"Technology Enabling Life" is our corporate message that expresses the Corporate Principles which consist of our Corporate Philosophy, Management Policies, Vision and TEL Values. It represents how technological innovation in semiconductors contributes to the development of a dream-inspiring society.
Issuance of an Integrated Report

Tokyo Electron issues an integrated report for the purpose of reporting our medium- to long-term profit expansion and continuous corporate value enhancement to our stakeholders. As we celebrate our 60th anniversary this year, the 2023 report looks back at the history of our business expansion. It also details our efforts to continuously create value by the value chain of our business activities anchored around material issues, in conjunction with our sustainability initiatives. We remain committed to accurately comprehending all of our stakeholders’ demands and disclosing information timely and transparently.

Scope

This report and related data cover the entire Tokyo Electron Group (26 consolidated companies), with the exception of some domestic (Japan-exclusive) content.

Reference Guidelines

• IFRS Foundation: Integrated Reporting Framework
• Ministry of Economy, Trade and Industry: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
• Global Reporting Initiative (GRI): GRI Standards
• Ministry of the Environment, Government of Japan: Environmental Reporting Guidelines
• Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Issued Date

September 2023

Period Covered

Fiscal 2023 (April 1, 2022 to March 31, 2023), some content also covers fiscal 2024

Contact

Tokyo Electron Limited
Akasaka Biz Tower 3-1 Akasaka 5-chome, Minato-ku, Tokyo 107-6325, Japan
www.tel.com/contactus/

Main Company-related Information Disclosures

• Consolidated Financial Statements www.tel.com/ir/library/consolidated-financial-statements/
• FACT BOOK www.tel.com/ir/library/fb/
• Medium-term Management Plan www.tel.com/ir/policy/mplan/
• Sustainability Website www.tel.com/sustainability/index.html
• Corporate Governance Guidelines and Report www.tel.com/about/cg/index.html
• Corporate Profile www.tel.com/files/about/library/pv8va20000001ffv-att/corporate_guide_e.pdf

Contents

Chapter 1 About Tokyo Electron

CEO’s Message 3
Corporate Principles System 5
Company Overview 7
Highlights of Key Indicators for Continuous Corporate Value Enhancement 9

Chapter 2 Value Creation Story

Characteristics of Semiconductor Production Equipment Business 11
The Driving Forces of Growth and Strengths behind Our Company 12
Material Issues 13
Medium-term Management Plan 15
Value Creation Model 21
Stakeholder Engagement 23

Chapter 3 Value Creation by the Value Chain

Initiatives in the Value Chain 25
Research and Development 27
Procurement and Manufacturing 31
Sales 35
Installation and Maintenance Services 39

Chapter 4 Toward Further Growth

Medium- to Long-term Outlook 73

Data Section

Financial Review 75
Consolidated Five-year Summary 79
Stock Information 80
Sustainability Data 81

Sustainability Initiatives in the Value Chain 43
Human Resources 44
Human Rights 47
Compliance 48
Supply Chain Management 50
Environment 51
Safety 56
Quality 57
Continuous Improvement of Business Operations and Creation of New Values 58
Corporate Governance 59
Interview with Outside Directors 67
Risk Management 69
Information Security 71
Engagement with Capital Markets 71
Evaluation from Third-party Institutions 72
Participation in Global Initiatives 72
smartphones, the spread of EVs and autonomous driving and the use of generative AI, the semiconductor market is forecast to grow to twice its current size and be worth over US$1 trillion in 2030. Along with the advancement of technology through further scaling and higher multi-layering of semiconductors used in logic, DRAM, NAND and so on, the semiconductor production equipment market, in which we operate, is also expected to expand.

**Wafer Fab Equipment Market**

- Source: Technics Manufacturing Analysis Inc. (1990-2022)

### Leveraging Our Strengths

We consider the following to be our strengths:

1. Being the world’s only manufacturer with products in deposition, coater/developer, etch and cleaning, the four sequential key processes necessary for semiconductor scaling.
2. A 100% share in EUV lithography coater/developer, which are necessary for semiconductor evolution.
3. Our product lines being strongly positioned in their respective segments, all of which have achieved first or second place in market share.
4. Technical service and marketing developed based on relationships of absolute trust with customers, built through the highest number of installations in the world (approximately 88,000 units) and (5) approximately 22,000 patents owned, the largest number in the industry globally.

Going forward, we will continuously produce “only one” and “number one” products needed in the future by customers in a timely manner.

### Net Zero Initiatives through E-COMPASS

Through our business activities, we are expanding E-COMPASS, focused on the environment, and will work with our customers and partner companies to promote the technological innovation in semiconductors and to reduce environmental impact across the entire supply chain, mainly from the following three perspectives.

- Pursuing higher performance and lower power consumption in semiconductors
- Achieving both the process performance and environmental performance of equipment
- Reduction of CO₂ emissions in all business activities

We have set net zero, the reduction of greenhouse gas actual emissions, as a long-term environmental goal and are implementing and accelerating our E-COMPASS initiatives to be able to realize net zero for Scope 1 and 2 emissions1 by 2040, and for Scope 3 emissions by 2050.

1. **Scope 1 & 2 Emissions** from the use of energy, such as electricity, in our own business activities
2. **Scope 3 Emissions** from the use and disposal of our equipment, sold, purchased from Material, Distribution, etc.

### Our Corporate Growth Is Enabled by People, and Our Employees Both Create and Fulfill Company Values

Without a doubt, it is people who will achieve this. Based on our belief that “company growth is enabled by people, and our employees both create and fulfill company values,” we conduct management and appropriate initiatives focused on employee motivation so they can fully exercise their capabilities, centered on the following five points.

- **Awareness that our company and work contribute to society**
- **Realization of our Vision based on TSV**
- **Dreams and expectations of the Company’s future**
  - To achieve net sales of 2 trillion yen or more, operating margin of 35% or more, and ROE of 30% or more
  - Opportunities to take on challenges
  - 1 trillion yen or more in R&D investment over five years
  - Fair evaluations that recognize employee efforts and globally competitive rewards
  - Performance-linked compensation
  - Workplace with an open atmosphere and positive communication
  - Convening employee meetings and round-table discussions with employees globally

As one pillar of our management, we are also focusing on initiatives for diversity, equity and inclusion, in an effort to enhance 3G diversity (encompassing Global, Gender and Generation aspects).

Going forward, with the expectation of expanding applications for semiconductors in society and development of further innovation, it is important to nurture the students, researchers and other human resources who will lead future technological innovation. We are continuing efforts to boost human resource development in the semiconductor industry through the promotion of a program of industry-academia-government collaboration that includes collaboration with universities in Japan and abroad.

### Aiming to Be a Company Filled with Dreams and Vitality

We look towards a prosperous future made possible by semiconductors, their ongoing evolution and the significant expansion of the semiconductor production equipment market that supports this. Tokyo Electron will make even greater contributions to the technological innovation in semiconductors, as the industry leader. As we mark the 60th anniversary of our company’s founding, we will continue tackling challenges for further growth and evolving, while valuing trust and reliability. We will aim to be “a company filled with dreams and vitality” so as to be cherished and deeply trusted by all stakeholders and so that our employees can fully exercise their motivation and capabilities.

We look forward to your continued support and patronage.
About Tokyo Electron

Corporate Principles System

Tokyo Electron has repeatedly revolutionized technology in a rapidly changing industry, continuing to grow together with the times. In 2013, we refined our Management Policies, which was established at the time of our founding as our starting point, and also defined the purpose of our existence and our mission in society as our Corporate Philosophy. In 2022, we set forth a new Vision toward further future growth and re-defined our Corporate Principles system, which consists of a Mission, Vision, and Value, from a medium-to-long-term perspective.

Corporate Philosophy

The Corporate Philosophy defines the purpose of Tokyo Electron’s existence and its mission in society. It represents TEL’s basic way of thinking that forms the foundation for its corporate activities.

Management Policies

The Management Policies highlight the management values that Tokyo Electron regards as essential to practice our Corporate Philosophy. They express the logic that underscores our eight general rules of management.

Vision

Based on our Corporate Philosophy and Management Policies, the Vision describes Tokyo Electron’s medium- to long-term business aspirations.

TEL Values

Based on the idea that “Our employees both create and fulfill company values,” TEL Values clearly describe the mindset of each employee and code of conduct based on the corporate culture that we have cherished since our founding.

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

- **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.

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.

- **Pride**
  - We take pride in providing high-value products and services.
  - We offer our customers cutting-edge technological products, along with the highest level of quality and technical service, in the pursuit of total customer satisfaction.
  - We consider profit to be an important measure of value in our products and services.

- **Challenge**
  - We accept the challenge of going beyond what others are doing in pursuing our goal of becoming number one globally.
  - We view changes as opportunities, and respond to them flexibly and positively.
  - We are tolerant of failure, and consider it important to learn from the process and results.

- **Pristine**
  - We respect each other’s individuality and we place a high priority on teamwork.
  - We create a workplace with an open atmosphere and positive communication.
  - We establish relationships of trust with our business partners in order to facilitate mutual growth.

- **Environment**
  - We must have awareness and accept responsibility for our behavior as respectful members of society.
  - We strictly comply with laws and regulations and the rules of society.
  - We give top priority to safety, health, and the global environment.
  - We strive to become a company that local communities hold in high esteem.

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

- **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.

We have established the TEL Values, and we will continue to develop them accordingly in the future.
**Company Overview**

Tokyo Electron operates worldwide as a leading company in semiconductor production equipment industry. By providing the Best Products, Best Technical Service, we are aiming for medium- to long-term profit expansion and continuous corporate value enhancement. We are also practicing our Corporate Philosophy by contributing to the development of a sustainable society in our business.

**Number of Sites**

<table>
<thead>
<tr>
<th>Type of Office</th>
<th>Number of Sites</th>
<th>Type of Office</th>
<th>Number of Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Office</td>
<td>56</td>
<td>Branch Office</td>
<td>18</td>
</tr>
<tr>
<td>Branch Office</td>
<td>18</td>
<td>Head Office</td>
<td>45</td>
</tr>
<tr>
<td>Sales Office</td>
<td>18</td>
<td>Sales Office</td>
<td>45</td>
</tr>
<tr>
<td>Field Office</td>
<td>18</td>
<td>Field Office</td>
<td>45</td>
</tr>
</tbody>
</table>

**History**

1963 Tokyo Electron Laboratories Inc. established with capital from Tokyo Broadcasting System Inc.

1964 Tokyo Electron Laboratories acquires overseas rights for diffusion furnace manufactured by Thomson Products Corp. (U.S.) and begins sales.

1965* Tokyo Electron Limited is established.

1968 TEL-Technology Development Co., Ltd. begins domestic production of diffusion furnaces.

1980 Listed on the First Section of the Tokyo Stock Exchange.

1990 Tokyo Electron (TEL) marks a major move into development and marketing of PVD production equipment.

1994 Started direct sales and support systems overseas.

1998 Export of semiconductor production equipment begins.

1999 Category of industry on the Tokyo Stock Exchange first section changed from "Wholesale Trade" to "Electric Appliances".

2006 "TEL Values" formulated as code of conduct.

2007 Establishment of "TEL UNIVERSITY to strengthen human resource development.

2009 Categorization of semiconductor production equipment.

2015 Establishment of Tokyo Electron Corporate Governance Guidelines.

2019 Formulation of the Medium-term Management Plan to further enhance corporate value.

2020 Formulation of the Medium-term Management Plan to further enhance corporate value.

2021 Begin publishing integrated reports.

2022 Listed on the Prime Banknote of the Tokyo Stock Exchange.

Tokyo Electron Laboratories, Inc. begins overseas sales.

**Worldwide Operation**

Tokyo Electron has 26 companies and/or 83 sites in 18 countries and regions as of April 1, 2023.

**Semiconductor Manufacturing Process and Our Main Products**

- Deposition
  - Thermally Processing / TELINDY PLUS™ / Single Wafer Deposition / Plasma Etch Processing
  - ALD™ / Atomic Layer Deposition / NT333™
- Etching
  - Interconnect Formation / Gate Formation
- Cleaning
  - Contact Formation / Interconnect Formation / Wafer Probe Testing

**Number of Employees by Region (Consolidated)**

- Japan: 9,325 people (Fiscal 2023)
- Asia: 4,847 people (28.2%)
- Europe: 2,321 people (13.5%)
- North America: 17,204 people (Fiscal 2023)
- Southeast Asia, and Others: 2,209.0 billion yen (Fiscal 2023)

**Sales by Region (Consolidated)**

- Japan: 527.4 billion yen (23.9%)
- Asia: 344.3 billion yen (15.6%)
- Europe: 184.2 billion yen (8.3%)
- North America: 239.9 billion yen (10.9%)
- Southeast Asia, and Others: 2,209.0 billion yen (Fiscal 2023)
A 3-for-1 stock split was conducted on April 1, 2023.

Net Income per Share

Net Income attributable to owners of parent and ROE

Net Sales and Gross Profit Margin

Operating Income and Operating Margin

R&D Expenses

Percentage of Respondents Who Selected "Very Satisfied" or "Satisfied" in the Customer Satisfaction Survey

Installation of Renewable Energy at Plants and Offices

Patents Owned

Employee Retention Rates (Japan)

Workplace Incidents per 200,000 Work Hours (TCIR)
The role of semiconductors is becoming increasingly important as the spread of AI and IoT accelerates the transition to a data-driven society. Digital technology usage continues to expand, driving the demand for large volume and diverse semiconductors while also demanding higher performance. Advances in semiconductor technological innovation, in addition to larger capacity, higher speed, improved reliability and lower power consumption, are anticipated to progress further. This increases the importance of semiconductor production equipment.

In an environment where semiconductor technological innovation drives the growth of the production equipment market, in this way, it is vital for semiconductor production equipment manufacturers to utilize specialized expertise in a variety of fields and develop equipment with highest performance to continuously expand business. This requires comprehending the needs of customers early on based on a solid relationship of mutual trust, and conducting R&D across multiple generations with a future-oriented perspective. In addition, we must collaborate with consortiums engaged in creating leading-edge technologies and carry out R&D at a global level. A solid management and financial foundation is essential to perform these activities consistently and effectively.

Furthermore, in recent years, there has been a proactive push toward digital transformation (DX), such as the use of AI, to offer high-value-added technical services that support the stable operation of equipment. In addition to these aspects, in our business activities, it is crucial to build a sustainable supply chain based on partnerships with various suppliers involved in parts and materials supply, equipment assembly and adjustment, customs clearance, logistics, and the like.

Moreover, semiconductor production equipment manufacturers are required to contribute to the development of semiconductors with high performance and lower power consumption, improve manufacturing equipment productivity and streamline operations in plants and offices, as part of their response to reducing environmental impact.

The Driving Forces of Growth and Strengths behind Our Company

From its founding, we have treasured the trust and reliability of our stakeholders, which serves as the foundation for our unique business model. We have also developed three key driving forces of growth: abundant technological capabilities cultivated as an industry leader,

- **Driving Force 1** Abundant technological capabilities cultivated as an industry leader
  - We generate innovative and diverse technologies through close collaboration with our customers and world-leading consortiums, and promptly bring high value-added next-generation products to market.
  - Proactive R&D investment aimed at creating leading-edge technologies based on solid management and financial foundations.
  - Optimization and improved efficiency of product development through the promotion of DX.

- **Driving Force 2** Absolute trust from customers based on our reliable technical services
  - Dedication to improving customer satisfaction level and building of relationship of mutual trust with the aim to be the sole strategic partner for customers.
  - Timely provision of high-value-added technical services based on a long track record in response to the increasingly advanced and diverse technological needs of customers.
  - Provision of highly efficient and high-quality services such as remote maintenance services using AI and digital technologies, and predictive maintenance using operational data of equipment.

- **Driving Force 3** Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment
  - Based on the idea that "our corporate growth is enabled by people, and our employees both create and fulfill company values," we promote management that emphasizes employee motivation.
  - Implementation of "TEL Values," which summarize the company culture that we have treasured since our founding, values and codes of conduct for all employees.
  - Understanding issues and implementation of measures based on employee engagement surveys.

**The world's only manufacturer with products for the four sequential key processes necessary for semiconductor scaling:** deposition, coater/developer, etch and cleaning.

**100% share in EUV lithography:**

- **Deposition:**荡
- **Coater/Developer:**荡
- **Etch:**荡
- **Cleaning:**荡

**Our product lines are strongly positioned in their respective segments, all of which have achieved first or second place in market share.**

1. **Diffusion Equipment**
   - No. 1
   - **Furnace deposition/Developer**

2. **Etch Equipment**
   - No. 1
   - **Plasma etch**
   - **Gas chemical etch**
   - **Cleaning**
   - **Wafer prober**

**Technical service and marketing developed based on relationships of absolute trust with customers, built through the highest number of installations in the world.**

- **Industry-leading installation base:** approximately 8,000 units each annually.

