 4.8, 4.12, 4.13, Supplementary Principle 4.12.1, et al.)**

TEL's Board of Directors secures ample time for holding deliberations. The Corporate Governance Department will handle the secretariat functions of the Board of Directors, and will endeavor to ensure smooth meeting operations and vitalization of deliberations by performing the following types of operations.

Furthermore, TEL accelerates the appropriate delegation of authority from the Board of Directors to the Corporate Officers Meeting, and the Board of Directors focuses on growth strategy and enhancing corporate value. The Corporate Officers attend the Board of Directors meetings and give detailed explanations on operational executions.

Moreover, focused discussions on topics also of importance in the mid-term related to management strategy and vision are conducted in off-site meetings held at venues away from the regular meeting place of the Board of Directors.

■ **Engagement Status**

- Initiatives of meeting management
  - Secure the appropriate amount of time for debate and strive to increase the attendance rate for all Corporate Directors and Audit & Supervisory Board Members, including Outside members, by setting an annual schedule for Board of Directors meetings.
  - Distribute materials concerning agenda items to be discussed to attendees of Board of Directors meeting in advance of the Board of Directors meeting. Also provide prior explanation in a timely manner to Outside Directors and Outside Audit & Supervisory Board Members from the administrative office.
  - Unify the support departments for Independent Outside Directors and Audit & Supervisory Board Members into the Corporate Governance Department of the Company and timely communicate information necessary for performing a task
  - Strive to provide sufficient information to and dialog with Independent Outside Directors and Audit & Supervisory Board Members by establishing a venue for the exchange of opinions between TEL executive management and Independent Outside Directors and Audit & Supervisory Board Members beforehand, for matters of particular importance.
- The off-site meeting held two times in FY2025, and we discussed medium- to long-term themes such as growth strategies and Medium-Term Management Plan.
- After each Board of Directors meeting, the Board Chairman and outside directors and outside Audit & Supervisory Board members engage in open discussions to share information and exchange opinions regarding Board deliberations and other matters.

**(8) Corporate Director training (Principle 4.14, Supplementary Principle 4.14.1, 4.14.2)**

TEL provides Corporate Directors and Audit & Supervisory Board Members with opportunities to gain further knowledge and engage in appropriate study as needed. Proper explanations of the TEL's business, financial status, organization and other aspects are also provided to new Outside Directors and Outside Audit & Supervisory Board Members when they assume the office.

**(9) Evaluating the effectiveness of Board of Directors (Supplementary principle 4.11.3)**

The Board of Directors conducts an evaluation surveys and individual interviews with Corporate Directors, Audit & Supervisory Board Members and Corporate Officers. Based on the result, we performs our own analysis and evaluation, debates the effectiveness of the Board of Directors based on an evaluation survey from the end of the current fiscal year, and discloses a summary of the results each year. In regard to issues that are recognized as a result of analysis and evaluation, the Board of Directors will endeavor to make timely improvements based on the discussions.

■ **Engagement Status**

- In evaluating the effectiveness of the Board of Directors during FY2025, we appointed a third-party institution to offer advice for setting evaluation items, and to hold, aggregate, and analyze interviews. We then exchanged of opinions between Outside directors and Outside Audit & Supervisory Board Members while referencing aggregation results and details of analyses. Subsequently, this information

discussed by, the Board of Directors, and a deliberation, and comprehensive self-evaluation, pertaining to the effectiveness of the Board of Directors, including the Nominating Committee and the Compensation Committee, was performed. An overview of the results has been published on the TEL website<sup>13</sup>.

#### **4. Audit & Supervisory Board (Principle 4.4, Supplementary Principle 3.2.2)**

##### **(1) Composition of the Audit & Supervisory Board**

The Audit & Supervisory Board prescribes that there shall be Full-time Audit & Supervisory Board Members with expertise in the TEL business and management system, and Outside Audit & Supervisory Board Members with expertise in specialized areas such as law, finance and accounting, and capital markets. Each of the Audit & Supervisory Board Members conducts audit activities based on the audit policy and audit plans determined by the Audit & Supervisory Board, and they audit the directors' execution of their duties and the status of company property, etc., and supervise the soundness of management.

##### **■ Engagement Status**

- TEL's Audit & Supervisory Board consists of two Full-time Audit & Supervisory Board Members, and three Independent Outside Audit & Supervisory Board Members (FY2026) .

##### **(2) Auditor compensation**

Compensation for Audit & Supervisory Board Members consists solely of fixed basic compensation, in consideration of their role being primarily audit and supervision of management and it is determined by discussion of the Audit & Supervisory Board within the limit of total fixed basic compensation, which has been resolved at the Annual General Meeting of Shareholders.

##### **(3) Cooperation with Audit & Supervisory Board Members and executive management, the Internal Audit Department, and the Accounting Auditors (Supplementary Principle 4.13.3, 3.2.2)**

Audit and Supervisory Board Members coordinate closely with executive management, the internal audit department, and the Accounting Auditors, and work to establish a structure that enables the performance of an organized, effective, and efficient audit.

##### **■ Engagement Status**

- Cooperation with executive management: Regular meetings are held with Representative Directors. Audit & Supervisory Board Members also attend management meetings, Corporate Officers Meetings, and other important meetings, and exchange opinions with executive management as appropriate.
- Cooperation with the Internal Audit Department: Full-time Audit & Supervisory Board Members lead cooperation through Audit Center reports, etc.
- Cooperation with Accounting Auditors: All Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, receive the audit plan for the current period from the Accounting Auditors, receive an explanation of a summary of the auditing methods and key audit points, etc., receive reports about reviews Accounting Auditors, and audit results from the Accounting Auditors quarterly and at fiscal year-end. If the Independent Accounting Auditors discover irregularities and request appropriate responses, or identify inadequacies or concerns, they will report these to the executive officer in charge and the Audit & Supervisory Board Members as necessary, and the executive officer in charge will take the lead on investigating and correcting the problem and reporting the results of that.