**Globally No. 1 patents owned in the semiconductor production equipment industry.**

- **TOKYO ELECTRON**
  - Company A
  - Company B
  - Company C
  - Company D

**21,645 patents**
Chapter 2
Value Creation Story

Material Issues

Identifying Material Issues

Every year, we look at social issues and business environments, consider risks and opportunities, and examine the opinions and requests of all stakeholders to identify our material issues following discussions and approval at the Corporate Officers Meeting, participated in by the CEO, and a report to the Board of Directors. We strengthen our "Product Competitiveness" that continuously creates next-generation products with high added value for the future by drawing on our specialization, and our "Customer Responsibility" as our sole strategic partner based on the strong trust of our customers, and through pursuing innovative technologies, and along with engaging in "Higher Productivity" that continuously pursues operational efficiency through operations that prioritize the improvement of business operations and quality by drawing on our digital technology, we shall work to enhance our "Management Foundation" including governance, compliance, risk management and human capital in order to support these from a strong financial foundation based on profits.

Material Issues Identification Process

<table>
<thead>
<tr>
<th>Material Issues Identification Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Issues</td>
</tr>
<tr>
<td>- Climate change, human rights issues, geopolitical confrontation, supply chain management, cybersecurity, price wars, etc.</td>
</tr>
<tr>
<td>Business Environment</td>
</tr>
<tr>
<td>- Further expansion of semiconductor and semiconductor production equipment market, as we move rapidly to a data-driven society</td>
</tr>
<tr>
<td>- Initiatives for the preservation of the global environment</td>
</tr>
<tr>
<td>- Human rights initiatives</td>
</tr>
<tr>
<td>- Further strengthening of corporate governance</td>
</tr>
<tr>
<td>Risks for Our Company and Main Initiatives</td>
</tr>
<tr>
<td>- Identify the following cross-division and comprehensive key risks across the entire Group to build a solid financial foundation based on the Medium-term Management Plan</td>
</tr>
<tr>
<td>- Market fluctuations, research and development, geopolitics, procurement, production and supply, safety, quality, environmental issues, laws and regulations, intellectual property rights, information security, human resources, etc.</td>
</tr>
<tr>
<td>- The main risk management initiatives have been reviewed and deployed</td>
</tr>
</tbody>
</table>

Identified Material Issues

<table>
<thead>
<tr>
<th>Identified Material Issues</th>
<th>Awareness as Material Issues</th>
<th>Main Initiatives (page in this report)</th>
<th>Initiatives to the SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continuously creating and providing high value-added next-generation products to achieve technological innovation in semiconductors is vital for our medium- to long-term growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Solvency, management, and financial foundations are required to continue to develop next-generation products with leading-edge technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Building strong relationships based on trust with our customers and pursuing technological innovation in semiconductors, with our customers as our sole strategic partner are vital for our growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- It is important to work to further improve customer satisfaction, one of our Management Policies, through proposing optimal solutions that contribute to customer value creation, and providing the Best Technical Service with high added value in a prompt and appropriate manner</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- It is important to work to enhance corporate value, expand profits in the medium- to long-term, and pursue operational efficiency by practicing operation that prioritizes quality and making work more efficient across all business activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- It is vital to establish a competitive edge through prompt and appropriate management decisions as well as to engage in improving productivity in all aspects, from the product planning and development stages to maintenance, by promoting Shift Left and drawing on our digital technologies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- It is vital to work to enhance a strong management foundation that underpins our business activities, focused around the three material issues above</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- It is important to promote initiatives such as corporate governance and risk management, safety and quality, compliance, human rights, and human capital, and to expand sustainable operation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- It is vital to work on a solid management foundation that achieves sustainable growth based around highly effective corporate governance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Create innovative technologies by promoting innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Help develop a sustainable society by providing environmentally friendly products and services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Material Issues Identification Process

<table>
<thead>
<tr>
<th>Issues Awareness</th>
<th>Stakeholder Engagement</th>
<th>Identifying Material Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders/Investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Return of profits generated from business activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Realization of medium- to long-term growth and enhancement in corporate value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Propose optimal solutions that contribute to value creation for customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Spread environmentally friendly products and services with focus on safety and quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Further improving added value of products and services through collaboration with us, and constructing a sustainable supply chain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Creating a workplace environment replete with dreams and vitality that enables a diverse range of people to realize their full potential, based on mutual trust between the organization and the individuals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Promotion of regional revitalization and environmental preservation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Financial contributions through tax payments and investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments/Associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Providing solutions that help the industry and society solve issues and develop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Carrying out business activities that comply with laws and regulations, industry codes of conduct, etc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Value Creation Story

Chapter 2

Medium-term Management Plan

Main Initiatives in the Medium-term Management Plan

Amid the rapid technological innovation of the electronics industry, Tokyo Electron, as the leading company in semiconductor production equipment, is actively expanding its business based on our Corporate Philosophy: “We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.” With our 60th anniversary approaching, in fiscal 2023, we formulated a new Vision aimed at further growth to become “A company filled with dreams and vitality that contributes to technological innovation in semiconductors,” announced our Medium-term Management Plan and launched various initiatives towards its achievement.

Financial Targets
This Medium-term Management Plan sets financial targets, aimed at future growth, of further improvements to our world-class operating margin and ROE in fiscal 2027. Amid the expectation of increasing demand for semiconductors and significant future growth in the semiconductor production equipment market, we will continue to strive to enhance product competitiveness and customer responsiveness, as well as improve productivity based on a solid management foundation we set of high profitability, in line with the material issue, strive for the Best Products, Best Technical Service, and to achieve medium- to long-term profit expansion and continuous corporate value enhancement.

<table>
<thead>
<tr>
<th>Financial Targets (Target Year: Fiscal 2027)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
</tr>
<tr>
<td>Operating Margin</td>
</tr>
<tr>
<td>ROE</td>
</tr>
</tbody>
</table>

Main Initiatives
• Expand our business in the fields of our expertise, using our accumulated technologies, in areas where we can leverage our management know-how
• Introduce next-generation products with high added value required in the future by our customers into the market as early as possible and provide superior technological services
• Conduct proactive R&D investment worth more than 1 trillion yen in the five years from fiscal 2023
• We will endeavor to sell parts and offer upgrades and modifications for the industry-leading approximately 88,000 units we have installed to date, and to resolve issues such as improved utilization rate and yield enhancement for the devices that our customers produce, while also aiming to expand revenue in the after-market by providing such advanced field solutions.

Corporate Governance
The semiconductor production equipment market is expected to see significant growth also in the future, and we anticipate increasing our business sites, which currently number 83, in 18 countries and regions, to over 100 in the near future. In these circumstances, we consider it important to work on enhanced corporate governance, in order to achieve sustainable growth. While aiming for a Board of Directors that is certain to always achieve an optimally effective supervisory function, we are also establishing a strong execution system and ensuring expansion of an operating rhythm that supports business execution in order to further facilitate growth-oriented management at our global bases.

From June 2022, we introduced a Corporate Officer system aimed at further strengthening governance, speedier decision making and agile business execution. The corporate officers are responsible for overall Group management and business execution as the highest rank on the executive side. They attend Board of Directors meetings where they explain their business execution, facilitating appropriate supervision of the executive side by the Board of Directors and enabling the officers to leverage deliberations appropriately and speedily at the Board of Directors in business execution.

Additionally, in preparation to support future cumulative installed equipment of over 100,000 units, we will also focus on developing highly efficient high added-value service through such means as remote maintenance service and predictive maintenance utilizing device operating data and AI.

• We will expand E-COMPASS, aimed at preservation of the global environment through the entire supply chain. We have formulated a roadmap and are conducting various activities aimed at achieving our medium-term environmental goals up to fiscal 2031 in order to strengthen environmental initiatives in our products, plants and offices. Also, we are driving initiatives to achieve our long-term environmental goal of reducing greenhouse gas emissions to net zero by 2050.

Message from the GM, Finance Unit

Hiroshi Kawamoto
Senior Vice President, GM, Finance Unit

1. Growth Strategy
As high growth is expected in the semiconductor market, we will continue to make aggressive R&D investments more than 1 trillion yen to maintain and improve our world-leading technological innovation during our Medium-term Management Plan period, which spans five years from fiscal 2023. At the same time, we plan to invest over 400 billion yen over five years to strengthen R&D, expand production capacity and improve productivity through capital investments.

In the Medium-term Management Plan, we have set financial targets for net sales of 3 trillion yen or more, an operating margin of 35% or more, and ROE of 30% or more by fiscal 2027. We aim for sustainable growth and pursue high capital efficiency, including improving ROE, by further enhancing the operating margin and asset efficiency, which were achieved in the previous Medium-term Management Plan, and striving to expand cash flow. We will maintain a solid financial position while aiming for world-class profit generation.

2. Financial Strategy
As a frontrunner in the semiconductor production equipment industry with high growth potential, we have achieved significant growth. We will continue to effectively utilize the cash we have acquired thus far for our next growth investments and pursue further business expansion in areas where growth is expected to enhance our medium- to long-term corporate value. To realize our medium-term financial targets, we will implement the following financial strategies to support the targets:

• Stabilize management by securing working capital for anticipated business expansion
• Maintain a solid financial position
• Pursue appropriate cash allocation and balance sheet management

Pursue appropriate cash allocation and balance sheet management

3. Capital Policy
Through our engagement with capital markets, we continuously work to improve corporate value and capital efficiency. Additionally, we will enhance our returns to shareholders through the expansion of profits and cash flow. The specific measures are as follows.

• Accurately understanding our own corporate value and evaluating stock prices and market capitalization
• Achieving an optimal capital structure with awareness of capital cost and capital profitability
• Executing continuous and aggressive returns to shareholders based on the expansion of cash flow

Backed by our recent strong profit growth and expectations for further growth in the future, our market capitalization has shown strong growth, with PBR (Price Book-value Ratio) of 4.7 times as of the end of March 2023. As a result of the capital market’s evaluation of our corporate value, stemming from our aggressive shareholder return policy, high-level growth investments, recruitment and fostering of excellent human resources based on our management strategy and collaborations with customers and suppliers and their results, our market capitalization has increased significantly compared to net assets. Furthermore, we executed a 3-for-1 stock split of common stocks effective April 1, 2023. By conducting this stock split, we established an environment that is easier for investing by reducing the amount per investment unit.

4. Shareholder Return Policy
Our basic stance is to enhance shareholder value by returning to shareholders, made possible by achieving world-class medium- to long-term management targets and a high level of dividends coupled with flexible repurchases of treasury stocks. Regarding dividends for shareholders, we mainly adopt a performance-linked model, aiming for a payout ratio of 50% of the net income attributable to owners of parent. (However, the amount of annual dividend per share shall not be less than 50 yen, and we will review our dividend policy if we do not generate net income for two consecutive fiscal years.) For repurchases of treasury stocks, we will execute it flexibly, taking into account the current cash position, funds for medium- to long-term growth investments, stock price levels and total return conditions. Note that we have resolved and commenced the repurchase of treasury stocks on May 11, 2023, with a limit of 15 million shares and a purchase amount limit of 120 billion yen.

We will continue to execute this financial strategy to realize our Vision and achieve our financial targets, while also contributing to the enhancement of corporate and shareholder value through engagement with capital markets.
Key Indicators for Continuous Corporate Value Enhancement

The Medium-term Management Plan clearly defines financial and sustainability metrics as “key indicators for continuous corporate value enhancement.” At quarterly review meetings, we regularly check the progress and action plans, and various activities are carried out under the requirements for each indicator.

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
<th>Fiscal 2022 Performance</th>
<th>Future Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Material take: 3 billion yen or more</td>
<td>Fiscal 2024</td>
<td>¥2.08 billion yen</td>
<td>Refer to Main Initiatives in the Medium-term Management Plan on p. 15-16</td>
</tr>
<tr>
<td></td>
<td>Operating Margin: 35% or more</td>
<td>Fiscal 2024</td>
<td>28.0%</td>
<td>Reduce CO2 emissions by 70% (comparing to fiscal 2016)</td>
</tr>
<tr>
<td></td>
<td>Net sales: 50% or more</td>
<td>Fiscal 2024</td>
<td>48.2%</td>
<td>Reduce energy consumption (per-unit basis) by 1% from the previous fiscal year at each plant and office</td>
</tr>
<tr>
<td>Research and Development</td>
<td>Continuously create high-value-added non-genome products by implementing R&amp;D expense of more than 1 trillion yen over 5 years</td>
<td>Fiscal 2027</td>
<td>8.4%</td>
<td>Further deliberate on and implement R&amp;D strategies in the Medium-term Management Plan</td>
</tr>
<tr>
<td>Plants and Offices</td>
<td>CO2 emissions: 50% reduction in CO2 emissions over 2019</td>
<td>Fiscal 2024</td>
<td>50%</td>
<td>Refer to Main Initiatives in the Medium-term Management Plan</td>
</tr>
<tr>
<td></td>
<td>Energy consumption: 1% reduction in energy consumption (per-unit basis) at each plant and office</td>
<td>Fiscal 2027</td>
<td>4%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td>Logistics</td>
<td>Water consumption: 1% reduction in water consumption (per-unit basis) at each plant and office</td>
<td>Fiscal 2027</td>
<td>4%</td>
<td>Encourage the purchase of non-fossil certificates and secure a continuous supply of renewable energy</td>
</tr>
<tr>
<td></td>
<td>Crack elimination: 5% reduction in the number of cracks</td>
<td>Fiscal 2027</td>
<td>4%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td></td>
<td>Air pollution: 1% reduction in air pollution</td>
<td>Fiscal 2027</td>
<td>4%</td>
<td>Implementing actions related to waste disposal and consumption reduction</td>
</tr>
<tr>
<td>Products</td>
<td>CO2 emissions: 30% reduction in CO2 emissions (comparing to fiscal 2019)</td>
<td>Fiscal 2027</td>
<td>10%</td>
<td>Promote evaluations and explain and deploy to targeted customers</td>
</tr>
<tr>
<td>Engagement</td>
<td>Engagement survey results. Continuously increase (increase in total vs. the previous year) or achieve a score higher than the average of other companies in each region</td>
<td>Every fiscal year</td>
<td>5%</td>
<td>Develop and implement activity plans for relevant risks such as production risks and corporate risks at Group companies. Also, strengthening the evaluation and risks management function of Group companies, and then implemented risk assessment plan for its worldwide operations</td>
</tr>
<tr>
<td>Careers</td>
<td>We have created an environment where every employee can create value for the Company’s growth and society with the support of supervisors and others, and challenge themselves to do what they want while realizing their future (career path) and growing</td>
<td>Fiscal 2027</td>
<td>5%</td>
<td>Promote and implement actions related to waste disposal and consumption reduction</td>
</tr>
<tr>
<td>Work-life Balance</td>
<td>Annual pass utilization rate: Japan: 80% (3rd, 4th) 60% Overseas: Equal to or better than the previous fiscal year’s result</td>
<td>Fiscal 2027</td>
<td>70%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td>Diversity, Equity &amp; Inclusion (DE&amp;I)</td>
<td>Gender ratio of female managers: Japan: 3%, Global: 6%</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Chain management: 5% increase in the number of employees for system enhancement</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td></td>
<td>Material suppliers: Achieved 100% of employment agencies and contracting companies (internal contracting)</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td></td>
<td>Logistics suppliers: Achieved 100% of customs-related businesses</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td>Safety</td>
<td>Safety performance: Total Case Incident Rate (TCIR): 0.33</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td></td>
<td>ROE: 30% or more</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td></td>
<td>ROE: 30% or more</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
<tr>
<td></td>
<td>ROE: 30% or more</td>
<td>Fiscal 2027</td>
<td>7%</td>
<td>Promote visualization of energy usage and energy efficiency in business activities</td>
</tr>
</tbody>
</table>

**Note:** The above indicators are examples, and specific targets and measures may vary depending on the company's circumstances. The performance metrics are subject to change based on the company's strategic priorities and the external environment.
Outlook of Semiconductor Production Equipment Business

With the acceleration of society’s digital shift, vigorous investment took place in various fields including logic and foundry for leading-edge semiconductors along with semiconductors for vehicles and industry. The semiconductor market was worth in the range of US$574.0 billion in 2022, and consequently, the wafer fab equipment market was worth approximately US$100 billion. In the future, the importance of semiconductor technological innovation for the shift towards a data-driven society and decarbonization is expected to lead to significantly greater expansion of the semiconductor market, which is forecast to be worth over US$1 trillion by 2030—growth that will more than double the current market.

Semiconductor Device Technology Evolution and Business Opportunities

Further growth in the semiconductor and semiconductor production equipment markets will be supported by technological innovation in semiconductor devices. In Logic/Foundry, NAND and DRAM applications, increased demand for further scaling, lower manufacturing costs per transistor or bit through higher multi-layering, lower power consumption and higher speeds is expected. We will utilize our broad product lineup to contribute to the manufacturing of devices with a highly competitive advantage.

Development for Several Generations through Collaboration with Customers

With the increasing technical difficulty of scaling, in addition to the evaluation of the Nth mass production generation, development from N+1 to N+4 is also progressing simultaneously for leading-edge memory, logic and foundry. As a semiconductor production equipment manufacturer, high technology development capabilities, resources in engineering and a strong financial foundation are required in order to continue this kind of development and evaluation with semiconductor manufacturers. We work with semiconductor manufacturers, who are our customers, in our respective roles to co-create long-term technology roadmaps and develop and evaluate technologies up to four generations ahead. We are able to quickly demonstrate both equipment and process performance by conducting evaluations using wafers that are actually used in the manufacturing processes of our customers. Through initiatives like this, we steadily create high-value-added products and strive to capture new business opportunities.