##### **(4) Effectiveness of Audit by the Audit & Supervisory Board Members (Principle 4.11)**

TEL collects information through on-site surveys through assignment of 2 Full-time Audit & Supervisory Board Members. TEL also seeks proper coordination between the Internal Audit Department and the Accounting Auditors and has established a structure that enables Audit & Supervisory Board Members to obtain sufficient information necessary for audits.

---

<sup>13</sup> For details of Evaluating the effectiveness of Board of Director: <https://www.tel.com/about/cg/>

In addition, TEL's Full-time Audit & Supervisory Board Members concurrently serve as auditors of major subsidiaries and enhance the effectiveness of audits through such activities. Also, under way is working to develop a Group audit structure, including Group auditor meetings with all Company auditors, auditors of subsidiaries, the head of the internal audit department, and the head of risk management, among other parties, to share information and opinions.

#### ■ Engagement Status

- The Audit & Supervisory Board meeting held eight times in FY2025.
- At present, the composition of Audit & Supervisory Board Members provides a good balance of knowledge required for operational audits and accounting audits, including financial and accounting knowledge, legal knowledge, and audit experience at other companies; hence, TEL believes that audit by Audit & Supervisory Board Members of the TEL Group functions effectively.
- Audits by Audit & Supervisory Board Members are implemented in accordance with the auditing policies and audit plans established each fiscal year, and members attend important meetings, such as Board of Directors meetings and Corporate Officers Meetings, to provide their opinions, and perform operational audits and accounting audits, among other tasks.

### **5. Internal Controls and Risk Management (Basic Policy on Internal Controls)** **(Principle 2.5, 4.3, 4.13, Supplementary Principle 2.5.1, 4.3.4, 4.13.3)**

The TEL Group endeavors to strengthen effective internal controls to enhance corporate value and maintain accountability in actions with respect to stakeholders.

TEL plans to appoint an executive officer in charge of internal controls in order to maintain and strengthen our internal control systems. Furthermore, we are also promoting risk management and compliance activities, which are key to internal control, following the guidance of the executive officer in charge. The executive officer in charge regularly reports to the Board of Directors on the status of these activities.

#### ■ Engagement Status

- The basic policies on systems designed for ensuring the proper performance of business were partially revised at the Board of Directors meeting held on November 10, 2022.<sup>14</sup>
- The Corporate Project & Risk Management Office undertakes enterprise risk management and also collaborates with the departments responsible for each area to comprehensively identify various risks in business activities based on their impact on the Group and likelihood of occurrence. The Office has identified 16 major risk items and established risk owners for each risk.
- The Global Audit Center, which is the Internal Audit Department, conducts thematic audits using a risk-based approach based on the 16 major risk items.
- In addition to technical and operational measures, including introduction of cybersecurity solutions, security monitoring, and internal fraud prevention, we strive to perform appropriate management and protection of information assets through company-wide deployment of global security policies as well as education, awareness raising, and training.

### **6. Relationship to the Accounting Auditors** (Principle 3.2, Supplementary Principle 3.2.1, 3.2.2)

TEL secures sufficient time to ensure proper audits by the Accounting Auditors; in addition regular meetings are held between the CEO, executive officers in charge, and the Accounting Auditors.

Furthermore, not only does the Audit & Supervisory Board receive briefings from the Accounting Auditors in accordance with the "Criteria for Evaluation and Selection of Accounting Auditors by the Audit & Supervisory Board" (as separately established by the Audit & Supervisory Board itself), but it also evaluates the performance of the Accounting Auditors through interviews with the TEL Accounting Department to gather opinions on the performance of audits by the Accounting Auditors and other matters. The evaluation checks the Accounting Auditors for appropriate quality control, their independence and expertise, and the validity and efficiency of audits, as well as the effectiveness of

---

<sup>14</sup> For details of the revised policies and an overview of the status of operations, please refer to Appendix 4 "Basic Policy on Internal Controls and Overview of the Status of Operations"

their communication with the Audit & Supervisory Board Members, executive management and the Internal Audit Department, among others.

■ **Engagement Status**

- With respect to accounting audits as set forth in the Financial Instruments and Exchange Act, since FY2005, we have continuously entered into an auditing agreement with the KPMG AZSA LLC, as of Accounting Auditors. We provide the KPMG AZSA LLC with various forms of information and data during audits for given terms, and work to establish an environment that allows for the implementation of speedy and accurate audits.

## Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members

The board of directors of Tokyo Electron Ltd. ("Tokyo Electron") has established the independence requirement for outside directors and outside audit & supervisory board members (as defined under item 15 and 16, Article 2, of the Companies Act ) as follows.

The following persons shall not be considered independent if such person could cause a conflict of interest against the shareholders:

1. A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into 2. below;  
※ Under this 1., "A person for whom Tokyo Electron is a Major Business Partner" means a person who, or a person who is a current employee or current executive officer of a company that, has received payments from Tokyo Electron or its subsidiaries for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 100 million yen, or more. If Tokyo Electron cannot reasonably know the amount of payments received in certain fiscal years, the amount in the fiscal year available to Tokyo Electron is used. The same shall apply hereinafter.  
※ "A person who is a Major Business Partner of Tokyo Electron" means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron's consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
2. A person who is a consultant, an accountant, or a lawyer who receives, or who works on a full-time basis at a firm which receives, a Large Amount of Money or Other Property from Tokyo Electron or its subsidiaries, other than compensation for being a director or an audit & supervisory board member;  
※ "a Large Amount of Money or Other Property" means an amount of money or other property which, in the last three consecutive fiscal years, has been the greater of 5% of recipient's consolidated gross revenues, or 10 million yen, or more. The same shall apply hereinafter.
3. A person who has recently fallen under either of 1. or 2. above; or  
※ "A person who has recently fallen under either of 1. or 2. above" means a person who could be substantially deemed to fall under either of 1. or 2. above. Concretely, it means a person who fell under 1. or 2. above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.
4. A person whose Immediate Family Member (except for those who do not hold an important position) falls under (a) through (d) below, provided that (c) below applies to an outside audit & supervisory board member only:

- (a) a person who falls under any of (i) through (iii) below;
- (i) A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into (ii) below;
  - ※ Under this (i), “A person for whom Tokyo Electron is a Major Business Partner” means a person who, or a person who is a current employee or current executive officer of a company that, has received payments from Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient’s consolidated gross revenues, or 100 million yen, or more.
  - ※ “A person who is a Major Business Partner of Tokyo Electron” means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron’s consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
- (ii) A person who is a consultant, an accountant, or a lawyer who receives, or who works on a full-time basis at a firm which receives, a Large Amount of Money or Other Property from Tokyo Electron, other than compensation for being a director or an audit & supervisory board member; or
- (iii) A person who has recently fallen under either of (i) or (ii) above:
  - ※ “A person who has recently fallen under either of (i) or (ii) above” means a person who could be substantially deemed to fall under either of (i) or (ii) above. Concretely, it means a person who fell under (i) or (ii) above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.
- (b) an employee or an executive officer of subsidiary of Tokyo Electron;
- (c) a non-executive director of subsidiary of Tokyo Electron; or
- (d) a person who has recently fallen under (b) or (c) above or who was an employee or an executive officer, or in the case of an outside audit & supervisory board member, a non-executive officer, of Tokyo Electron:
- ※ Whether an Immediate Family Member holds an important position or not shall be determined according to *ho* item 7, paragraph 4, Article 74, of the Ordinance for Enforcement of the Companies Act. For instance, with respect to 1. and 4.(a) (i) above, a director or an employee who is above head of department level of a business partner company, and with respect to 2. and 4. (a) (ii) above, a certified public accountant who belongs to an auditing firm and a lawyer (including associate lawyer) who belongs to a law firm are considered to hold an important position.
- ※ “Immediate Family Member” means a relative within the second degree of relationship. If a person is no longer a relative within the second degree of relationship as a result of divorce, dissolution of adoption, or death, etc., such a person shall not be considered as “Immediate Family Member”.

**Appendix2 Reasons for Appointing the CEO, Individual Corporate Directors and Audit & Supervisory Board Members; Status of Concurrent Duties at Other Listed Companies [Principle 3.1.v, Supplementary Principle 4.11.2]**

|  |   |
|--|---|
| Representative Director,<br>President & CEO<br>Corporate Officer<br>Toshiki Kawai                | Having conducted global sales of semiconductor manufacturing equipment and performing management duties in multiple business units in this business, Mr. Kawai possesses ample experiences and record of achievement. In addition, he has demonstrated strong leadership as CEO in executing management duties. We nominated him as a corporate director and the CEO with the expectation of leveraging these experiences and achievement in decision-making concerning the Group management policies at the board of directors.  |
| Representative Director,<br>Senior Executive Vice President<br>Corporate Officer<br>Sadao Sasaki | Mr. Sasaki has performed management duties in marketing as well as technological development and development for semiconductor manufacturing equipment in the Company and a Group manufacturing company, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors toward enhancing corporate value, we nominated him as a corporate director.  |
| Corporate Director<br>Chairman of the Board of Directors<br>Kazushi Tahara                       | Having served in various managerial positions including Vice President & General Manager of the Technology Development Division and the Production Division, Mr. Tahara has abundant experience and knowledge related to technology and management. From June 2019, in his capacity as an Audit & Supervisory Board Member of TEL, he has contributed to improving the effectiveness of audits and ensuring sound and appropriate decision-making by the Company's management from a broad perspective based on his experience and expertise in these areas. We nominated him as a Corporate Director in the belief that, as a non-operational Inside Director well-versed in TEL's business, he will contribute to further improving the effectiveness of the Board of Directors by leading discussions as Chairman of the Board of Directors. |
| Outside Director <u>Independent</u><br>Michio Sasaki   | Having served as President and Representative Director of KEYENCE CORPORATION, Mr. Sasaki achieved substantial improvements of corporate value and high profitability, engaged in global corporate management for many years. We nominated him as an Outside Director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing his wealth of experience and knowledge as a corporate manager.<br><br>(Status of Concurrent Duties at Other Listed Companies)<br>Director and Chairman, SHIFT Inc.   |

|   |             |   |
|---|-------------|---|
| Outside Director<br>Sachiko Ichikawa    | Independent | <p>Having served as a Partner of Tanabe &amp; Partners, Ms. Ichikawa possesses ample experience and expertise as an attorney-at-law mainly in corporate legal affairs. In addition, she also has global and advanced specialization, holding qualifications as an attorney-at-law in the State of New York, the U.S. and a U.S. certified public accountant. We nominated her as an Outside Director, expecting her to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing her experience above as well as knowledge in fields such as corporate governance, risk management, and compliance.</p> <p>(Status of Concurrent Duties at Other Listed Companies)<br/>Outside Director, Olympus Corporation<br/>Outside Director, Azbil Corporation</p> |
| Outside Director<br>Joseph A. Kraft Jr. | Independent | <p>Through many years of practical experience in the financial industry, both in Japan and overseas, Mr. Kraft possesses abundant knowledge of capital markets and extensive knowledge of various industries and fields. We nominated him as an Outside Director, expecting him to provide opinions and advice regarding TEL's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, from a global standpoint by utilizing his experience and knowledge.</p> <p>(Status of Concurrent Duties at Other Listed Companies)<br/>Outside Director, SONY GROUP CORPORATION</p>  |
| Outside Director<br>Yukari Suzuki       | Independent | <p>Having served as a Representative Director at Shiseido Company, Limited, Ms. Suzuki possesses extensive experience in the areas of product development and marketing as well as leadership in the promotion of diversity, equity and inclusion. We nominated her as an Outside Director, expecting her to provide opinions and advice regarding TEL's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing her wealth of experience and knowledge as a corporate manager.</p> <p>(Status of Concurrent Duties at Other Listed Companies)<br/>Outside Director, SECOM CO.,LTD.</p>  |
| Outside Director<br>Yukihiro Shinohara  | Independent | <p>Mr. Shinohara has served as a Representative Director at Denso Corporation, where he gained experience in research and development, and demonstrated leadership in quality improvement initiatives, for corporate culture reform, compliance, and risk management activities. We nominated him as an Outside Director, expecting him to provide opinions and advice regarding TEL's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing his wealth of experience and knowledge as a corporate manager.</p>  |