Further Strengthening of Development Structure

In order to advance the simultaneous development and evaluation of leading-edge technology up to four generations ahead, we will endeavor to further strengthen our development structure. In 2023, we completed a new development building at the Tokyo Electron Technology Solutions Hosaka Office for the development of film deposition and gas chemical etch as well as corporate development, and in 2025, we are also planning to operate a new development building at Tokyo Electron Miyagi for etch system development, and another at Tokyo Electron Kyushu for coater/developer and cleaning system development. In the future, we will continue proactive R&D and capital investment to ensure the realization of sustainable growth.

<table>
<thead>
<tr>
<th>Technology</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAND</td>
<td>3D NAND multi-layering is progressing even further, and layer counts will increase to 300 and 500 in the future. Accordingly, this will require etch that enables processing of deep holes and trenches with a high aspect ratio. High productivity sacrificial film removal and atomic level deposition on 3D structure. Also, there is demand for greater capacity and increased data transfer speed, which requires enhanced performance of peripheral circuits to achieve. However, there remain issues due to limitations on performance and scaling arising from the thermal processing used when molding memory cells. To resolve this, development is underway aimed at mass production of 3D integration technology to manufacture and bond memory cells and peripheral circuit in separate wafers. We are striving to further improve the performance of our etch, ALD and wafer bonding equipment to meet these technological requirements.</td>
</tr>
<tr>
<td>DRAM</td>
<td>In DRAM, we believe that requirements will also grow not only for technology to further advance 2D scaling, but also for technology for high aspect ratio capacitor and contact formation. While many of our deposition, etch and cleaning systems are used for this technology, we will continue to provide new products and solutions to achieve even higher density. In the future, along with advancement in 2D scaling, a shift to 3D DRAM that adopts 3D structures, is also expected. In 3D DRAM, as with the shift from 2D to 3D NAND, vertical multi-layering will drive scaling in place of 2D lithographic scaling. This is particularly expected to increase the importance of the deposition and etch processes.</td>
</tr>
<tr>
<td>3D System Integration</td>
<td>In 3D integration using wafer bonding technology, in addition to NAND, progress is also being made in aspects such as the application of mass production of stacked CMOS image sensors for the production and bonding of separate wafers for pixel and signal processing circuits. Also, development is underway of 3D system integration for 3D packaging of high-capacity memory, etc. to logic circuits to realize higher speeds, lower power consumption and increased functionality of devices. These are used for bonding wafers together and for bonding operation-tested KGD chips. We contribute to evolve the leading-edge device and the system level performance by providing wafer bonding and laser edge trimming systems based on the technology and experience we have cultivated in front-end processes.</td>
</tr>
</tbody>
</table>

Notes:
1. High NA EUV: Reflects the generation EUV, an exposure technology that shortens the insurable new wavelength by increasing the numerical aperture (NA).
2. FinFET: Vertical Fin Field Effect Transistor, a process technology with a three-dimensional structure in the shape of a Fin.
3. GAA: Gate All Around Nanosheet, a next-generation technology for FinFET.
4. ALD: Atomic Layer Deposition, a process technology with a new structure.
Value Creation Model

We will make the most of the capital we own and continue to provide new value that contributes to the resolution of issues and development of industry and society through the development of a value chain in our business activities in research and development, procurement and manufacturing, sales and installation and maintenance services.

**The Driving Forces of Growth Behind Our Company**

- Abundant technological capabilities cultivated as an industry leader
- Absolute trust from customers based on our reliable technical services
- Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment

**The Revitalization of and Investment in Social and Relationship Capital**

- Relationship of mutual trust with customers built through many years of performance records
- Solid partnerships with our suppliers Foundation for business activities in local communities

**Human Capital**

- Number of employees: 17,204
- Proportion of engineers: 67.6%
- Personal able to perform globally
- Human resource development through TEL UNIVERSITY

**Intellectual Capital**

- R&D sites: 14 total (7 in Japan and 7 overseas)
- R&D investment: 191.1 billion yen
- A high level of expertise in numerous areas, and the ability to fuse this knowledge together to create new products
- Broad-ranging knowledge and technological capabilities in semiconductor manufacturing processes
- Customer requests and technology trends
- Equipment-related data accumulated through AI and knowledge management

**Natural Capital**

- Energy consumption: 106,672kL
- Water consumption: 1,495,000 m³

**Value Creation Story**

**Chapter 2**

**INPUT (investment capital) Fiscal 2023**

- Financial capital
  - Net assets: 1,599.5 billion yen
  - Equity ratio: 68.7%
  - Total assets: 2,311.5 billion yen
- Manufactured capital
  - Manufacturing sites: 9 total (6 in Japan and 3 overseas)
  - Manufacturing-related capital investment, such as new plant buildings and manufacturing equipment
  - Increasing of production capacity and level/ing Many years of know-how and proven performance in manufacturing operations
- Intellectual capital
  - R&D sites: 14 total (7 in Japan and 7 overseas)
  - R&D investment: 191.1 billion yen
- Human capital
  - Number of employees: 17,204
  - Proportion of engineers: 67.6%
  - Personal able to perform globally
  - Human resource development through TEL UNIVERSITY
- Social and relationship capital
  - Relationship of mutual trust with customers built through many years of performance records
  - Solid partnerships with our suppliers Foundation for business activities in local communities

**OUTPUT (created value) Fiscal 2023**

- Financial capital
  - Net Sales: 2,209.0 billion yen
  - Operating margin: 28.0%
  - Net income: 471.5 billion yen
  - ROE: 32.3%
  - Total annual dividend: 267.9 billion yen (payment ratio: 56.6%)
- Manufactured capital
  - Cumulative number of equipment installations: Approximately 88,000 units (annual shipment volume of approximately 6,000 units)
  - High-quality and high-reliability products incorporating leading-edge technologies
  - Safety-first operation: TCIR 0.33
- Intellectual capital
  - Innovative, high-value-added unique technologies
  - Product lineup with No. 1 or No. 2 market share
  - Solutions for key processes in semiconductor scaling
  - Number of patents owned: 21,645
  - Highly efficient and high-quality service
- Social and relationship capital
  - Percentage of respondents who selected “Very Satisfied” or “Satisfied” in the Customer Satisfaction Survey: 100%
  - Rate of improvement after supply chain sustainability assessment: 30.5%
- Natural capital
  - Own CO2 emissions (compared to fiscal 2019, reduction of 54 kilotons due to renewable energy adoption): 76% reduction
  - CO2 emissions from our Group (per wafer): 20.8% reduction (fiscal 2023)
  - Waste material recycling rate: 98.5%

**OUTCOME (created value) Fiscal 2023**

- Research and Development: Continuously strengthening research and development to create innovation and unique technologies in a timely manner
- Procurement and Manufacturing: Efficiently manufacturing high-quality products backed by a sustainable supply chain
- Installation and Maintenance Services: Provide prompt and accurate high-value-added service supporting the stable operation of equipment
- Product Competitiveness: Abundant technological capabilities cultivated as an industry leader
- Customer Responsiveness: Proposed optimal solutions as the sole strategic partner
- Higher Productivity: High-quality and high-reliability products incorporating leading-edge technologies
- Management Foundation: Safety-first operation: TCIR 0.33

**Realization of Vision and Practice of Corporate Philosophy**

- Return of profit generated from business activities
- Realization of medium- to long-term growth and enhancement in corporate value
- Value creation and continuous growth for customers
- Improving productivity (utilization rate and yield) and reduced environmental impact in semiconductor manufacturing
- Improving added value of products and services handled, through collaboration with us
- Creating a workplace environment where employees can feel motivated and fulfilled
- The revitalization of and sustainable development in local communities through human resource development, employment opportunities, initiatives to preserve the local environment and paying taxes to local municipalities
- Carrying out business activities that comply with laws and regulations, industry codes of conduct and other rules
- Initiatives that help the industry and society solve issues and develop through collaboration with us
Stakeholder Engagement

Actively providing opportunities for engagement with our stakeholders and promoting mutual communication allows us to accurately comprehend their demands and expectations as we deploy our business activities. We strive to build a solid relationship of mutual trust with all the stakeholders surrounding our company by working steadily to fulfill our roles and responsibilities in society.

Value Provided to Stakeholders

- Return of profit generated from business activities
- Realization of medium- to long-term growth and enhancement in corporate value

Value Provided to Stakeholders

- Solutions that help the industry and society solve issues and develop
- Business activities that comply with laws and regulations, industry codes of conduct and other rules

Value Provided to Stakeholders

- Local communities are striving to offer more value by working to foster local industry and educate human resources
- We contribute to the development of the local communities where we operate through employment opportunities, initiatives to preserve the local environment and paying taxes to local municipalities

Value Provided to Stakeholders

- Human resources development and employment opportunities
- Promotion of environmental preservation in communities
- Financial contributions through tax payments

Relationship with Stakeholders

- Stakeholders and investors provide our company’s capital, while expressing their opinions, demands and expectations of our company from the shareholder/investor perspective through constructive dialogue and through exercising their voting rights at the Shareholders’ Meeting
- We share our management vision and growth scenario with shareholders and investors, and incorporate the opinions and demands we hear from them into our management in an effort to enhance our corporate value

Relationship with Stakeholders

- Cooperation with government and administrative agencies
- Collaboration with global initiatives and NGOs etc.
- Industry group activities

Relationship with Stakeholders

- Governments and associations not only require companies to comply with laws, regulations, industry codes of conduct and other rules, but also aim to work in partnership with companies to bring about development at the industrywide, national and community level
- While carrying out our business activities in compliance with such laws, regulations, industry codes of conduct and the like in the countries and communities where we operate, we contribute to social development and the resolution of societal issues by accurately grasping social needs

Value Provided to Stakeholders

- Solutions that help the industry and society solve issues and develop
- Business activities that comply with laws and regulations, industry codes of conduct and other rules

Value Provided to Stakeholders

- Local communities are striving to offer more value by working to foster local industry and educate human resources
- We contribute to the development of the local communities where we operate through employment opportunities, initiatives to preserve the local environment and paying taxes to local municipalities

Value Provided to Stakeholders

- Human resources development and employment opportunities
- Promotion of environmental preservation in communities
- Financial contributions through tax payments

Relationship with Stakeholders

- Customers purchase the semiconductor production equipment we provide and also utilize services necessary for maintaining that equipment
- We not only provide products, services and solutions but also create technology roadmaps spanning multiple generations and carry out joint technology development with customers

Value Provided to Stakeholders

- Best Products incorporating leading-edge technologies
- High-value-added Best Technical Service
- Environmentally friendly products and services with a focus on safety and quality
- Solutions that satisfy a variety of application needs

Relationship with Stakeholders

- Suppliers supply the materials and human resources necessary for our company’s business administration, and also perform customs clearance, logistics operations and other operational services
- In addition to purchasing these materials and operational services, we cooperate with our suppliers on the further development and improvement of these aspects and enhancement of their quality. We build a sustainable supply chain that takes into account labor, the environment, health and safety, ethics and the like

Value Provided to Stakeholders

- Further improving added value of products and services through collaboration with our company
- Business opportunities in the semiconductor production equipment markets
- Maintaining soundness and strengthening competitiveness throughout the entire supply chain

Relationship with Stakeholders

- Our employees contribute to enhancing our corporate value by demonstrating their individual capabilities and pursuing personal growth through making use of opportunities for education
- We promote the improvement of employee engagement under management that emphasizes employee motivation

Value Provided to Stakeholders

- A workplace environment replete with dreams and vitality that enables employees to realize their full potential based on mutual trust between the organization and individuals
- Opportunities for career development and skill improvement
- Fair performance review and remuneration commensurate with results
Leveraging our unique characteristics, we have built a superior business model and continually create new value by the value chain of our business activities anchored around material issues.

**Research and Development**
- Overview: Development of unique technologies for creating high-value-added next-generation products that contribute to technological innovation in semiconductors
- Differentiation Points: Close partnerships among our development sites in Japan and overseas, business divisions, and Corporate Innovation Division, as well as diverse collaborations with consortiums and academia
- Value Created: Innovative, high-value-added and unique technologies and solutions that cover multiple semiconductor manufacturing processes

**Procurement and Manufacturing**
- Overview: Establishment of stable production capabilities by building a sustainable supply chain
- Differentiation Points: Achieving stable procurement and production leveraging through strategic procurement activities
- Value Created: High-quality and superior-reliability products incorporating leading-edge technologies

**Sales**
- Overview: Be the sole strategic partner for customers by providing the Best Products, Best Technical Service
- Differentiation Points: Leveraging a wide range of product lineup to provide solutions, and meeting the broader-ranging needs of the diversifying semiconductor market
- Value Created: High-value-added products incorporating innovative technologies by simultaneous parallel evaluation of four technology generations

**Installation and Maintenance Services**
- Overview: Deploying the Best Technical Service with high added value in a prompt and appropriate manner
- Differentiation Points: Field engineers who are highly specialized and possess broad knowledge
- Value Created: Comprehensive services that include everything from equipment installation to maintenance across many generations

**Sustainability Initiatives in the Value Chain**
- Human Resources
- Supply Chain Management
- Environment
- Safety
- Quality
- Continuous Improvement of Business Operations and Creation of New Values
- Risk Management
- Information Security
- Corporate Governance
- Engagement with Capital Markets
- Evaluation from Third-party Institutions
- Participation in Global Initiatives
Chapter 3
Value Creation by the Value Chain

Initiatives in the Value Chain
Research and Development

Tokyo Electron will promote balanced basic and applied R&D and continue to create highly unique technologies through the utilization of in-house and outside knowledge and global collaboration, while always remaining conscious of technological trends and the most current customer needs.

We are creating innovative and unique technologies necessary to manufacture leading-edge semiconductors by ascertaining technological trends and customer needs early on through global marketing activities and service support activities, sharing that information across relevant departments and reflecting it in product planning and development. Through development portfolio management, we are formulating and implementing short-term as well as medium- to long-term development strategies that are associated with the existing businesses and progressing R&D of fundamental technologies that would be tied to our future businesses. Collaboration between our major development sites in Japan and development sites across the globe as well as alliances with outside consortiums, research institutes, academia and suppliers, enable us to strengthen our R&D capabilities further and continue to develop high-value-added technologies that will help customers create value. We are also working to deploy intellectual property management and to promote R&D with digital technologies that make full use of AI and outside knowledge and global collaboration, while always remaining conscious of technological trends and the most current customer needs.

Value Creation by the Value Chain

Increasing investment in human resources and R&D as well as pursuing development efficiency

Creating innovative and unique technologies that contribute to manufacturing leading-edge semiconductors

Delays in the launch of new products or the mismatch of such products with customer needs could lead to a decline in the competitiveness of products

The inability to obtain exclusive rights to proprietary technologies could lead to reduced product competitiveness

Infringement of the intellectual property rights of third parties could lead to restrictions on the production and sale of products as well as liability for damages

The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an environment where people with diverse values and expertise can play an active role could lead to diminished product development capability or customer support quality

Initiatives related to product environment: Medium- and Long-term Environmental Goals and State of Progress

Future-oriented development of environmental technologies through partnerships with suppliers

Diversity, Equity and Inclusion (DE&I)

Statutory compliance and ethics

Advance the intellectual property strategy, business strategy and R&D strategy in an integrated manner to build an appropriate intellectual property portfolio

Reduce the risk of infringement of other companies’ patents by continuously monitoring other companies’ patents and establishing a system to take appropriate measures in cooperation with the business and R&D departments

Make continuous improvements to work environments and promote diverse work styles as well as health and productivity management (e.g. sharing our visions by management, establishing training plans for human resource who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits)

Management Resources to Be Invested

R&D investment
Over five years, beginning in fiscal 2023
more than 1 trillion yen

R&D sites
14
(7 in Japan and 7 overseas)

Human resources possessing knowledge in a variety of specialized fields related to semiconductor production equipment

R&D expenses
Number of new product releases
Global patent application rate

1. Continuously create high-value-added next-generation products by implementing R&D expense of more than 1 trillion yen over 5 years (fiscal 2024).
2. The percentage of inventions filed in multiple countries among the number of filed inventions as patent applications
3. Meets the previous year’s 1 year or 2-year percentage (fiscal 2024).

Primary Management Indicators

Risk Management Initiatives

Item
Main Potential Risks
Main Initiatives

Research and Development
Delays in the launch of new products or the mismatch of such products with customer needs could lead to a decline in the competitiveness of products

Establish the Corporate Innovation Division and build a Group-wide development framework that integrates innovative technology development with the technologies of each development division

Provide highly competitive next-generation products ahead of competitors by collaborating with research institutions and sharing a technology roadmap spanning multiple generations with leading-edge customers

Intellectual Property Rights
The inability to obtain exclusive rights to proprietary technologies could lead to reduced product competitiveness

Advance the intellectual property strategy, business strategy and R&D strategy in an integrated manner to build an appropriate intellectual property portfolio

Reduce the risk of infringement of other companies’ patents by continuously monitoring other companies’ patents and establishing a system to take appropriate measures in cooperation with the business and R&D departments

Human Resources
The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an environment where people with diverse values and expertise can play an active role could lead to diminished product development capability or customer support quality

Make continuous improvements to work environments and promote diverse work styles as well as health and productivity management (e.g. sharing our visions by management, establishing training plans for human resource who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits)
**Main Material Issues Initiatives**

**Strengthening Research and Development Capabilities**

To continuously create the high value-added next-generation products needed for technological innovation in semiconductors and bring them to the market in a timely manner, we promote technology development and integration while domestic and overseas development sites, business divisions and the Corporate Innovation Division maintain their respective individuality and collaborate in necessary areas. We construct development systems ranging from fundamental research to mass-produced products and promote DX that uses AI technologies in our R&D.