|   |   |
|---|---|
| <p>Audit &amp; Supervisory Board Member(Full time)</p> <p>Yutaka Nanasawa</p>                     | <p>Mr. Nanasawa has been involved in a wide range of fields in the Company including finance, accounting, human resources, and IT. Having served as a Vice President &amp; General Manager supervising the Administrative Divisions of the Company and Group companies, and managerial positions of an overseas subsidiary, he also has abundant experience in management with global perspectives, as well as a considerable degree of knowledge in finance and accounting. With the expectation of utilizing these experiences and expertise in bolstering the supervisory function, we nominated him as an Audit &amp; Supervisory Board Member.</p>   |
| <p>Audit &amp; Supervisory Board Member(Full time)</p> <p>Tsuguhiko Matsuura</p>                  | <p>Having served in various management positions including General Manager and Vice President &amp; General Manager within the TEL Group and having being involved in management of a TEL Group company as a Representative Director, Mr. Matsuura has abundant experience and knowledge related to the global management of TEL's business. We nominated him as an Audit &amp; Supervisory Board Member as we expect him to conduct highly effective audits based on his experience and knowledge.</p>   |
| <p>Outside Audit &amp; Supervisory Board Member</p> <p><u>Independent</u></p> <p>Ryota Miura</p>  | <p>Having served as Partner in a major law firm and currently working as Partner at Miura &amp; Partners Legal Profession Corporation, Mr. Miura has a wealth of experience and expertise as an attorney primarily in the areas of corporate legal affairs. We nominated him as an outside Audit &amp; Supervisory Board Member with a view to utilizing his experience and expertise while objectively ensuring the appropriateness of audits.</p> <p>(Status of Concurrent Duties at Other Listed Companies)<br/>Outside Director, Eisai Co., Ltd.</p>  |
| <p>Outside Audit &amp; Supervisory Board Member</p> <p><u>Independent</u></p> <p>Yutaka Endo</p>  | <p>Through many years of extensive experience in the financial industry and management of domestic and international companies, etc., he possesses abundant experience in management with global perspectives, as well as a considerable degree of knowledge in finance and accounting. We nominated him as an Outside Audit &amp; Supervisory Board Member with a view to utilizing his experience and expertise while objectively ensuring the appropriateness of audits.</p>   |
| <p>Outside Audit &amp; Supervisory Board Member</p> <p><u>Independent</u></p> <p>Ayako Makino</p> | <p>Through many years working as a certified public accountant at a major audit firm, Ms. Makino has abundant experience in accounting audits and internal control-related work in a wide range of industries, including financial institutions, manufacturing, and retail, as well as an extensive expertise in finance and accounting and insight into auditing, etc. gained through this experience. She also has experience auditing the execution of operations as the chairperson of the audit committee of the same audit firm. We nominated her as an Outside Audit &amp; Supervisory Board Member with a view to utilizing her experience and expertise while objectively ensuring the appropriateness of audits.</p> <p>(Status of Concurrent Duties at Other Listed Companies)<br/>Outside Director (Audit and Supervisory Committee Member), Dai-ichi Life Holdings, Inc.</p> |

(Note) TEL has notified the Tokyo Stock Exchange that Outside Directors, Michio Sasaki, Sachiko Ichikawa, Joseph A. Kraft Jr., Yukari Suzuki and Yukihiro Shinohara and Audit & Supervisory Board Members Ryota Miura, Yutaka Endo and Ayako Makino have been appointed as Independent Directors and Independent Audit & Supervisory Board Members, as they meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory

Board Members”; these criteria that were established based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange.

## Appendix3 Skill Matrix and Board Diversity

[Principle 4.11, Supplementary Principle 4.11.1]

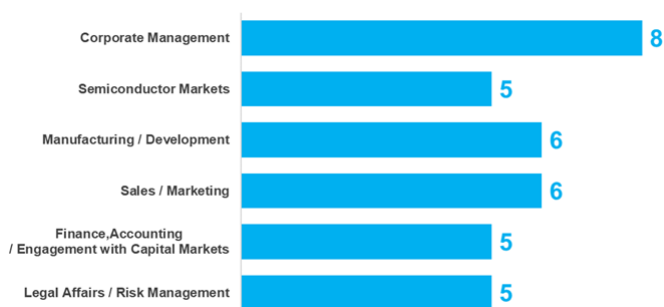
| Name                              |                     |                 |         | Expected skills      |                       |                             |                   |  |                                 |
|-----------------------------------|---------------------|-----------------|---------|----------------------|-----------------------|-----------------------------|-------------------|--|---------------------------------|
|                                   |                     |                 |         | Corporate Management | Semiconductor Markets | Manufacturing / Development | Sales / Marketing | Finance,Accounting / Engagement with Capital Markets | Legal Affairs / Risk Management |
| Corporate Directors               | Toshiki Kawai       | Re-appointed    |         | ●                    | ●                     | ●                           | ●                 |  |                                 |
|                                   | Sadao Sasaki        | Re-appointed    |         | ●                    | ●                     | ●                           | ●                 |  |                                 |
|                                   | Kazushi Tahara      | Newly-appointed |         | ●                    | ●                     | ●                           | ●                 |  |                                 |
|                                   | Michio Sasaki       | Re-appointed    | Outside | ●                    |                       | ●                           | ●                 |  |                                 |
|                                   | Sachiko Ichikawa    | Re-appointed    | Outside |                      |                       |                             |                   | ●  | ●                               |
|                                   | Joseph A. Kraft Jr. | Re-appointed    | Outside |                      |                       |                             |                   | ●  | ●                               |
|                                   | Yukari Suzuki       | Re-appointed    | Outside | ●                    |                       |                             | ●                 |  |                                 |
|                                   | Yukihiro Shinohara  | Newly-appointed | Outside | ●                    |                       | ●                           |                   |  | ●                               |
| Audit & Supervisory Board Members | Yutaka Nanasawa     |                 |         |                      | ●                     |                             |                   | ●  |                                 |
|                                   | Tsuguhiko Matsuura  | Newly-appointed |         | ●                    | ●                     | ●                           | ●                 |  |                                 |
|                                   | Ryota Miura         |                 | Outside |                      |                       |                             |                   |  | ●                               |
|                                   | Yutaka Endo         |                 | Outside | ●                    |                       |                             |                   | ●  |                                 |
|                                   | Ayako Makino        | Newly-appointed | Outside |                      |                       |                             |                   | ●  | ●                               |