Each development site and business division has the eye toward future generations and is engaged in the development of semiconductor production equipment with innovative technologies. They also promote R&D related to peripheral technologies for this production equipment.

The Corporate Innovation Division strives for the creation of further high-value addition by working closely with each development site to develop cross-function initiatives in each product area as well as promoting and optimizing R&D while maintaining a bird’s-eye view on the entire development structure. In addition, the division is also engaged in a search for potential growth areas, as well as in R&D of fundamental technologies toward creating value in the future.

**Shift Left**

We are focusing on the Shift Left approach, investing resources such as technology, personnel and expense into the early processes of product development. Through this approach, we are endeavoring to develop advanced technologies and conducting research for multiple future generations in order to realize the technology roadmaps we have created with customers.

With product development through the Shift Left approach, we understand customer needs at an earlier stage, reflect the information obtained from feedback into our R&D and propose superior products. This contributes to maximizing yield for customer devices and capacity utilization of their mass production line equipment. We are also promoting on-site collaboration for early delivery of evaluation equipment to customers’ fabs and development and research laboratories, and are working to accelerate the process in which R&D is reflected in mass production equipment as well as to optimize development efficiency.

**Collaboration with Consortiums and Academia**

For many years, Tokyo Electron has been focusing on joint research and development efforts with domestic and international consortia and academic institutions. These initiatives include development under CHIPS Act that are currently being promoted in the USA and Europe to help develop infrastructure to maximize the benefits of innovation-based development in each region. In recent years, we are also making efforts to boost human resource development in the semiconductor industry through collaboration with major universities in Japan and abroad.

We continue our wide range of collaborations from applications to product development in various fields of semiconductor technology and R&D is of course underway in the front-end and back-end areas at TEL Technology Center, America, which marked its 20th anniversary in 2023. We also participate in a global research hub for hardware development of next-generation AI, leading-edge logic and quantum computing. Collaboration is also underway with imec in the field of EUV and high-NA EUV, patterning technologies and logic process development, and we have a partnership with BRIOD, a non-profit public-private partnership in Florida, USA.

With the diversification of semiconductor development, we collaborate with the Institute of Advanced Industrial Science and Technology (AIST), one of Japan’s largest public research institutions, leveraging its world-class research environment and personnel to enhance our own development methodology, and engage in cross-function initiatives in each product area as well as in R&D of fundamental technologies toward creating value in the future.

**Product Marketing**

We are endeavoring to further enhance the productivity of product development by having our sales departments and product marketing departments appropriately fulfill their respective roles. The sales departments not only take responsibility for reliably delivering products and services to customers based on solid relationships of trust, but are also working to improve customer satisfaction levels still further by accurately gauging customers’ true needs and working in partnership with development departments on initiatives relating to the improvement and enhancement of products and services.

Meanwhile, our product marketing departments work to plan advanced products that meet the future needs of customers in target markets, and roll out activities based on these plans. In addition to considering new products and functions based on the seeds created by our development divisions, our product marketing departments also formulate plans for optimal collaboration including tie-ups with partner companies and consortiums, to create products with still higher added value.

In the semiconductor industry, where change happens at bewildering speed, companies need the flexibility to change policies in a timely manner as and when circumstances require. Our sales departments and product marketing departments work together in developing product marketing activities that anticipate market needs and contribute to customers’ products, and in doing so, help improve our product competitiveness and promote our Shift Left approach.

**The Use of Materials Informatics**

Amid growing demand for the development of new materials for use in semiconductors, we are moving forward with new R&D initiatives. A method known as “materials informatics” uses machine learning to optimize the selection of candidate materials and process methods by incorporating the results of simulations and experimental data, as part of the search for new materials. By using this method, we have discovered a new candidate material for high dielectric-constant films, using a metallic oxide. The use of AI enables innovative high-value-added development work that is not bound by conventional ideas or practices.

**Intellectual Property Management**

We are promoting intellectual property (IP) management under the fundamental tenet of contributing to an increase of corporate profits by supporting our business activities through IP protection and utilization.

To achieve sustainable growth in the semiconductor industry where the growth is driven by technological innovation, we are globally expanding our R&D activity including industry-academia collaborations. IP professionals are assigned to headquarters, R&D, and production sites around the world to evaluate inventions created in R&D projects from various perspectives such as technology trends or marketing, and we have established IP portfolios aligned with our technology and product strategies.

In 2022, the number of inventions created in Japan was 1,226 and 317 in other countries. We have maintained the global patent application rate approximately 70% for 10 consecutive years, and the allowance rate of the filed patents has reached 74% in Japan and 81% in the United States. Furthermore, various inventions have been created through collaboration with domestic and overseas business partners, consortium and academia, and we have jointly filed applications on 45 inventions in the past two years.

Consequently, the number of active issued patents as of March 31, 2023 is 25,649, which is the largest number in the semiconductor production equipment industry, and we are building our competitive edge in the intellectual property field on a global level.

In recognition of these initiatives, we have been selected as one of the “Clarivate Top 100 Global Innovators 2023” for the second consecutive year in this award. Clarivate, a global information service company, makes an original evaluation based on patent data, and once a year recognizes companies or institutions protecting original inventions with intellectual property rights, and leading the world’s business through successful commercialization.

We strive to improve the competitiveness of our products through differentiating our own technologies with building a competitive IP portfolio in terms of both quantity and quality.
Along with striving to build a sustainable supply chain, we have established a system for manufacturing high-quality products more efficiently.

We are constantly pursuing production innovation based on the themes of safety, high quality, and superior reliability, and putting together manufacturing operations that are environmentally friendly. Besides working toward a vertical transfer from product development to mass production via further improvements to efficiency, we are also promoting the creation of manufacturing core systems that can respond swiftly to market fluctuations, as well as strengthening and leveling of production capacity.

To ensure stable and sustainable procurement, we carry out sustainability and BCP* assessments throughout the supply chain based on industry codes of conduct, as well as share knowledge with our suppliers regarding safety, quality, the environment, and compliance. We value fair and transparent relationships with our suppliers and aim to grow alongside them and contribute to society on a global level through firm relationships based on trust.

* BCP: Business Continuity Plan

### Risk Management Initiatives

<table>
<thead>
<tr>
<th>Item</th>
<th>Main Potential Risks</th>
<th>Main Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement, Production and Supply</td>
<td>Interruptions in the Company’s production due to a natural disaster or delays in component procurement due to deterioration in the business conditions of a supplier or an increase in demand that exceeds the supplier’s supply capacity could lead to delays in the supply of products to customers.</td>
<td>Formulate BCP, develop alternate production capabilities, promote the seismic reinforcement of plants, level production, enhance the backup capabilities for information systems, use multiple sources of important parts, and maintain appropriate inventory levels.</td>
</tr>
<tr>
<td>Safety</td>
<td>Safety problems with the Company’s products or serious accidents resulting in workplace injuries could lead to damage to customers, liability for damages and a decline in public trust and confidence in the Company’s safety initiatives.</td>
<td>Based on the “Safety First” approach, implement inherently safe design with an awareness of risk reduction at the product development stage.</td>
</tr>
<tr>
<td>Quality</td>
<td>The occurrence of a product defect could lead to liability for damages, costs for countermeasures and a decline in the Group’s brand and credibility.</td>
<td>Promote continuous education on quality to employees and suppliers to establish a quality assurance system and a world-class service system.</td>
</tr>
<tr>
<td>Environmental Issues</td>
<td>The inability to respond appropriately to each country’s climate change policies, environmental laws and regulations, and customer needs could lead to additional related costs such as for developing new products or changing specifications, as well as to reduced product competitiveness and diminished public confidence in the Company.</td>
<td>To achieve medium- to long-term environmental goals that include the net zero target, implement measures such as reducing greenhouse gas emissions from the use of our products, increasing the rate of renewable energy usage at plants and offices, reducing overall power consumption, reviewing packaging materials, and promoting a modal shift.</td>
</tr>
</tbody>
</table>

### Key Themes for Medium- to Long-term Value Creation

- Creating production capabilities and manufacturing core systems appropriate for the market size
- Optimizing management resource allocation to truncate the transition period from product development to mass production
- Streamlining manufacturing operations with consideration toward the operating margin and ROE

### Sustainability Initiatives

- Quality control in manufacturing
- Promoting sound supply chain management based on industry codes of conduct
- Initiatives for reducing CO2 emissions and introducing renewable energy at plants and offices
- Medium- and Long-term Environmental Goals and State of Progress
- Shortening of production lead times and leveling

### Management Resources to Be Invested

- Many years of know-how (people and products) in the semiconductor production equipment business
- Manufacturing core systems that make full use of the latest digital technologies
- Solid cooperative working relationships with suppliers

### Primary Management Indicators

- Direct and indirect manufacturing costs
- Production lead times
- Procurement stockout rate

### Value Creation by the Value Chain

**Chapter 3**

**Initiatives in the Value Chain**

**Procurement and Manufacturing**
Main Material Issues Initiatives

Sustainable Procurement Strategies

In the semiconductor production equipment business, supply chain management is becoming increasingly important. To conduct business activities effectively and reliably, it is extremely important to promote strategic procurement activities proactively. The Corporate Procurement Division is promoting the optimization of procurement and parts inventories throughout the Group by strengthening supplementary parts systems between manufacturing sites and examining procurement processes. It is also periodically conducting supply chain sustainability assessments and BCP assessments, and improving commercial distribution management through the further enhancement of supplier maps, etc. In addition, we are working to adjust sales plans with production, procurement, and inventory plans by sharing both short-term and medium-term order forecasts between sales and manufacturing divisions, as well as working to ensure stable procurement and both production and start-up process level. In these efforts, we are conducting to further improve safety, quality, and efficiency of equipment production and start-up.

Based on the belief that smooth communication with suppliers is important, we hold production update briefings, TEL Partners’ Day and other events on a regular basis to create opportunities to share market trends, our management policy and business policies, and sustainability initiatives with our suppliers. In September 2022, we announced the “Declaration of Partnership Building for Cultivating the Future” pursued by the Cabinet Office, Ministry of Economy, Trade and Industry and Small and Medium Enterprise Agency, and announced “Declaration of Partnership Building” to declare that we would work to build mutually-beneficial relationships and new cooperation beyond scale and industrial groupings of the entire supply chain and to adhere to a desirable practice for trades with suppliers. We will continue to strive to improve added values in the supply chain by conducting global operations in cooperation with our suppliers.

World-class Manufacturing Operations

We are constantly striving to innovate in production and further improve profitability at manufacturing sites while engaging in the strategic development of world-class manufacturing operations through the use of our manufacturing know-how, knowledge, and the equipment data we have accumulated over many years. In assembly, adjustment, inspections and other processes, we are working to improve product quality by implementing in-process quality control that includes thorough screening and simulation verification, to prevent non-conforming products from passing through to subsequent processes. We are also proactively investing, including new plant buildings and manufacturing facilities to increase production capacity while promoting production leveling, in anticipation of diversifying technological needs and market expansion. Tokyo Electron Technology Solutions began operations of production buildings at its Tohoku office in July 2020, and its Yamanashi office in August 2020, increasing their production capacities two-fold and 1.5-fold respectively. Tokyo Electron Miyagi began operation of its Miyagi Technology Innovation Center in October 2021 aimed at the evolution of innovative production technologies. The Tohoku office is also constructing the Tohoku Production and Logistics Center (provisional name), scheduled for completion in autumn 2023. We also plan 400 billion yen or more in capital investment over the five years to fiscal 2027 with the aim of further boosting production capacity and efficiency.

Furthermore, we are working to improve IT infrastructure by building a manufacturing core system through beginning operations of ERP and MES that utilize the latest digital technologies, the introduction of PLM and other measures. Through the use of data aggregated through these efforts in each business operation, we can quickly collect data needed for management decisions, make production schedules more reasonable and more efficient, visualize delivery dates for parts and more. In addition, we are thoroughly implementing infection prevention measures at all manufacturing sites to maximize operation rates in production activities.

- ERP: Enterprise Resource Planning; Refer to Continuous Improvement of Business Operations  p. 58
- MES: Manufacturing Execution System
- PLM: Product Lifecycle Management

Initiatives to Reduce Environmental Impact

We are implementing a variety of environmentally conscious initiatives at our plants and offices as well as in logistics and the supply chain through the deployment of E-COMPASS. We have set a medium-term environmental goal of a rate of 100% renewable energy (electricity) usage at our plants and offices by fiscal 2031. We have completed the introduction of renewable energy at our domestic manufacturing sites, plants and offices including places we are renting, and plan to advance the introduction further at our overseas plants and offices as well. Additionally, we are also saving more energy in cleanrooms, setting office air-conditioning at appropriate temperatures and introducing devices that offer superior energy-saving performance, etc.

As regulations are getting tighter and the need for reducing environmental impact is growing in logistics as well, we have actively been implementing measures such as a modal shift in transportation in Japan and overseas and the adoption of packaging methods that reduce environmental impact. In fiscal 2023, we have set a goal to further promote modal shifts and joint delivery and reduce CO₂ emissions of total logistics (own delivery) by 10% (by fiscal 2027). By strengthening activities that contribute to the achievement of this goal, we have striven to reduce CO₂ emissions of equipment logistics.

We also grant the “Environmental Partners” to suppliers that cooperate in and contribute to our environmental efforts through E-COMPASS activities and certify them as “Green Partners.”

- Refer to E-COMPASS p. 53 and Initiatives with Suppliers p. 58
- Modal shift: Transitioning from transportation by air and/or sea to road and rail, which has lower environmental impacts

<table>
<thead>
<tr>
<th>Manufacturing Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Electron Technology Solutions Tohoku Office Production Building</td>
</tr>
<tr>
<td>Tokyo Electron Technology Solutions Yamato Office Production Building</td>
</tr>
<tr>
<td>Tokyo Electron Miyagi Miyagi Technology Innovation Center</td>
</tr>
<tr>
<td>Tokyo Electron Technology Solutions Tohoku Production and Logistics Center (provisional name)</td>
</tr>
</tbody>
</table>

We are also promoting mechanization of logistics and manufacturing tasks as a measure aimed at improved product and manufacturing quality, lead-time reduction and production cost-cutting. Tokyo Electron Miyagi is aiming for 30% labor-saving through mechanization of its parts storage and distribution processes. Also, by automating part of assembly processes, it will maximize production line efficiency. In addition, we are promoting further improvement of product and manufacturing quality by Shift Left, including implementation of productivity-related design reviews using 3D models and VR (Virtual Reality) systems at the design stage.

| BOM 4 |
| ERP 1 |
| MES 2 |

© 2022 Tokyo Electron Limited. All rights reserved.
We propose optimal solutions that contribute to value creation in order to become the sole strategic partner for our customers.

Since our company’s inception, improvement of customer satisfaction has been a significant management theme. We will build strong, trust-based relationships with our customers by providing the Best Products, Best Technical Service in order to be their sole strategic partner.

We help customers manufacture leading-edge devices by grasping the latest technological trends and customer needs in an accurate and timely manner, as well as developing and providing innovative technologies for future generations. Moreover, we are strengthening our business in the diversifying semiconductor market (MAGIC market*) based on our leading-edge technologies cultivated over the years and our extensive installation record. We also strive to help customers maximize their return on investment through the sale of reengineered equipment and other products. By leveraging our strength as a semiconductor production equipment manufacturer with a diverse product lineup and proposing optimal solutions, we will contribute to the creation of further value for our customers.

---

* Refer to Expansion into the Diversified Semiconductor Market on p. 37

---

**Key Themes for Medium- to Long-term Value Creation**

- Improving our responsiveness to customers and customer satisfaction
- Increasing mutual profits by providing the Best Products, Best Technical Service
- Improving our position among our major customers

---

**Value Creation by the Value Chain**

**Initiatives in the Value Chain**

**Sales**

Since our company’s inception, improvement of customer satisfaction has been a significant management theme. We will build strong, trust-based relationships with our customers by providing the Best Products, Best Technical Service in order to be their sole strategic partner.

We help customers manufacture leading-edge devices by grasping the latest technological trends and customer needs in an accurate and timely manner, as well as developing and providing innovative technologies for future generations. Moreover, we are strengthening our business in the diversifying semiconductor market (MAGIC market*) based on our leading-edge technologies cultivated over the years and our extensive installation record. We also strive to help customers maximize their return on investment through the sale of reengineered equipment and other products. By leveraging our strength as a semiconductor production equipment manufacturer with a diverse product lineup and proposing optimal solutions, we will contribute to the creation of further value for our customers.