### Definition of Expected Skills and Reasons for Nomination

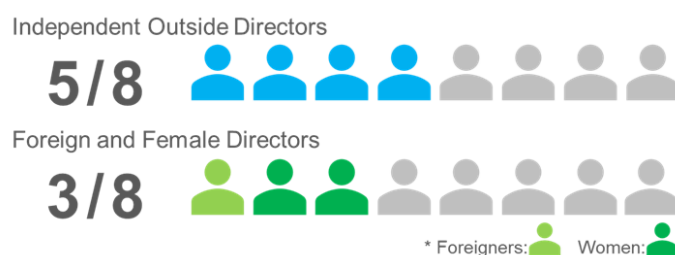
|   |   |
|---|---|
| Corporate Management                                  | Experience of corporate management (experience serving as a representative director or chairman / president) is necessary to fulfill the supervisory function of the Board of Directors and achieve "offense x offence governance."   |
| Semiconductor Markets                                 | Knowledge of the semiconductor markets is necessary to further promote aggressive management in the semiconductor production equipment industry which is characterized by rapid technological innovation and dynamically changing market.   |
| Manufacturing / Development                           | Knowledge / experience in manufacturing and development at TEL and other manufacturers are necessary to strengthen research and development capabilities based on technological trends and customer needs, and to establish environmentally considerate and efficient manufacturing operations. |
| Sales / Marketing                                     | Knowledge / experience in sales and marketing at TEL and other manufacturers are necessary to be a unique strategic partner for our customers and contribute to further value creation through proposals of optimal solutions.  |
| Finance, Accounting / Engagement with Capital Markets | Knowledge in financial accounting and M&A, or knowledge / experience in engagement with capital markets are necessary to formulate and execute growth and financial strategies, improve capital efficiency, and further enhance shareholder value through shareholder returns.                  |
| Legal Affairs / Risk Management                       | Knowledge of legal affairs, compliance, and risk management is necessary to appropriately respond to increasingly complex and diverse risks throughout the Group as opportunities for business growth.  |

### Diversity of Board Members

Expected Skills of Corporate Directors and Audit & Supervisory Board Members  
(Unit: persons)



Independence and diversity of Corporate Directors  
(Unit: persons)



Change in independent Outside Directors



**Appendix4 Basic Policy on Internal Controls and Overview of the Status of Operations**  
**[Principle 2.5, 4.3, 4.13, Supplementary Principle 2.5.1, 4.3.4, 4.13.3]**

|          |   |
|----------|---|
| <b>I</b> | <p><b>System for ensuring that the actions of Corporate Directors, Corporate Officers, Executive Officers (hereinafter referred to as Directors, etc.) and employees of the TEL Group in the performance of their duties comply with applicable laws and the Articles of Incorporation</b></p>  |
|          | <p>1. Corporate ethics and compliance system</p> <p>(i) The TEL Group Directors, etc., and employees are required to act in compliance with applicable laws, the Articles of Incorporation, and other regulations and with a high sense of ethics.</p> <p>(ii) The TEL Group Directors, etc., and employees shall consider the Tokyo Electron Group Code of Ethics to guide their standard of conduct and shall put it into practice based on regulations concerning compliance structures, including the Compliance Regulations.</p> <p>(iii) The Ethics Committee established to ensure thorough compliance with corporate ethics and the Executive Officer in charge of activities related to legal and regulatory compliance shall report periodically to the Board of Directors and the Audit &amp; Supervisory Board Member.</p> <p>(iv) Based on our corporate stance of avoiding all contact with antisocial movements that might threaten the order and security of civil society, we categorically refuse all unreasonable demands and other forms of solicitation from such organizations.</p> <p>2. Internal reporting system</p> <p>An internal reporting system (the Tokyo Electron Group Ethics &amp; Compliance Hotline) shall be operated and maintained as a measure for TEL Group Directors, etc., and employees to directly provide information on any conduct that seems questionable with regard to legality or corporate ethics. The confidentiality and anonymity of hotline users is maintained, and the subjecting of hotline users to any disadvantage as a result of their use of the hotline is prohibited.</p> <p>3. System for ensuring the appropriateness and reliability of financial reports</p> <p>We have established a system to ensure the appropriateness and reliability of the TEL Group's financial reporting and we periodically enhance it and evaluate the effectiveness of its operations.</p> <p>4. Internal audit</p> <p>The Internal Audit Department of the TEL Group (hereinafter referred to as the Internal Audit Department), which is under the direct authority of the President, performs evaluations and shares its views on the status of execution of management activities from a fair and independent standpoint. The scope of its internal audits shall cover all operational activities of TEL Group organizations as a general rule. This shall include auditing and diagnostic operations on risk management, control, and governance processes.</p> <p>5. Audit by Audit &amp; Supervisory Board Members</p> <p>The Audit &amp; Supervisory Board Members perform audits of the actions of TEL Group Directors, etc. in the performance of their duties, and if any action that violates an applicable law or the Articles of Incorporation, or any potential violation, is discovered, the Audit &amp; Supervisory Board Members shall take necessary measures, including issuing advice or recommendations to the Director, etc., or reporting to the Board of Directors.</p> |
|          | <p>(Operation status overview)</p> <p>1. Corporate ethics and compliance system</p> <ul style="list-style-type: none"> <li>- In order to effectively promote a compliance program that is expected of a global company, we have appointed a Chief Compliance Officer (CCO) and established a dedicated department.</li> <li>- We promote and ensure that the TEL Group Directors, etc. and employees understand the importance of compliance thoroughly based on the Tokyo Electron Group Code of Ethics and Compliance Regulations.</li> <li>- Compliance-related education and training are being provided according to the positions or otherwise as a compulsory program to all Directors, etc. and employees depending on the theme and topics. The topics of the compliance education and training include corporate ethics and compliance, prevention of bribery, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, export compliance, prevention of insider trading, information security, personal information protection, harassment prevention, procedures for issuing permission requests to government authorities, and the like. In addition, focus is being placed on training for</li> </ul>  |

|  |  |
|--|--|
|  | <p>management personnel in TEL Group companies in Japan regarding the roles of management personnel with respect to compliance. This training is being used to improve compliance awareness within organizations and contribute to the greater practice of compliance.</p> <ul style="list-style-type: none"> <li>- We periodically review compliance risks within the TEL Group and necessary measures are implemented.</li> <li>- Regional Compliance Head (RCH) have been appointed at key overseas sites, creating a system for organizationally direct reporting to CCO. In addition, CCO and RCH are checking on a monthly basis the status of prevention, identification, and response to compliance-related problems, leading promotion of compliance measures.</li> </ul> <p>2. Internal reporting system</p> <p>The TEL Group has established an internal reporting system that protects the confidentiality and anonymity of its users and prohibits subjecting them to any disadvantage as a result of their use of the system. A system has also been put in place that may reduce punitive sanctions taken against employees, etc., involved in compliance infractions if they report themselves or consult regarding their own actions. This promotes the active provision of information and aids with the early discovery and resolution of issues.</p> <p>3. System for ensuring the appropriateness and reliability of financial reports</p> <p>Group-wide internal control based on the Financial Instruments and Exchange Act and related laws, and internal control regarding operation processes, etc., have been established and put into operation. Each fiscal year, evaluations and audits are being carried out in accordance with separately defined standards, etc., regarding the status of the creation and operation of internal controls. When improvement is deemed necessary, measures are being taken as necessary with the aim of improving the effectiveness of internal control. A system has been put in place for periodic or ad-hoc information and opinion sharing between Audit &amp; Supervisory Board Members, Group company Audit &amp; Supervisory Board Members in Japan, the Global Audit Center, which is the Internal Audit Department, and the Accounting Auditors. These parties are coordinating with each other to perform effective and efficient auditing.</p> <p>4. Internal audit</p> <ul style="list-style-type: none"> <li>- We have established the Global Audit Center, which is an organization under the direct authority of the President. The Global Audit Center is striving to expand and enrich the TEL Group's auditing functions. In addition, in order to continuously improve internal audits, the enhancement of global internal audit is under way as part of the Group governance reinforcement, along with the further improvement in audit practice based, in part, on the results of the quality assessment conducted by the external experts.</li> <li>- The Global Audit Center formulates the annual audit implementation plan based on the "Internal Audit Policy" and conducts audits of the TEL Group's business locations in Japan and overseas. The audit results, etc. are reported every two months to our management team as well as to the full-time Audit &amp; Supervisory Board Members of TEL and the Audit &amp; Supervisory Board Members of TEL Group's domestic subsidiaries, with a process in place to keep the Board of Directors and the Audit &amp; Supervisory Board informed.</li> </ul> <p>5. Audit by Audit &amp; Supervisory Board Members</p> <p>In accordance with auditing plans defined by the Audit &amp; Supervisory Board, Audit &amp; Supervisory Board Members perform audits to determine the degree to which Directors, etc., are in compliance with applicable laws and the Articles of Incorporation in performing their duties, the status of establishment and operations of internal control systems, the appropriateness of accounting processes, and the like. They are then taking necessary measures, including issuing advice or recommendations to Directors, etc., and reporting to the Board of Directors.</p> |
|--|--|