---

* Refer to Expansion into the Diversified Semiconductor Market on p. 37

---

**Management Resources to Be Invested**

- A global sales and service system in which the Account Sales Division, the Global Sales Division business units, and overseas subsidiaries coordinate with one another
- Broad-ranging knowledge and comprehensive technological capabilities born from our diverse product lineup
- Mutual trust with customers built through many years of performance records

**Primary Management Indicators**

- Customer satisfaction
- Market share by major customers and products
- Operating margin

---

**Sustainability Initiatives**

- Initiatives for improvement of customer satisfaction
- Ongoing efforts to ensure customer safety
- Reduction of CO2 emissions from product usage by addressing medium-term environmental goals
- Improvement of operational efficiency in sales activities

**Risk Management Initiatives**

- Periodically review market conditions and orders received at the Board of Directors and other important meetings, and appropriately adjust capital investments, personnel/inventory planning and other aspects of business
- The Account Sales Division and the Global Sales Division strengthen the sales framework and customer base by grasping investment trends of customers and responding to a wide range of customer needs

---

**Primary Management Indicators**

<table>
<thead>
<tr>
<th>Item</th>
<th>Main Potential Risks</th>
<th>Main Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Fluctuations</td>
<td>A rapid contraction of the semiconductor market could lead to overproduction or an increase in dead inventory</td>
<td>Periodically review market conditions and orders received at the Board of Directors and other important meetings, and appropriately adjust capital investments, personnel/inventory planning and other aspects of business</td>
</tr>
<tr>
<td>Geopolitics</td>
<td>Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policy. This could in turn lead to supply chain disruptions or deterioration of the macroeconomic environment, restricting the Company's ability to operate business</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region</td>
</tr>
<tr>
<td>Information Security</td>
<td>Breaches of information or the suspension of services due to unauthorized access by cyberattack against the Company or suppliers, natural disasters or other factors could lead to diminished public confidence in the Company or liability for damages</td>
<td>Launch a dedicated security organization and establish an information security system that conforms to international standards by having security assessments conducted by external experts, etc.</td>
</tr>
</tbody>
</table>

---

**Risk Management Initiatives**

- Periodically review market conditions and orders received at the Board of Directors and other important meetings, and appropriately adjust capital investments, personnel/inventory planning and other aspects of business
- The Account Sales Division and the Global Sales Division strengthen the sales framework and customer base by grasping investment trends of customers and responding to a wide range of customer needs
Chapter 3
Value Creation by the Value Chain

Main Material Issues Initiatives

Development of Global Operations

We established the Customer Collaboration Group and are working to further strengthen our customer support capabilities in order to be the sole strategic partner for our customers. The Customer Collaboration Group consists of the Account Sales Division and the Global Sales Division. Major semiconductor manufacturers, who are our traditional customers, share the needs for next-generation leading-edge technologies in memory, logic devices, foundry and other fields, to the Account Sales Division, and this leads to R&D of new technologies, and the Global Sales Division responds to the needs of domestic and overseas customers that handle products for the rapidly growing Chinese market and the industrial IoT market.

These two divisions work closely with business units, development and manufacturing divisions, service divisions, and overseas subsidiaries to develop global operations throughout our entire Group. 

Proposing Customer Solutions Leveraging a Wide Range of Product Lineup

To solve customers’ issues and contribute to the manufacture of highly competitive devices, we are developing proposal activities that leverage our wide range of product lineup, including equipment for the four sequential key processes of deposition, coater/coater developer, etch and cleaning in the front-end process. We simultaneously strive to help customers improve productivity and quality in their development and manufacturing by providing optimal solutions that include remote support systems and software for maximizing equipment utilization rate. We are also continuously working to improve the performance of installed equipment to respond to customer requests for the manufacture of products that span multiple generations.

In the pursuit of higher speed, lower power consumption and lower cost semiconductor devices, 3D system integration in back-end processes is advancing. The 3D system integration requires cleaner process environment to have better yield because it is close to the final stage of semiconductor manufacturing and front-end processes are sometimes repeated after this process. Therefore, equipment that integrates front-end and back-end process technologies is required. KGD with advanced testing is also important for the 3D integration of individual chips called Chiplet. To meet these requirements, we provide wafer bonding and laser edge trimming equipment based on the technology and experience we have cultivated in front-end processes, and wafer probers to ensure KGD.

Providing Safety-related Information on Products to Customers

We are committed to providing sufficient safety information on our products so that customers can safely use them. All our products come not only with a manual specific to the product specifications, but also a TEL Safety and Environmental Guidelines manual applicable to all our products. The TEL Safety and Environmental Guidelines manual is available in 12 languages: to ensure that customers around the world can understand the content accurately; it describes examples of potential risks associated with using our products together with the methods for averting those risks, as well as safety measures applied to products and recommended methods for product disposal, divided into such categories as chemical, electrical, mechanical and ergonomic.

In this market, we have been developing our business mainly as a field solutions (FS) business, but in April 2023, we integrated our optical device know-how cultivated in our flat panel displays (FPD) business to improve our technological innovation capabilities and seamless responsiveness to customers, and established the new DISS (Diversified Systems and Solutions) business division. We will strive to further enhance our corporate value by efficiently allocating management resources to the MAGIC market, which is expected to grow at a high rate in the future.

To meet the diverse needs of our customers, we are also developing and producing reengineered equipment based on the previous generation 200/300 mm wafer-compatible equipment.

Initiatives for Improvement of Customer Satisfaction

We are working to build a solid relationship of mutual trust with customers by further enhancing customer satisfaction, which we have valued highly since our founding. In the semiconductor production equipment industry, with rapid technological innovation, we co-create future technology roadmaps with the semiconductor manufacturers that are our customers, to promote the concurrent evaluation of technologies up to four generations in the future and accelerate the technological development of Shift Left. This allows us to offer highly competitive products that help improve the yield rate of devices and maximize equipment utilization rate.

Further, at customer sites around the world, we are continuously implementing customer-oriented initiatives such as having our engineers quickly get installed equipment operating at maximum performance, proposing solutions to any specific technical issues and providing feedback on next-generation equipment.

In addition to these activities, we conduct our annual Customer Satisfaction Survey. The information obtained from the survey is analyzed by business unit (product), account (customer) and function (software, development, etc.), and the results are shared with relevant divisions, such as sales, equipment/plants and service, to develop a PDCA cycle that leads to practical improvements.

In fiscal 2023, the results of our activities continued to be highly evaluated and received best awards from many of our customers. We will continue to provide the Best Products, Best Technical Service and strive to further improve customer satisfaction to be the sole strategic partner for our customers.

PDCA Cycle

In the semiconductor market, the semiconductor has been diversifying to meet the needs of various applications such as the spread of the metaverse, autonomous mobility, Green energy, AI, which is driven by digital transformation (DX) and green transformation (GX). We define the diversified semiconductor market as MAGIC (Metaverse, Autonomous mobility, Green energy, IoT & Information, Communications) market, and are strengthening our business by leveraging our leading-edge technologies and experience based on our extensive installation record.
Sustainability Initiatives

Risk Management Initiatives

Item | Main Potential Risks | Main Initiatives
--- | --- | ---
Safety | Safety problems with the Company’s products or serious accidents resulting in workplace injuries could lead to damage to customers, liability for damages and a decline in public trust and confidence in the Company’s safety initiatives | • Based on the “Safety First” approach, implement inherently safe design with an awareness of risk reduction at the product development stage
• Implement company-wide efforts such as promoting safety education tailored to each employee’s job and developing an incident reporting system

Quality | The occurrence of a product defect could lead to liability for damages, costs for countermeasures and a decline in the Group’s brand and credibility | • Promote continuous education on quality to employees and suppliers to establish a quality assurance system and a world-class service system
• Resolve technical issues from the product development and design stage
• Thoroughly investigate the cause of any defects and implement measures to prevent the same or similar defects from occurring
• Monitor the quality status of suppliers, conduct audits and provide support for improvement

Human Resources | The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an environment where people with diverse values and expertise can play an active role could lead to diminished product development capability or customer support quality | • Make continuous improvements to work environments and promote diverse work styles as well as health and productivity management (e.g., sharing our visions by management, establishing training plans for human resource who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits)

We have built a global support system, and deploy the Best Technical Service with high added value in a prompt and appropriate manner.

For installation and maintenance of semiconductor production equipment, we take advantage of a cumulative number of equipment installations of approximately 88,000 units to offer the Best Technical Service with high added value. We make full use of leading-edge AI, digital technology and knowledge management tools, and promote enhanced efficiency for our services to support the stable operation of various generations of equipment for a wide variety of applications.

By upgrading the skills of field engineers who interact with customers, we accurately identify customer needs to help provide timely feedback to our development and manufacturing divisions. In addition, we are further improving the quality of our services by contributing to continuous operations of customers’ equipment over a long period of time through support services that extend the life cycle of equipment, and providing advanced field solutions, such as Total Support Center (TSC) and remote maintenance services.

* Knowledge management: Management approach to promote internal company sharing of tacit knowledge held by individuals, in order to encourage innovation and to improve overall productivity

Key Themes for Medium- to Long-term Value Creation

- Improving customer satisfaction through the provision of high-value-added services
- Maximizing service revenues through expanded sales of services such as comprehensive contract-based services
- Pursuing highly efficient and high-quality services that make full use of AI and digital technologies
Globalize Field Engineers and Strengthen Customer Responsiveness

We established our training operations center in 2019 to enhance the training structure and promote globalization of field engineers. The center establishes a company-wide common skills management system that meets the standards of SEMI (a global industry association representing the electronics manufacturing and design supply chain). The system helps us to improve the quality of the services we deliver to customers, by enabling the optimized deployment of human resources based on objectively observed information about engineers’ skills.

In fiscal 2022, field engineers who have acquired DX skills developed a diverse variety of programs for improving work efficiency and are rolling some of these programs out globally. Linked to our database of field information connected to our services, these programs allow such field information to be updated automatically, analyzed and visualized.

In fiscal 2023, we made progress with the deployment to overseas subsidiaries of engineers who had undergone training at manufacturing sites in Japan as part of our education for expert engineers for overseas subsidiaries, as we improve our ability to respond to the various technological needs of customers, we have successfully delivered sound results.

In fiscal 2024, we will increase the number of personnel receiving this education for expert engineers, for overseas subsidiaries, as we improve our ability to respond to the various technological needs of customers, we have successfully delivered sound results.

For starting up equipment at customers’ sites, shortening the lead time required for the quality yield of semiconductor devices to reach the mass production level is extremely important. It also leads to the enhancement of our competitiveness as an equipment manufacturer. By focusing on utilization of equipment data and promoting DX that makes full use of AI technologies, we help to cut time for customers to introduce new products to the market and realize improvement of work efficiency by our engineers, reduction of periodic maintenance times and maximization of equipment utilization rates, etc.

To improve our service quality further, we also promote initiatives that utilize digital technologies, such as tablets, smart glasses and cloud systems in customers’ sites, in conformance to both customers’ and our security policies and rules.

Promotion of High-value-added Services

We have built a global support system, establishing Total Support Centers (TSCs) in Japan, the United States, China and Europe. In each TSC site, we have deployed Service CRM, which centrally manages customers’ equipment records (support/incident history) as a database through knowledge management. We strive to resolve various issues of customers by using TELeMetrics, a remote maintenance service, and smart glasses with our unique functions as well as Service CRM at each TSC site.

We also provide various contract-based services for supporting the stable operation of equipment. For example, we provide a service in which our field engineers stay at customers’ manufacturing sites and maintain their equipment and a comprehensive contract-based service (TEL Service Advantage Premium) in which we offer pay-as-you-go or flat-rate maintenance services, supply maintenance/wear-out parts and repair their parts in an integrated manner.

In addition, we place emphasis on developing advanced diagnostic capabilities that utilize various equipment-related data. We aim to shorten time to solve incidents and reducing variability among equipment in process performance by comparing setting values in each equipment and sensor values and analyzing causes of incidents based on data such as maintenance or parts replacement histories acquired from multiple equipment. We plan to utilize these diagnostic capabilities for traditional services and contract-based services that bill based on achievement of performance goals in the future.

Stages in DX activities

Steps in DX activities

1. Service CRM: Service Customer Relationship Management
2. Smart glasses: Glass-style wearable devices that can display images and digital information

Analysis and Prediction

Analysis and prediction with digitalized data

AI technology

Surrounding Environment

Progress in data sharing and collaboration in supply chains

High expectations of robots and AI that supports human

Autonomy

Autonomous learning and decision making

Control Feedback to the real world

Monitoring Visualization

Analysis and Prediction

Achieving Goals

Resolution of high value problem

Quality, Cost, Speed, Productivity, Energy consumption

Enablers: People, organizations, factors and means that enable success and achievement of objectives
Sustainability Initiatives in the Value Chain

Our approach to sustainability is to practice our Corporate Philosophy by realizing our Vision. We identify the material issues and promote these initiatives. We will contribute to the resolution of social issues and development of industry and society as well as the achievement of SDGs by building a resilient management foundation and providing high-value-added products and services.

Main Initiatives in the Four Frameworks

**Governance**
- Corporate Sustainability Management Department established at headquarters and the sustainability initiatives are promoted throughout the entire Group
- Sustainability Committee is held twice a year attended by Corporate officers, General Managers and presidents of domestic Group companies and overseas subsidiaries to set short-, medium-, and long-term sustainability goals, manage progress, review sustainability-related policies and discuss initiatives on priority themes
- Important issues are reported and discussed at the Corporate Officers Meeting, the highest decision-making body on the executive side
- The executive officer in charge of sustainability reports to the Board of Directors on the Group-wide sustainability initiatives as necessary, and the Board of Directors supervise these initiatives

**Strategy**
- Based on the idea of “Creating Shared Value (CSV),” we aim to realize sustainable growth through the creation of social and economic value by solving social issues using our unique corporate resources and expertise
- As a semiconductor production equipment manufacturer, we define CSV, which we call TSV (TEL’s Shared Value), as a contribution to the technological innovation in semiconductors, which are indispensable for the development of a dream-inspiring society. We will implement business activities based on TSV to contribute both to achieving SDGs—which are goals shared by the world—and to realizing a more abundant future

**Risk Management**
- Respond appropriately and promptly to risks that are growing increasingly complex and diverse as society and the business environment change. Established the organization to oversee the entire Group at our headquarters and carry out enterprise risk management to promote more effective risk management
- Risks are identified across the entire Group and those risks with high probability of impact are identified as material issues. Particularly material risks are subject to decision-making and supervision by the Board of Directors and Corporate Officers Meetings, and countermeasures are thoroughly implemented in cooperation with each Group company and related departments
- Risks and impacts that may arise in conducting businesses in order to achieve sustainable growth are accurately understood and viewed as opportunities for business growth, and appropriately addressed

**Metrics and Targets**
- Set key indicators for continuous corporate value enhancement1 and annual sustainability goals2 in our Medium-term Management Plan
- The results and status of the achievement of key indicators and annual goals are reviewed at the annual review meeting
- Implementation of company-wide activities to achieve each indicator and goal under the persons responsible for each indicator and goal

**Human Resources**

As examples of important measures, we are operating a common global job-based grading system (GTC: Global TEL Career-Paths) and clarifying career paths for Individual Contributors (ICs) (TCL: Technical Career Ladder), as well as adopting a performance management system for promoting employee growth and performance enhancement. In these and other ways, we are developing a globally competitive human resource system to create opportunities for employees to take on challenges, and actively support their career development.

Diversity, Equity and Inclusion (DE&I)
With strong commitment of management, we actively promote DE&I as one of management pillars that leads to the continuous generation of innovation and increased corporate value. Based on the idea that “One—TEL and DIFFERENT TOGETHER with 3G (Global, Gender, Generation),” we have taken on gender, nationality and generation as major themes. Each Group company is implementing various initiatives, such as setting the following goals for the ratio of female managers based on the characteristics of each region
- Conduct a diversity-conscious talent pipeline (plan for developing human resources) for succession planning and achieve the target of increasing the ratio of female managers to 8.0% globally and 5.0% in Japan (by fiscal 2027). We aim to further improve the ratio thereafter

We believe that our corporate growth is enabled by people, and our employees both create and fulfill company values. Based on this approach, we provide many opportunities for employees to challenge themselves to achieve high-level goals by making the most of their individual potential. Of particular importance in our human resource management are the TEL Values, motivation-oriented management, and diversity, equity and inclusion.

**TEL Values**
We looked back at the values accumulated since our founding and what it means to be our company and summarized the codes of conduct that we hope to honor in the future as the TEL Values. The TEL Values—pride, challenge, ownership, teamwork and awareness—are being put into practice, as representing our original approach to management and employees working together as one, our flexible and rapid response to environmental change, and fully harnessing our potential. We conduct a range of activities to promote the TEL Values, including distributing a booklet in multiple languages, messages from the CEO and other members of management, and sharing interviews with employees that both experience and embody TEL Values in their daily work. Through these initiatives, we communicate the importance of taking on new challenges without fear of failure, and departments and Group companies collaborating to address issues. In our new employee training program, we encourage understanding and practice of TEL Values from the moment someone joins us. We do this in a number of ways, including talks from management, consideration of action plans through group work, and discussion of what type of company we want the TEL Values to become. The TEL Values are an important set of values that we want to pass down to future generations, so our employees around the world strive to put these values into practice.