|  |   |
|--|---|
|  | <p><b>II System for preserving, managing and reporting information relating to actions taken by TEL Group Directors, etc. in the performance of their duties</b></p> <p>The Corporate Directors of the TEL Group companies create and retain minutes of Board of Directors meetings in accordance with their companies' Articles of Incorporation and Board of Directors Regulations, etc. Significant information relating to actions taken by Directors, etc., in the performance of their duties shall be recorded in writing or via electronic media and shall be preserved in accordance with the Document Management Regulations. Furthermore, they shall be kept in a format that can be viewed immediately.</p> <p>Significant information regarding the management of individual TEL Group companies must be reported periodically to TEL in accordance with the Affiliated Companies Management Regulations.</p> <p>(Operation status overview)</p> <ul style="list-style-type: none"> <li>- Minutes of the General Meeting of Shareholders, Board of Directors meeting, and other significant information regarding the performance of duties of Directors, etc., are retained and managed appropriately in accordance with the Document Management Regulations.</li> <li>- In accordance with the Affiliated Companies Management Regulations, significant information regarding the management of individual TEL Group companies shall be reported to TEL periodically and on an ad-hoc basis. Important matters related to operational execution are being decided after prior consultation with TEL.</li> </ul>  |
|  | <p><b>III Regulations concerning management of the risk of loss of the TEL Group and other systems</b></p> <p>(i) Risk Management Regulations classify the risks to be managed by the TEL Group as a whole and stipulate which departments are responsible for each risk classification, to clarify the risk management system in detail, and to realize smooth and appropriate management of risk management activities. Each TEL Group company engages in their own risk management activities in accordance with TEL Group's overall policies.</p> <p>(ii) The risk management departments specified for each risk classification as described above perform periodic reviews of the effectiveness of their management systems for the risks faced by the TEL Group.</p> <p>(iii) The TEL Group has established a Risk Management Committee which strives to promote risk management activities by evaluating risk, reviewing the status of risk countermeasures for the TEL Group as a whole, periodically monitoring risk management activities, etc.</p> <p>(iv) The TEL Group will continually promote preparedness in order to rapidly restore operations and continue business in the event of an emergency such as a natural disaster.</p> <p>(v) The Corporate Directors, Corporate Officers, Executive Officers, and departments responsible for risk management periodically report to the Board of Directors of TEL to inform them of the operational status of the systems for managing significant risks, etc., and the measures for responding to said risks.</p> <p>(Operation status overview)</p> <ul style="list-style-type: none"> <li>- The TEL Group establishes the Risk Management Regulations and Crisis Management Regulations, and assesses and analyzes the risks which could affect the TEL Group. The TEL Group performed periodic reviews of material risks which could affect the TEL Group. The TEL Group promotes necessary measures and reports on risk management activities to TEL's Board of Directors and the Audit &amp; Supervisory Board Members on a regular basis with the aim of reducing risks.</li> <li>- The Risk Management Committee is promoting the practice of autonomous and effective risk management in the form of risk identification and follow-up monitoring on a regular basis under the leadership of the risk owners of respective risk areas, such as division officers and presidents of the TEL Group companies.</li> <li>- The TEL Group is working to strengthen its information security management system including each TEL Group company through the Information Security Committee, which is established as one of the executive committees, and is working to enhance information security measures through activities such as internal audits and assessments conducted by external experts.</li> <li>- The TEL Group has formulated a Business Continuity Plan for dealing with emergencies such as natural disasters. It is continuously reviewing its measures for early recovery and alternative production, etc., for individual sites, including implementing seismic countermeasures in buildings and facilities, equalizing production, preparing an information system backup structure, using multiple sources for critical components, and maintaining appropriate inventory levels.</li> </ul> |

#### **IV System for ensuring the efficient performance of the duties of TEL Group Directors, etc.**

##### **1. TEL corporate governance system**

- (i) TEL's Board of Directors shall determine key items of the Group's management including management policies and matters specified by law and shall oversee the status of the entire TEL Group's implementation.
- (ii) TEL shall take measures to have Outside (Independent) Directors join its Board of Directors to objectively ensure efficient decision-making by the Board of Directors.
- (iii) TEL's Board of Directors shall by resolution of the Board have the Representative Directors, Executive Directors, Corporate Officers and Executive Officers carry out their respective duties.
- (iv) The Company shall define the criteria of authority and decision-making in the Regulations of the Board of Directors, Corporate Officers Meeting Regulations, Administrative Authority Regulations and Regulations for Authorization Chart, and shall have each company of TEL Group establish the governance structure based on these regulations.

##### **2. Corporate governance systems of Group companies**

Systems for ensuring the effective performance of duties by Directors, etc., are established and operated in TEL Group companies in accordance with the laws and regulations of their respective countries and regions, their Articles of Incorporation, Board of Directors Regulations, and the like.

##### **(Operation status overview)**

- TEL's Board of Directors determines important matters regarding the TEL Group's management and appoints Representative Directors, CEO, Corporate Officers and Executive Officers for the execution of their duties.
- The Corporate Officers Meeting has been established in TEL as the highest decision-making body on the executive side. This body promotes quick decision-making and agile operational execution regarding important executive matters such as the delegation of authority by the Board of Directors.
- TEL's Board of Directors oversees the execution of duties by the entire TEL Group such as by periodically receiving reports on the status of execution of duties by Executive Directors including the CEO and the status of deliberations at the Corporate Officers Meeting.
- The TEL Group is working to ensure the effectiveness of operational execution by Group companies through efforts such as having TEL executives and other Group executives serve concurrent positions, creating decision-making systems in alignment with TEL's authorization standards, and establishing the CSS (Corporate Senior Staff) as a body for promoting TEL Group's strategies.

#### **V System for ensuring the proper performance of business as a corporate group**

##### **1. Group company management and reporting system**

Various regulations applicable to the entire TEL Group are prepared as necessary to ensure the proper and efficient performance of TEL Group business activities as a corporate group. Furthermore, individual TEL Group companies prepare and operate regulations necessary for the conducting of appropriate business operations. TEL Group companies periodically report on the status of their operations in individual businesses to corresponding TEL departments.

##### **2. Group company auditing system**

- (i) The Internal Audit Department performs audits of TEL Group companies with respect to the appropriateness of the activities of the corporate group from the perspectives of the compliance of these activities with relevant laws and the Articles of Incorporation, their effectiveness, and their efficiency.
- (ii) TEL Audit & Supervisory Board Members shall create a system for coordinating the Audit & Supervisory Board Members of TEL Group companies in order to effectively and appropriately audit and supervise the entire TEL Group.