**Motivation-oriented Management**
We operate in 83 sites in 18 countries and regions. We believe it is important for human resources with different cultural backgrounds, experiences and attributes to share values and work together as one toward value creation. We believe that each of our employees, maintaining a high level of engagement and demonstrating their full potential, will lead directly to our growth as a company. Accordingly, we practice motivation-oriented management. Specifically, we are implementing important measures in line with the following five points

**Free Points for Motivation-oriented Management**
1. Awareness that our company and work contributes to society
2. Dreams and expectations of the Company’s future
3. Opportunities to take on challenges
4. Fair evaluations that recognize employee efforts and globally competitive rewards
5. Workplace with open atmosphere and positive communication

<table>
<thead>
<tr>
<th>Region</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>2.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>2027</td>
<td>10%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
Chapter 3

Value Creation by the Value Chain

- Diversity, Equity and Inclusion Talks (DE&I Talks)

In March 2023, we held a DE&I Talk that was streamed simultaneously online to the Group companies worldwide. As the fifth of these events held, “equity” was added to the discussion this year, with the name “DE&I Talks” being used for the first time. While there have been no significant changes to the original purpose and policy of these talks, this addition aims to more proactively pursue the development of environments where diverse employees can play active roles.

In his opening speech at the event, the CEO stated “By continually driving motivation-oriented management, while improving diversity through our 3G policy, we aim to further grow this year, with the name “DE&I Talk” being used for the first time.

- Main DE&I Activities

As a global, borderless company, we are implementing various initiatives as detailed below to leverage the strengths of our diverse human resources and create well-balanced systems and teams.

- We create and publish reports on the DE&I activities of all of our Group companies, including overseas subsidiaries, to make the activities of each site more visible. We also communicate internally and externally through an internal newsletter, intranet, social media and other channels.

- We hold Career Development Seminars for Women. With voluntary attendance of about 100 employees, participants acquire basic knowledge of such things as self-leadership skills for independent career planning. Participants explore their career potential at us by learning self-centered career design and personal strength-based leadership, etc.

Employee Engagement

Improving employee engagement is essential to maximize corporate performance and achieve sustainable growth. Recognizing that employees both create and fulfill company values for us, we have been regularly conducting engagement surveys since fiscal 2016 to ascertain the current engagement and identify issues.

Based on the results of these surveys and on employee feedback, we endeavor to establish better workplace environments; at the same time, we are working to foster a better corporate culture that empowers all our employees to maximize their abilities in an open-minded environment, to engage energetically with their work and to participate in constructive discussions and exchanges of opinions. Examples of our measures include ensuring continued messages from the management, increasing opportunities for direct dialogue between management and employees on the current state of the company and its future, and providing training and education increasing employee awareness of safety, quality, compliance, and other foundational management principles.

As a result of these initiatives, employee engagement scores improved in nearly all companies in Japan and overseas subsidiaries between fiscal 2016 and fiscal 2023. Our overall employee engagement score has risen by 18 points since fiscal 2016 and has reached its highest level in fiscal 2023, and in Japan our employee engagement score now falls within the top 25% of the overall benchmark. As our employee engagement score has risen, so our employee retention rate1 has reached an extremely high level, staying at 94% in Japan and 98% in Japan for fiscal 2023.

We believe that improving employee engagement is vital for providing increased value to our stakeholders. To this end, we intend to implement various measures in a continuous and effective manner, such as further enhancing our employees’ workplace environments, improving work efficiency through DX, and strengthening safety, quality and compliance.

Employees have participated in NPO J-Win1 programs since 2021. New graduates and mid-career recruits are continually employed on the basis of whether they will work actively at us, regardless of gender, nationality, generation or other characteristic, by conducting activities with the aim of developing human resources indispensable to the growth of the company and, to this end, it carries out the initiatives listed below.

Overview of TEL UNIVERSITY

We are engaged in building unprecedented new office environments that are work-friendly for all our employees and that support their endeavors.

To take one example, the Miyagi Technology Innovation Center we opened at Tokyo Electron Miyagi in 2021 features an “Innovation Area,” which is a communal space for creating new technologies, and a “Creative Office,” which is centered on a bright and open communication space.

We are also working on creating office spaces at our other sites that encourage interactions between different departments and that provide support for new innovations.

Developing Human Resources

We are committed to the planned and structural development of human resources capable both of adapting to varied and continually changing business environments and of playing active roles on the global stage. We place importance on our employees’ motivation, work to improve their value, and we operate a human resources strategy around the world aimed at ensuring that both the company and its employees can grow together.

TEL UNIVERSITY is an in-house educational institution established to focus on developing human resources indispensable to the growth of the company and, to this end, it carries out the initiatives listed below.

Global and On-demand Learning

Since all employees grow in different ways, we provide on-demand education that enables employees to learn what they want, when they want it. In addition to group training, we are proactively utilizing e-learning programs and providing a common platform for learning.

Work-life Balance

We endorse work styles that contribute to a positive work-life balance, and are continually working to create environments that facilitate this. For example, we recommend that both mothers and fathers take advantage of our parental leave systems—one of several childcare leave systems we operate—and this has resulted in a high proportion of our employees returning to work after taking maternity/paternity leave and childcare leave. We also offer a range of work style programs, such as flextime systems that allow employees to work flexible hours, and work from home systems. We incorporate user feedback to improve our programs and promote efficient work styles that cater to diverse lifestyles and social situations.

We are engaged in building unprecedented new office environments that are work-friendly for all our employees and that support their endeavors.

Leave System

We believe that employees are more productive when they can properly balance their work and lives. Accordingly, we are working to eliminate long working hours, and to both enhance our leave systems and encourage employees to make use of them. We have set a medium-term target of ensuring that our employees take 80%2 or more of the paid leave available to them. To this end, we educate employees on how to take leave in a systematic manner, we regularly monitor how much leave employees have available and we encourage the management aimed at improving leave usage rates. For fiscal 2023, paid leave usage rates stood at 70%.

We are engaged in building unprecedented new office environments that are work-friendly for all our employees and that support their endeavors.

For example, in the case of the “Myagi Technology Innovation Center we opened at Tokyo Electron Miyagi in 2021 features an “Innovation Area,” which is a communal space for creating new technologies, and a “Creative Office,” which is centered on a bright and open communication space.

We are also creating office spaces at our other sites that encourage interactions between different departments and that provide support for new innovations.

Leave System

We believe that employees are more productive when they can properly balance their work and lives. Accordingly, we are working to eliminate long working hours, and to both enhance our leave systems and encourage employees to make use of them. We have set a medium-term target of ensuring that our employees take 80% of more of the paid leave available to them. To this end, we educate employees on how to take leave in a systematic manner, we regularly monitor how much leave employees have available and we encourage the management aimed at improving leave usage rates. For fiscal 2023, paid leave usage rates stood at 70%.

We are engaged in building unprecedented new office environments that are work-friendly for all our employees and that support their endeavors.

Leave System

We believe that employees are more productive when they can properly balance their work and lives. Accordingly, we are working to eliminate long working hours, and to both enhance our leave systems and encourage employees to make use of them.
Chapter 3
Value Creation by the Value Chain

Human Rights

Approach to Human Rights
We at Tokyo Electron are conscious of our corporate social responsibility, and we recognize that it is important to conduct ourselves with a strong sense of integrity. Based on this recognition, we have firmly upheld human rights since our founding, as reflected in the spirit of our Corporate Philosophy and Management Policies. For us, respecting human rights means a significant undertaking, not only to fulfill our responsibility for eliminating adverse impacts on people caused through business activities but also to respect those people who support our business activities, and strive to nurture a dynamic corporate culture where each person can realize their full potential.

Revision of our Human Rights Policy and the Promotion Framework for Respect for Human Rights

In April 2023, we revised our Tokyo Electron Group Human Rights Policy in order to reflect the actual status of our initiatives, adding “Governance” and “Grievance Mechanisms” as new items.

Initiatives Which Align With the United Nations’ Guiding Principles on Business and Human Rights

Promoting Human Rights Due Diligence
We conduct human rights due diligence annually to identify human rights risks and develop corrective actions. In fiscal 2023, we conducted a survey based on RBA auditing standards of 12 Group companies in Japan and overseas and approximately 680 suppliers involved in materials, staffing, customs services, packaging, etc.

Consequently, potential/actual risks were found in 17% of our Group companies and 16% of suppliers, with labor- and health-safety-related risks comprising the majority of the risk breakdown. We conduct analysis of each of these identified risks and provide individual feedback to each of our Group sites and suppliers, requesting to discuss the impact of these risks and conduct corrective actions to reduce them, while we confirm the progress and effectiveness of such corrective actions through periodic monitoring. These corrective actions include formulating policies and procedures of various kinds, providing employees with notifications and explanations of employment terms, reinforcing management of working hours, implementing evacuation drills and the like.

Grievance Mechanism
We recognize the importance of having highly effective grievance mechanisms related to human rights issues and have established a reporting system with a high level of confidentiality for Group employees and our suppliers and all other stakeholders in Japan and overseas. We have established and are operating an internal point of contact that can be accessed 24 hours a day, 365 days a year and accommodates multiple languages, as well as an external point of contact that allows direct consultation with an outside law firm. Through these measures, we have developed grievance mechanism that are able to deal reliably with grievances which could have negative impacts on human rights.

Approach to Compliance
To practice our Corporate Philosophy, it is vital that each employee performs their daily duties with strong interest in and a deep understanding of compliance. We established “Tokyo Electron Group Code of Ethics” as a code of conduct to ensure that our employees are aware of the risks around them and conduct themselves appropriately. We have built a global system that can directly raise questions and concerns about compliance and business ethics to quickly address potential problems.
Compliance Initiatives

Business Ethics and Compliance

We have formulated "Tokyo Electron Group Code of Ethics" as a code of conduct for all executives and employees and established the Business Ethics Committee, and are working to promote business ethics and compliance more effectively and ensure that these permeate the entire Group. We have set up the Disciplinary Committee as a subordinate organization of the Business Ethics Committee to ensure the implementation of reasonable and appropriate disciplinary action and proper procedures. In addition, through regular meetings with each of the Group companies, we discuss and implement measures to promote compliance.

We have also set up an award system for employees who have engaged in particularly excellent activities relating to business ethics and compliance, to raise awareness within the Group and fostering a compliance-oriented culture.

Initiatives for Anti-bribery and Corruption and for Competition Laws

We have globally established the Basic Policy on the Prevention of Bribery and Corruption and the Guidelines for Gift, Hospitality and Entertainment in the area of anti-bribery and corruption, and the Basic Policy on Competition Law Compliance and Guidelines in the area of competition law, respectively. To ensure the commitment of these policies, we regularly provide training to promote understanding of these Policies and Guidelines and ensure their permeation throughout the entire Group.

Internal Reporting System

We have established an internal reporting system that ensures complete confidentiality, anonymity and the prohibition of retribution and unfavorable treatment, so that employees can safely and in peace of mind provide information and seek redress outside the chain of command where that behavior may lead to retaliation. In addition, we have established an internal leniency system, whereby any employee involved in a compliance violation has made a report to proactively provide information and seek redress safely and in peace of mind provide information and seek redress.

Reports and consultations received via these ports of contact are handled with sincerity and investigations are undertaken in accordance with internal regulations. If a compliance violation is found, disciplinary actions in accordance with the Rules of Employment, corrective measures such as improvements to the workplace environment and preventive measures are implemented as necessary.

In fiscal 2023, a total of 130 reports and consultations were received via the internal reporting system, of which 79 were recognized as compliance violations. The reports and consultations primarily related to harassment and the workplace environment. Based on this result, we have conducted regular education programs for our employees with the goal of preventing harassment and have provided thorough follow-up with those concerned or involved.

We have conducted compliance training for managers, which included coverage of prevention of harassment and the importance of establishing an appropriate workplace environment. There were no reports or cases of violations of laws/regulations in our operations that could have had a serious impact on our business or on local communities.

Breakdown of Report/Consultation Contents

- Incident of sexual harassment
- Information security
- Intellectual property
- Workplace harassment
- Abuse of authority
- GRI/Gi/Entertainment

Fiscal 2023

Information security: 22%
Intellectual property: 6%
Company asset: 1%
Security harassment: 1%

Compliance System

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 Compliance Department at our headquarters. We have also appointed Regional Compliance Heads at key overseas sites, and have established a framework for direct reporting to the CCO and Compliance Department.

Compliance Initiatives

Business Ethics and Compliance

We have formulated "Tokyo Electron Group Code of Ethics" as a code of conduct for all executives and employees and established the Business Ethics Committee, and are working to promote business ethics and compliance more effectively and ensure that these permeate the entire Group. We have set up the Disciplinary Committee as a subordinate organization of the Business Ethics Committee to ensure the implementation of reasonable and appropriate disciplinary action and proper procedures. In addition, through regular meetings with each of the Group companies, we discuss and implement measures to promote compliance.

We have also set up an award system for employees who have engaged in particularly excellent activities relating to business ethics and compliance, to raise awareness within the Group and fostering a compliance-oriented culture.

Initiatives for Anti-bribery and Corruption and for Competition Laws

We have globally established the Basic Policy on the Prevention of Bribery and Corruption and the Guidelines for Gift, Hospitality and Entertainment in the area of anti-bribery and corruption, and the Basic Policy on Competition Law Compliance and Guidelines in the area of competition law, respectively. To ensure the commitment of these policies, we regularly provide training to promote understanding of these Policies and Guidelines and ensure their permeation throughout the entire Group.

Internal Reporting System

We have established an internal reporting system that ensures complete confidentiality, anonymity and the prohibition of retribution and unfavorable treatment, so that employees can safely and in peace of mind provide information and seek redress outside the chain of command where that behavior may lead to retaliation. In addition, we have established an internal leniency system, whereby any employee involved in a compliance violation has made a report to proactively provide information and seek redress safely and in peace of mind provide information and seek redress.

Reports and consultations received via these ports of contact are handled with sincerity and investigations are undertaken in accordance with internal regulations. If a compliance violation is found, disciplinary actions in accordance with the Rules of Employment, corrective measures such as improvements to the workplace environment and preventive measures are implemented as necessary.

In fiscal 2023, a total of 130 reports and consultations were received via the internal reporting system, of which 79 were recognized as compliance violations. The reports and consultations primarily related to harassment and the workplace environment. Based on this result, we have conducted regular education programs for our employees with the goal of preventing harassment and have provided thorough follow-up with those concerned or involved.

We have conducted compliance training for managers, which included coverage of prevention of harassment and the importance of establishing an appropriate workplace environment. There were no reports or cases of violations of laws/regulations in our operations that could have had a serious impact on our business or on local communities.

Breakdown of Report/Consultation Contents

- Incident of sexual harassment
- Information security
- Intellectual property
- Workplace harassment
- Abuse of authority
- GRI/Gi/Entertainment

Fiscal 2023

Information security: 22%
Intellectual property: 6%
Company asset: 1%
Security harassment: 1%
Chapter 3
Value Creation by the Value Chain

Environment

E-COMPASS
As an industry leader in the domain of environmental management, we are rolling out E-COMPASS (Environmental Co-Creation by Material, Process and Subcomponent Solutions), our environment-focused initiative. Through E-COMPASS, we will work together with our customers and partner companies to preserve the global environment by promoting technological innovation and aiming to reduce the environmental impact of semiconductors throughout the entire supply chain, centering on the three following perspectives:

•Pursuing higher performance and lower power consumption in semiconductors
•Achieving both the process performance and environmental performance of equipment
•Reduction of CO2 emissions in all business activities

Environmental Management System
Environmental measures are growing even more crucial. We have established the Environment Promotion Department at our headquarters, headed by a corporate director in charge of the environment, which oversees multiple meetings to promote efforts to address medium- to long-term environmental issues across the entire Group. We also issue reports on the state of progress of these initiatives to management, including the CEO, through the framework of conferences set out in the following table. In accordance with the ISO 14001 certification that the entire Group (mainly our manufacturing subsidiaries) obtained in March 2017, we have identified environmental impact assessments and useful environmental aspects within this standard, and are executing a standardized group format for environmental management programs and internal audits. To enable compliance with the environmental laws and regulations of various countries, which are frequently revised, we are making efforts to gather information at earlier stages and taking a proactive stance towards compliance. We were once again free from environmental incidents, violations and legal proceedings in fiscal 2023.

<table>
<thead>
<tr>
<th>Conference Name</th>
<th>Main Participants</th>
<th>Overview</th>
<th>Meeting Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council for the Regular Reporting of Environmental Activities</td>
<td>CEO, corporate director in charge of the environment, etc.</td>
<td>Report on matters discussed at the Global Environment Council and the TEL Corporate Environment Council and reviews items for approval</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Manufacturing Companies Presidents’ Council</td>
<td>Corporate director in charge of the environment, etc.</td>
<td>Monitor and supervise progress related to environmental issues</td>
<td>Quarterly</td>
</tr>
<tr>
<td>TEL Corporate Environment Council</td>
<td>The CEOs in charge of the environment and vice presidents of department, etc.</td>
<td>The promotion of environmental activities across the entire Group, set company-wide goals</td>
<td>Appropriately</td>
</tr>
<tr>
<td>Global Environment Council</td>
<td>Appointed members by the executives at headquarters and the Group companies</td>
<td>Set individual goals related to environmental issues, monitor progress, work to achieve our goals</td>
<td>Twice annually</td>
</tr>
</tbody>
</table>

CO2 Emissions across the Value Chain
Based on our environmental slogan “Technology for Eco Life,” we aim to resolve environmental problems through leading technology and reliable services, understand the environmental impact generated throughout our entire value chain and promote business activities to reduce that impact.

Our total CO2 emissions of Scope 1 and Scope 2 is 42 kilotons, while Scope 3 as the sum of upstream and downstream activities accounts for a total of 14,333 kilotons; 95.7% of the total. Of this, CO2 emissions when using products stand at 9,814 kilotons, about 70% of the total. This is why we consider the development of products with low CO2 emissions during operation to be important. In fiscal 2023, we also revised our calculation method for emissions resulting from the use of products and services we have purchased and products we have sold, in order to calculate our Scope 3 emissions with greater accuracy.

Medium- and Long-term Environmental Goals and State of Progress
We have set the following medium- and long-term environmental goals.

Goals and Initiatives to Achieve Net Zero

Initiatives Concerning Own Emissions (Scope 1 and 2)
We aim to achieve a rate of 100% renewable energy usage and reduce total CO2 emissions at plants and offices by 70% by fiscal 2031 (compared to fiscal 2019), and net zero by fiscal 2041. The company-wide rate of renewable energy usage was 95% in fiscal 2021. As a result of this, and assisted also by energy-saving activities, we have reduced total CO2 emissions from our plants and offices by 76%, enabling us to reach our target ahead of schedule.

Reductions in CO2 Emissions through the Introduction of Renewable Energy
Chapter 3

Value Creation by the Value Chain

Initiatives Concerning Emissions Not from Our Group (Scope 3)

We aim to reduce per-war CO2 emissions by 30% by fiscal 2031 and by 50% by fiscal 2041 compared to fiscal 2019, and realize net zero by 2051. In fiscal 2023, per-war CO2 emissions had been reduced by 20.8% compared to the baseline period.

- CO2 Emissions Reductions of Products (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
<th>2031.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>30</td>
<td>20.8</td>
<td>17.8</td>
<td>14.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Base</td>
<td>4.6</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

In January 2022, we committed to our greenhouse gas emission reduction goals under the STB initiative1, and issued an application for our Scope 1, 2, and 3 goals in February 2023. We plan to receive certification of our goals in fiscal 2024. We will continue to work as one company-wide on initiatives aimed at achieving our long-term environmental goals by fiscal 2051.

Logistics Initiatives

In fiscal 2023, we proactively made progress with the adoption of reinforced corrugated cardboard packaging and with bringing about modal shifts in transportation. Reinforced corrugated cardboard is lighter in weight, which is expected to reduce CO2 emissions during transportation. It is also recyclable and has a lower environmental impact than wood. By the fourth quarter of fiscal 2023, the switchover rate (from wooden crates to reinforced corrugated cardboard) stood at 20.3%. In addition, CO2 emissions from logistics were reduced by 11.4% as a result of modal shifts.

CO2 Emissions Reductions of Products (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
<th>2031.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>30</td>
<td>20.8</td>
<td>17.8</td>
<td>14.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Base</td>
<td>4.6</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Biodiversity and Forest Conservation

In fiscal 2023, we formulated the following commitments to biodiversity and forest conservation.

- Biodiversity and Forest Conservation Commitments
  - The benefits of biodiversity are essential for the sustainable development of society. However, human society’s activities are having a major impact on biodiversity. Through ‘TCL’s Shared Value,’ we are working to resolve social issues through business activities that make use of our expertise. We aim to realize ‘Net Positive Impact (NPI)’ across our entire value chain through ongoing initiatives to preserve biodiversity. We believe that promoting activities in partnership with our stakeholders will help to boost our corporate value in an ongoing manner. As part of these efforts, we aim to achieve zero deforestation through working proactively to protect forests, which are home to ecosystems comprising numerous organisms and which constitute important CO2 sinks.

1. NPI: When the net effect of natural environmental issues cannot be avoided and the decision is instead taken to generate gains for the natural environment to offset the losses, ensuring that losses and gains are balanced.

Initiatives for Product Development

We are working proactively on the development of products with reduced environmental impact. In fiscal 2023, we released several types of equipment with superb environmental performances which utilize our technology, including Giluc™, a laser edge trimming system which reduces deionized water (DIW) consumption, dust generation and wastewater generation, and CELLESTA™ M52, a single wafer cleaning system which reduces utility usage during processing while ensuring high productivity.

CO2 Emissions Reductions of Products (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
<th>2031.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>30</td>
<td>20.8</td>
<td>17.8</td>
<td>14.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Base</td>
<td>4.6</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Initiatives Related to Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Based on the TCFD recommendations, we examine the risks and opportunities that climate change poses to our business and take various response measures as we endeavor to make ongoing disclosures.

Status of Initiatives Related to Recommendations of the TCFD

<table>
<thead>
<tr>
<th>Items</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>We have established the Environment Promotion Department and the Corporate Sustainability Management Department at our headquarters, and are pursuing initiatives for the TCFD under the entire Group. Our responses to climate-related risks and opportunities and progress towards our goals have been deliberated at the Sustainability Committee, and approved at the Corporate Officers Meeting attended by the CEO. The executive officers in charge of the environment and sustainability issues report on these initiatives to the Board of Directors, with the Board undertaking supervision. At the Global Environmental Council, comprised of members appointed by executives of the headquarters and Group companies, goals are set, progress is monitored, and the achievement of these goals is promoted.</td>
</tr>
<tr>
<td>Strategy</td>
<td>We are conducting analysis that takes into account the following points in order to identify medium- to long-term risks and opportunities that climate change poses for our business: Location of plants and offices Occurrence of natural disasters caused by climate change and status of damages Demands from customers, investors, NGOs and local communities Government policies and regulations and taxation Technological trends relating to renewable energy and energy saving Climate change scenarios predicted by external agencies and research results Under the 1.5°C scenario, we identified transition risks including rising energy costs associated with fuel and energy taxes, and under the 4°C scenario we identified physical risks such as the impact of abnormal weather. On the opportunity side, we identified advanced initiatives to address climate change through technological development. In response to these risks and opportunities, we are implementing the findings from our scenario analyses into our business strategies and assessing the initiatives aimed at reducing greenhouse gas emissions across the entire supply chain and achieving our medium- and long-term environmental goals, through introducing renewable energy and providing innovative manufacturing technologies that will contribute to lower power consumption in electronic products. We will increase our resistance to climate change (as a company by periodically reviewing the identified risks and opportunities and our responses thereto.</td>
</tr>
<tr>
<td>Risk Management</td>
<td>We have utilized enterprise risk management to identify a wide range of risks arising in business activities, and have classified “Environmental issues” including climate change as a key risk having high impact and probability of manifestation, and developed initiatives relating to this risk. We have formulated and executed measures to minimize the risks of these “Environmental issues,” and are monitoring the effect of said measures, working to understand the status of risk control and implementing the PDCA cycle for management. Short-, medium- and long-term company-wide risk management initiatives that are recommended by relevant divisions and councils are being undertaken at the facilities and divisions of the Group companies, after approval by the Manufacturing Companies Presidents’ Council, which includes the corporate director in charge of the environment. For Scope 1 and 2 CO2 emissions, in addition to implementing measures to reduce CO2 emissions at our key manufacturing sites in Japan with high emissions, we are pursuing the adoption of renewable energy on a global scale. For Scope 3 emissions, we are focusing on the development of a range of environmental technologies and reducing CO2 emissions in our suppliers’ operations, based on recognition of the importance of providing products that generate lower CO2 emissions because about 70% of the emissions in our entire value chain are generated during use of products after sale. We have formulated B0P in anticipation of natural disasters caused by abnormal weather and other factors, and are working with our suppliers to implement measures to ensure that business operations can be maintained. We have conducted analysis of the risk of natural disasters at our key manufacturing sites in Japan, and confirmed such risks to be low.</td>
</tr>
<tr>
<td>Metrics and Targets</td>
<td>We are pursuing E-COMPASS initiatives3 to help develop a data-driven society and preserve the global environment across the entire supply chain. With our semiconductor product production equipment technology, we are contributing to enhancing the performance and lowering the power consumption of semiconductor devices being used around the world. We are delivering achievements in both process performance and environmental performance for semiconductor production equipment. We are reducing CO2 emissions in all of our business activities. Initiatives for our medium- and long-term environmental goals:</td>
</tr>
</tbody>
</table>
Carbon tax (1°C scenario)
- Increase of 130 yen per carbon tax

Responses to environmental challenges including climate change and environmental laws and regulations
- Increased net sales
- Decreased energy costs

Abnormal weather
- Impacts on our customers' operations (production/shipment delays, open stops, power failures, and other factors)
- High

Higher temperatures
- Increased usage of air conditioning and fans in clean rooms and others at working temperatures
- Increased energy costs
- Low

Improved operational efficiency resulting from the environment
- Increased productivity
- Reducing energy costs
- High

Opportunities (Common)
- Initiatives that aim to respond proactively to climate change to add value to products and services through technological innovation
- Building resilience in our global operations

Anticipated Risks and Opportunities of Climate Change Impact and Our Response

Timeline: Short-term = five years or less, medium-term = 2030, long-term = 2050

<table>
<thead>
<tr>
<th>Risk Item</th>
<th>Transition Risks (1°C scenario)</th>
<th>Physical Risks (1°C scenario)</th>
<th>Anticipated Risks</th>
<th>Impact on Tokyo Electron</th>
<th>Our Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon tax and high energy costs</td>
<td>Short- to medium-term</td>
<td>Low/Medium</td>
<td>Assuming that our greenhouse gas (GHG) emissions and renewable energy usage levels remained at the levels of fiscal 2023, the carbon tax burden would rise as follows: Fiscal 2026: increase of 11 billion yen per year; Fiscal 2041: increase of 17 billion yen per year</td>
<td>Increased transportation costs</td>
<td>Promote energy-saving and adopt renewable energy usage levels of our suppliers accounting for more than 80% of our procurement spend through E-ComPASS activities in the supply chain. (1) Develop semiconductor production equipment technology that contributes to enhanced performance of semiconductor devices and lower power consumption. (2) Achieving both the progress performance targets (3) Reduce CO2 emissions in business activities (promotion to save energy in the supply chain, and adoption of renewable energy, etc.)</td>
</tr>
<tr>
<td>Responses to environmental challenges including climate change and environmental laws and regulations</td>
<td>Short- to long-term</td>
<td>Low/High</td>
<td>Promote innovation toward development of products and services based on advanced semiconductor superivity and business opportunities, increase net sales by creating new value, including the development of semiconductor production equipment and services that contribute to the reduction of non-power-related carbon dioxide emissions.</td>
<td>Increased procurement costs</td>
<td>Develop activities to achieve medium- and long-term environmental goals through E-ComPASS activities in the supply chain. (1) Develop semiconductor production equipment technology that contributes to enhanced performance of semiconductor devices and lower power consumption. (2) Achieving both the progress performance targets (3) Reduce CO2 emissions in business activities (promotion to save energy in the supply chain, and adoption of renewable energy, etc.)</td>
</tr>
<tr>
<td>Abnormal weather</td>
<td>Short- to medium-term</td>
<td>Medium</td>
<td>Periodic evaluations among customers, investors, non-profit organizations (NGOs) and local communities in our response to need to meet customers' requirements and demands and energy-related regulations.</td>
<td>Increased procurement costs</td>
<td>Promote innovation toward development of products and services based on advanced semiconductor superivity and business opportunities, increase net sales by creating new value, including the development of semiconductor production equipment and services that contribute to the reduction of non-power-related carbon dioxide emissions.</td>
</tr>
<tr>
<td>Higher temperatures</td>
<td>Medium- to long-term</td>
<td>Low</td>
<td>Increased usage of air conditioning and fans in clean rooms and others at working temperatures.</td>
<td>Increased energy costs</td>
<td>Promote innovation toward development of products and services based on advanced semiconductor superivity and business opportunities, increase net sales by creating new value, including the development of semiconductor production equipment and services that contribute to the reduction of non-power-related carbon dioxide emissions.</td>
</tr>
<tr>
<td>Improved operational efficiency resulting from the environment</td>
<td>Short- to medium-term</td>
<td>High</td>
<td>Increased productivity</td>
<td>Reducing energy costs</td>
<td>Promote innovation toward development of products and services based on advanced semiconductor superivity and business opportunities, increase net sales by creating new value, including the development of semiconductor production equipment and services that contribute to the reduction of non-power-related carbon dioxide emissions.</td>
</tr>
</tbody>
</table>
Chapter 3
Value Creation by the Value Chain

Continuous Improvement of Business Operations and Creation of New Values

Initiatives of Digital Transformation (DX)
Based on the idea that DX initiatives are a means and an opportunity to achieve the management vision and the company management plan and to create corporate value, in January 2021, we formulated the TEL DX Vision and the TEL DX Grand Design. The main purpose of DX activities is to digitally accelerate and strengthen the key management measures of the “four material issues” with product transform and business transform as the main activities. In product transform, we will solve high-level issues while repeatedly performing the processes of “(1) Recognition (sensing and monitoring), (2) Analysis and prediction, (3) Control and (4) Learning and evolution (autonomous), and we will strive to improve customer value. In addition, in business transform, we will grasp the current state of internal business, as well as envision how work should be like and change the way we use digital tools and our business methods to improve the company’s capital efficiency.

At the same time, we are promoting the use of digital technology in our management foundation and business support departments, which are necessary to carry out these activities. In addition, we will define the human resources necessary for promoting DX (DX engineers), design a training plan for each necessary skill and actively work on this training. Furthermore, we are not only training DX engineers but also employees that can use data in their everyday work.

In May 2022, the headquarters has been recognized as a DX-certified business operator under the Digital Transformation (DX) Certification initiative established by the Ministry of Economy, Trade and Industry.

Continuous Improvement of Business Operations

We are implementing a new enterprise system (ERP) to further improve productivity and quality. This system is operated across business and country boundaries, to (1) significantly improve operational efficiency, (2) make management decisions that respond quickly to changes, and (3) create new value by utilizing globally integrated information with an eye toward overall digital transformation. We have completed the implementation of this system at the headquarters in fiscal 2022 and at the spare parts warehouse in Japan in fiscal 2023. Going forward, we will make maximum use of the knowledge we have gained through the process so far, and will proceed with the implementation of the system to our overseas subsidiaries and manufacturing sites in Japan. In addition, we will work with our partner companies to realize a globally integrated system by developing functions and others to improve operations, increase efficiency and further enhance system performance.

Product landsc: Contributing to customer value creation in a variety of situations, from development to manufacturing, business transform: Improving capital efficiency in a variety of situations, from the product planning stage to maintenance

TEL DX Grand Design

A global company where all employees create sustainable value creation through activities such as value addition and efficiency improvements by leveraging digital technology

TEL DX Vision

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

DX Business Platform

Enhancing the Management Foundation through digitization and digital technology

DX Infrastructure

Digital Mindset and Culture

Data Governance and Platform

Medium-term Management Plan

Net Sales: 3 trillion yen or more

Product Competitiveness

Higher Productivity

Customer Responsiveness

Management Foundation

TEL DX Grand Design

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

Innovative enhancement of measures of material issues through DX activities that connect PLM* steps

Product transform: Improving the product development life cycle

Business transform: Improving capital efficiency in a variety of situations, from the product planning stage to maintenance

DX Application

Development

Manufacturing

Field

DX Skill Development

Digital Mindset and Culture

Data Governance and Platform

Vision

Achieving the Financial Targets

Organizational Performance

Customer Competitiveness

Management Foundation

Four Material Issues

Vision

Achieving the Financial Targets

Organizational Performance

Customer Competitiveness

Management Foundation

TEL DX Vision

TOKYO ELECTRON Integrated Report 2023

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

Innovative enhancement of measures of material issues through DX activities that connect PLM* steps

Product transform: Improving the product development life cycle

Business transform: Improving capital efficiency in a variety of situations, from the product planning stage to maintenance

DX Application

Development

Manufacturing

Field

DX Skill Development

Digital Mindset and Culture

Data Governance and Platform

SRP: Product Lifecycle Management

Overview of the New Enterprise System

IT System

Key Processes

Sales CRM (Opportunities and lead management)

ERP (Sales, Inventory, Accounting)

Schedule CRM

Service CRM (Field support)

ERP (Sales, Inventory, Accounting)

IT System

Key Processes

Sales CRM (Opportunities and lead management)

ERP (Sales, Inventory, Accounting)

Schedule CRM

Service CRM (Field support)

ERP (Sales, Inventory, Accounting)

IT System

Key Processes

Sales CRM (Opportunities and lead management)

ERP (Sales, Inventory, Accounting)

Schedule CRM

Service CRM (Field support)

ERP (Sales, Inventory, Accounting)

IT System

Key Processes

Sales CRM (Opportunities and lead management)

ERP (Sales, Inventory, Accounting)

Schedule CRM

Service CRM (Field support)

ERP (Sales, Inventory, Accounting)

IT System

Key Processes

Sales CRM (Opportunities and lead management)

ERP (Sales, Inventory, Accounting)

Schedule CRM

Service CRM (Field support)

ERP (Sales, Inventory, Accounting)
Corporate Governance Framework

Chapter 3
Value Creation by the Value Chain

Corporate Governance System

Basic Stance
We regard the improvement of our corporate governance structures as important for achieving success in global competition and realizing sustainable growth. To that end, we have built a structure which utilizes the maximum worldwide resources we possess and have worked to incorporate a wide range of opinions to strengthen our management, foundation and technology base, establishing a governance structure capable of ensuring that we attain global-level earnings power. We have established the Corporate Governance Guidelines* and outlined the corporate governance structures that we have developed and reinforced to date, in advance of other companies. We use the Audit & Supervisory Board System, which consists of a Board of Directors and an Audit & Supervisory Board, and have achieved effective governance based on the supervision of management by the Audit & Supervisory Board.