|  |  |
|--|--|
|  | <p>(Operation status overview)</p> <ul style="list-style-type: none"> <li>- As for important decision making at the TEL Group companies, TEL's approval is required based on the Board of Directors Regulations, the Corporate Officers Meeting Regulations, and the Regulations for Authorization Chart.</li> <li>- Based on the Affiliated Companies Management Regulations, matters which must be reported to TEL, as well as matters requiring TEL's approval, have been defined, and TEL receives periodic and ad-hoc reports from TEL Group companies.</li> <li>- The Global Audit Center formulates the annual audit implementation plan based on the Internal Audit Policy and conducts audits of the TEL Group's business locations in Japan and overseas.</li> <li>- TEL full-time Audit &amp; Supervisory Board Members serve concurrent positions as Audit &amp; Supervisory Board Members in major TEL Group companies, given the importance of maintaining the soundness of the corporate group. They coordinate with the Audit &amp; Supervisory Board Members of TEL Group companies in Japan and work to improve the effectiveness of auditing.</li> <li>- Group Audit &amp; Supervisory Board Member liaison meetings are held by TEL Audit &amp; Supervisory Board Members and by Audit &amp; Supervisory Board Members of TEL Group companies in Japan. They are attended by the head of the Global Audit Center, the Chief Compliance Officer, the General Manager of the Legal, Compliance Unit, the VP of the other related Department. During these meetings, participants share information and opinions with the aim of strengthening Group governance.</li> </ul> |
|  | <p><b>VI Matters relating to employees who assist in the performance of the Audit &amp; Supervisory Board Member's duties (hereinafter referred to as Audit &amp; Supervisory Board Staff) when it is necessary to assign them and matters relating to their independence from Corporate Directors and their effectiveness</b></p> <ul style="list-style-type: none"> <li>(i) When Audit &amp; Supervisory Board Members request the assignment of Audit &amp; Supervisory Board Staff, said staff is assigned to the Audit &amp; Supervisory Board Members.</li> <li>(ii) Audit &amp; Supervisory Board Staff perform their duties in accordance with instructions from the Audit &amp; Supervisory Board Members. These duties are given priority over other duties even when the Audit &amp; Supervisory Board Staff are concurrently assigned to other departments.</li> <li>(iii) To ensure the independence of the Audit &amp; Supervisory Board Staff specified above, matters relating to personnel administration, such as appointment and dismissal, transfers, and performance evaluations, shall require the consent of a full-time Audit &amp; Supervisory Board Member.</li> </ul> <p>(Operation status overview)</p> <p>With respect to Audit &amp; Supervisory Board Staff, although no full-time staff have been assigned, specific Legal Department members are assisting with the duties of Audit &amp; Supervisory Board Members based on direct instructions from Audit &amp; Supervisory Board Members.</p>  |
|  | <p><b>VII Structures for reporting to the Audit &amp; Supervisory Board Members and other reports to the Audit &amp; Supervisory Board Members</b></p> <ul style="list-style-type: none"> <li>(i) If a TEL Group Director, etc., Audit &amp; Supervisory Board Member, or employee discovers any facts in violation of applicable laws or any matter that will have a material impact on the TEL Group, they must immediately report to the Audit &amp; Supervisory Board Members of TEL. They shall be guaranteed not to be subjected to any disadvantage as a result of this reporting.</li> <li>(ii) The department in charge of the TEL Group's internal reporting system reports periodically to the Audit &amp; Supervisory Board Members of TEL about the status of internal reporting.</li> <li>(iii) Each Audit &amp; Supervisory Board Member shall attend key meetings and shall review significant documents submitted for approval, and when necessary request reports from Directors, etc., and other departments.</li> <li>(iv) Audit &amp; Supervisory Board shall receive reports from the Internal Audit Department concerning the results of internal audits.</li> </ul>  |



|  |   |
|--|---|
|  | <p>(Operation status overview)</p> <ul style="list-style-type: none"> <li>- A system has been put in place in which Directors, etc., Audit &amp; Supervisory Board Members, or employees of TEL Group companies, or parties that receive reports from them, report this information to TEL Audit &amp; Supervisory Board Members through Board of Directors meetings, other important internal meetings, periodic reporting meetings, or the like.</li> <li>- The Compliance Department periodically reports the status of internal reporting within the TEL Group to the Board of Directors and the Audit &amp; Supervisory Board Members.</li> <li>- The Audit &amp; Supervisory Board Members confirm the status of the establishment and operations of the internal control system by attending meetings of the Board of Directors and other key meetings such as the Corporate Officers Meeting, the Top Management Conference, the Ethics Committee, the Sustainability Committee, and the Risk Management Committee.</li> <li>- The Global Audit Center is reporting the results of audits, etc., to TEL Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board Members of domestic TEL Group companies.</li> </ul>   |
|  | <p><b>VIII Other systems to ensure the effective implementation of audits by the Audit &amp; Supervisory Board Members</b></p> <ol style="list-style-type: none"> <li>1. Policy regarding the composition of the Audit &amp; Supervisory Board<br/>TEL shall take measures to have Outside (Independent) Audit &amp; Supervisory Board Members join its Audit &amp; Supervisory Board to objectively ensure the appropriateness of audits.</li> <li>2. Coordination with the Accounting Auditors and the Internal Audit Department<br/>TEL's Audit &amp; Supervisory Board shall share information with the Accounting Auditors and the Internal Audit Department with the objective of creating effective internal controls.</li> <li>3. Forum for exchanging ideas and opinions among Representative Directors, etc.<br/>A forum for the periodic exchange of ideas and opinions among the Audit &amp; Supervisory Board Members and Representative Directors shall be created with the objective of creating effective internal controls.</li> <li>4. Using external experts <ul style="list-style-type: none"> <li>(i) The Audit &amp; Supervisory Board may when necessary use TEL's or its Group company's funds for legal, accounting and other professionals to form independent opinions when performing audits.</li> <li>(ii) When the Audit &amp; Supervisory Board Members demand the expenses and others incurred in connection with performing audit to TEL or its Group companies, such company shall incur such expenses and others unless they are not affiliated or necessary with performing audit.</li> </ul> </li> </ol> |
|  | <p>(Operation status overview)</p> <ul style="list-style-type: none"> <li>- The Audit &amp; Supervisory Board Members share information and collaborate on a regular basis with the Accounting Auditors and the Audit &amp; Supervisory Board Members of TEL's domestic subsidiaries, with aim of enhancing the effectiveness of audits.</li> <li>- The Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board Members of TEL's domestic subsidiaries receive reports from the Global Audit Center on a regular basis.</li> <li>- Audit &amp; Supervisory Board Members hold periodic meetings with Representative Directors in which they exchange ideas and opinions.</li> </ul>   |