* Refer to “Corporate Governance” on our website for details: www.tokinelect.com/eng/governance/

Characteristics of Our Corporate Governance

A Board of Directors that is Independent and Diverse
• Outside directors make up half of our corporate directors (Three outside directors and three inside directors).
• Two female directors among six corporate directors.
• Outside directors make up majorities in the Nomination Committee and Remuneration Committee, including their respective chairpersons.

Strengthening the Functions of the Executive Side
• Introduction of a Corporate Officer system with corporate officers as the highest-level officers on the executive side of the Group.
• Establishment of the Corporate Officers Meeting as the highest decision-making body on the executive side of the Group, and delegation of authority from the Board of Directors to the executive side.

Advanced Initiatives Taken Ahead of Other Companies
• Introduction of a stock-based compensation system for outside directors.
• Introduction of Shareholding Guidelines for corporate directors, corporate officers and executive officers and Clawback Policies for executive directors and corporate officers.

Changes in Corporate Governance (Since FY1998)

<table>
<thead>
<tr>
<th>Year</th>
<th>Outside Directors (total)</th>
<th>Female Directors (total)</th>
<th>Outside Directors (ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Two</td>
<td>Two</td>
<td>50%</td>
</tr>
<tr>
<td>1999</td>
<td>Three</td>
<td>Three</td>
<td>50%</td>
</tr>
<tr>
<td>2000</td>
<td>Three</td>
<td>Three</td>
<td>50%</td>
</tr>
<tr>
<td>2002</td>
<td>Three</td>
<td>Three</td>
<td>50%</td>
</tr>
<tr>
<td>2022</td>
<td>Three</td>
<td>Three</td>
<td>50%</td>
</tr>
</tbody>
</table>

Composition
Three outside directors and three inside directors

Audit & Supervisory Board
Member and corporate officers also attend, to share opinions and give reports
Chairperson
Inside director (non-executive)
Number of Meetings
11 in fiscal 2023

Composition
Three outside directors and two inside directors

Chairperson
Outside director
Number of Meetings
7 in fiscal 2023

Composition
Two outside directors and one inside director

Chairperson
Outside director
Number of Meetings
10 in fiscal 2023

Committees on the Executive Side

<table>
<thead>
<tr>
<th>Committee Name</th>
<th>Main Composition</th>
<th>Purpose</th>
<th>Meeting Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Ethics Committee</td>
<td>Executive officers in charge Division general managers Presidents of relevant companies</td>
<td>Verifies the status of practice in accordance with the Code of Ethics Promotes and supports training and educational programs relating to business ethics</td>
<td>Twice annually</td>
</tr>
<tr>
<td>Sustainability Committee</td>
<td>Executive officers in charge Division general managers Presidents of relevant companies</td>
<td>Considers and formulates sustainability-related policies Sets and manages sustainability goals (short-, medium- and long-term) Implements company-wide projects (the environment, human rights, RBA, etc.)</td>
<td>Twice annually</td>
</tr>
<tr>
<td>Risk Management Committee</td>
<td>Executive officers in charge Risk owners of individual risks Presidents of relevant companies</td>
<td>Performs and shares information on company-wide risk management Establishes systems and mechanisms to investigate and counter risk scenarios for individual risk items in collaboration with risk owners</td>
<td>Twice annually</td>
</tr>
<tr>
<td>Information Security Committee</td>
<td>Executive officers in charge Officers in charge at relevant companies</td>
<td>Spreads awareness of information security strategies and policies Shares information on information security planning and the current situation</td>
<td>Twice annually</td>
</tr>
<tr>
<td>Export Trade Control Committee</td>
<td>Executive officers in charge Presidents of relevant companies</td>
<td>Promotes export compliance activities</td>
<td>Annually</td>
</tr>
</tbody>
</table>
About Corporate Officers
As a leading company in the semiconductor production equipment industry, where technological innovation is rapid and market changes are active, we introduced our unique Corporate Officer system in June 2022 to further strengthen governance and implement quick decision-making and agile operational execution. Corporate officers are the highest-level officers on the executive side within the Group, unlike executive officers, who have responsibility for particular areas, corporate officers have responsibility for the management of the entire company, taking the same perspective as the CEO. Corporate officers also attend Board of Directors meetings, where they give briefings on operational execution, to ensure that the Board of Directors is able to supervise the executive side in an appropriate manner, and that discussions at the Board of Directors meetings can be put to use appropriately and speedily in operational execution, in order to promote proactive management.

We have also established the Corporate Officers Meeting, the highest-ranking decision-making body on the executive side of the Group. Corporate Officers Meeting sessions are held once a month as a basic principle, with inside directors and inside Audit & Supervisory Board members taking part in addition to six corporate officers, at the sessions, participants help to ensure agile operational execution by deliberating and making decisions on key items on the executive side, including those items for which authority has been delegated from the Board of Directors to the executive side.

Highest position on the executive side within the Group
Members of the Corporate Officers Meeting
Attendance at Board of Directors meetings (without voting rights)

Main Topics for the Board of Directors and Off-site Meetings

CEO
• Reports on status of business execution by CEO (each meeting)
• Sharing of CEO’s impressions

Medium-, Long-term Growth Strategies
• Market environments over the medium to long term and our strategies for responding
• Medium-term Management Plan and future growth strategies
• Financial strategies/capital policy/human resource strategies
• Business portfolio/make-up of new (SSS BIC)
• Mergers with Group companies
• Expansion and reinforcement of development and production facilities in Japan and overseas
• Business innovation projects

Risk/Compliance
• Improvement of risk management processes
• Legal affairs and compliance/information security
• Procurement risks
• Declarations of Partnership Building
• Reports on sustainability
• Initiatives for diversity
• Reports on investment in human capital and intellectual property assets
• Reports on internal audits
• Status of investment targets and cross-shareholdings
• Status of IR activities
• Status of the activities of the Nomination Committee and Compensation Committee
• Status of progress of successor development plan
• Closed session on evaluation of representative directors (members of the Board of Directors excluding the representative directors)

Off-site Meetings
In addition to the Board of Directors meetings, off-site meetings have been held on two occasions (September 2022 and March 2023), where medium- and long-term growth strategies, financial strategies, capital policy and human resource strategies have been discussed. In March, members also undertook an observation of the Miyage Technology Innovation Center and other sites at Tokyo Electron Miyagi, where they developed a deeper understanding of the operations while engaging in dialogue with employees on-site.

Establishment of the Director Compensation System
Basic Policy on Director Compensation
The TEL Group emphasizes the following points in its basic 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) Secrecy of transparency and fairness in the decision process of compensation and appropriateness of compensation

Compensation Structure
Among corporate directors, compensation for inside directors consists of “fixed basic compensation,” “annual performance-linked compensation” and “medium-term performance-linked compensation.” Compensation for outside directors consists of “fixed basic compensation” and “non-performance-linked compensation (stock-based 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.

The following table sets out an overview of our policies and decision-making methods for each type of compensation.

<table>
<thead>
<tr>
<th>Type of Compensation</th>
<th>Recipient</th>
<th>Overview of Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Basic Compensation</td>
<td>Outside Directors</td>
<td>• Monthly compensation is determined within the limit of total fixed basic compensation, which has been received at the Shareholders’ Meetings.</td>
</tr>
<tr>
<td>Annual Performance-linked Compensation</td>
<td>Performance Shares (Stock-based Compensation)</td>
<td>• Amounts to be paid is linked to business performance in each fiscal year, with a view to motivating recipients to contribute to improving the business performance in each fiscal year.</td>
</tr>
<tr>
<td>Stock Compensation-based Stock Options</td>
<td>Annual Performance-linked Compensation</td>
<td>• Specific amounts and the number of stock options granted shall be commune with the Company's business performance and the results of individual performance evaluations in the relevant fiscal year. (Indicators of the corporate business performance)</td>
</tr>
<tr>
<td>Restricted Stock Units (Stock-based Compensation)</td>
<td>Non-performance-linked Compensation</td>
<td>• Since TEL stock options are subject to a three-year exercise restriction period from the granting of options, designed to motivate recipients to share a shareholder perspective while contributing to improving business performance in the medium to long term.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Calculation Method for Medium-term Performance-linked Compensation

The calculation formula for medium-term performance-linked compensation is described by the following formula.

\[
\text{Medium-term Performance-linked Compensation} = \text{Share delivery point} \times \left( \text{Consolidated operating margin} \times \text{Consolidated R&D} \times \text{Return on investment} \right)
\]

Share delivery point = 100\(^{\%}\) (set according to the scale of job responsibilities)
Consolidated operating margin = \(\text{Consolidated operating margin (Indicators of the business performance)}\)
Consolidated R&D = consolidation of R&D (Indicators of the business performance)
Return on investment = (Net income attributable to owners of parent and consolidated ROE) \(\times 100\)^{\%} (Indicators of the business performance)

Medium-term Performance-linked Compensation

The points to be reflected in the calculation formula are as follows:

\[\text{Share delivery point} = 100\times \left( \frac{\text{Consolidated operating margin}}{70\%} \times \frac{\text{Consolidated R&D}}{30\%} \times \frac{\text{Return on investment}}{100\%} \right) \]

Indicators evaluating the level of achievement of performance goals for the covered period (three fiscal years), the actual values for consolidated operating margin and consolidated R&D respectively in the final fiscal year of the target period. The various factors are as follows, in line with the level of achievement of performance goals.

- Medium-term ROE, M10, and M5 are evaluated, with a weight of 50%, 30%, and 20%, respectively.
- Overall ROE for the three fiscal years is evaluated, with a weight of 30%.
- Medium-term ROE, M10, and M5 are evaluated, with a weight of 30%, 50%, and 20%, respectively.
- Overall ROE for the three fiscal years is evaluated, with a weight of 30%.

Reported by: The Compensation Committee

Before it is finalized, the calculation is reviewed and approved by the Compensation Committee and the entire Board of Directors.
Chapter 3
Value Creation by the Value Chain

Evaluating the Effectiveness of the Board of Directors

Overview of Evaluations of Effectiveness

To further enhance our governance and the effectiveness of the Board of Directors, we have conducted annual evaluations of the effectiveness of the Board since fiscal 2016 and have disclosed summaries of the results. Since fiscal 2019, we have used external experts as a third-party organization to verify the status of initiatives relating to issues identified in the preceding fiscal year, identify future issues and work toward continuous improvement.

Evaluation of the Effectiveness of the Board of Directors for Fiscal 2023

Scope of Evaluation

Board of Directors overall (including details of the activities of the Nomination Committee and Compensation Committee)

Process

[1] Clarification of roles and decision-making authority between the executive side and the Board of Directors
[2] Introduce a Corporate Officer system, and establish Corporate Officers Meetings
[3] Revise the criteria for resolutions of the Board of Directors, and delegate a portion of the matters to be resolved to the Corporate Officers Meeting

Roles and operational status of the Nomination Committee and Compensation Committee

Roles of Audit & Supervisory Board members

Composition of the Board of Directors

Preparation in advance of Board of Directors

Board of Directors operations

Deliberations at meetings by the Board of Directors

Discussion and self-evaluation by the Board of Directors

Evaluations Items

The main evaluation items for evaluating effectiveness are as follows:

• Overall evaluation
• Composition of the Board of Directors
• Preparation in advance of Board of Directors
• Board of Directors operations
• Deliberations at meetings by the Board of Directors
• Roles and operational status of the Nomination Committee and Compensation Committee
• Roles of Audit & Supervisory Board members
• Corporate Officer system

Overview of Fiscal 2023 Evaluation Results

The Company’s Board of Directors believes that the Board of Directors is very effectively ensuring that the key roles and obligations of the Board of Directors are being fulfilled, and that the Board, including the Nomination Committee and the Compensation Committee are functioning effectively. The results of the analyses and evaluations performed by the external experts also confirmed that the Company’s Board of Directors is functioning effectively, supported by its strengths such as “non-hierarchical, open and natural discussion,” “agile execution,” and “drive in execution and unity of the management.”

On the other hand, based on the analysis and evaluation results of external experts, the Board of Directors shared the intention to further enhance strategic discussions with a view to the future business environment from a longer term perspective as the importance of semiconductors increases.

Future Initiatives

Aiming to become the top company globally in the medium to long term we will continue to work on each of the following matters to further strengthen the supervisory function of the Board of Directors and the management and execution functions of the executive side and will further enhance its effectiveness by regularly reviewing its progress.

• The company will systematically set agendas in line with medium to long term strategies and issues for growth, and will enhance discussions from a long term perspective
• The company will enhance the effectiveness of the Corporate Officers Meeting, the highest decision making authority on the executive side
• The company will conduct an analysis of the decision making of the Board of Directors, clarify the points of deliberation, and enhance opportunities for sharing information with outside directors and outside Audit & Supervisory Board members on occasions other than board meetings and off-site meetings

Message from the Chairman of the Board of Directors

One year has passed since I was appointed chairman of the Board of Directors as a non-executive director in June 2022.

Even prior to that, Tokyo Electron's Board of Directors was engaged in the pursuit of the Board’s effectiveness and strengthening of governance system aimed at corporate value enhancement. As a result, in the fiscal year ended March 31, 2023, our Group was able to report a net income of 2 trillion yen, which is a record-high, and a 50.5% ratio of inside (1) directors, creating a highly independent organization of directors. In addition, we have revised our governance system, including the introduction of our own Corporate Officer system, to enable speedier decision making by the management, executive body, and agile business execution.

The corporate officers, as the highest position in our business execution, take the same viewpoint as the CEO, undertaking execution of Group management. The Board of Directors appropriately accelerated the delegation of authorities so that the Corporate Officers Meeting, comprised of the corporate officers, is able to function swiftly and flexibly as the highest decision-making body on the executive side. As a result, we have established a system where the Board of Directors is able to better focus on its supervisory function. In addition, the corporate officers attend the Board of Directors, where they not only directly see the various deliberations that take place aimed at enhancement of corporate value, they also take part in the deliberations, and are thereby able to take the knowledge and motivation they gain there directly to the sphere of execution.

In fiscal 2022, Tokyo Electron realized the financial model set out in the Medium-term Management Plan, formulated in May 2019, two years ahead of schedule, and formulated a new Medium-term Management Plan in June 2022. The Board of Directors has checked our progress towards achievement of the financial targets described in the new Medium-term Management Plan (net sales of 3 trillion yen or more, operating margin of 35% or more, R&D of 30% or more), while also reviewing the progress of many sustainability-related initiatives, such as promotion of net zero and DE&I, and indicators (non-financial targets). Moving forward, the Board of Directors will continue to extensively supervise initiatives aimed at corporate value enhancement over the medium-term to long-term.

The open and flat corporate climate that Tokyo Electron has maintained since its founding is the source of our strength. Our Board of Directors will continue to value this positive corporate culture, while also paying close attention to the constantly changing trends in our world. Holding a global perspective, we will strive to undertake open, frank and proactive deliberation with a sense of speed and make the best decisions at the appropriate timing to contribute to corporate value enhancement, tackling important issues, focusing on risk management, as well as further strengthening corporate governance.

Yoshikazu Nunokawa
Chairman of the Board of Directors
Chapter 3
Value Creation by the Value Chain

**Skills Matrix**

We define “Product Competitiveness,” “Customer Responsiveness,” “Higher Productivity,” and “Management Foundation,” which support our overall business activities, as material issues. We will achieve the medium-term goals in each material issue and realize expanding medium- to long-term profit and continuous corporate value enhancement through each Corporate Director and Audit & Supervisory Board Member, who have demonstrated their skills in Global Business, Governance, Sustainability, and others listed below as determined by the Nomination Committee and the Board of Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Expected Skills</th>
</tr>
</thead>
</table>

**Definition of Expected Skills**

- **Corporate Management**: Experience of corporate management (experience serving as a representative director or chairman/president)
- **Semiconductor Markets**: Knowledge of semiconductor markets
- **Manufacturing/Development**: Knowledge/expense in manufacturing and development at TEL and other manufacturers
- **Sales/Marketing**: Knowledge/expense in sales and marketing at TEL and other manufacturers
- **Finance, Accounting/Engagement with Capital Markets**: Knowledge in financial accounting and M&A, or knowledge/expense in engagement with capital markets
- **Legal Affairs/Risk Management**: Knowledge of legal affairs, compliance, and risk management

**Diversity of Board Members**

<table>
<thead>
<tr>
<th>Expected Skills of Corporate Directors and Audit &amp; Supervisory Board Members (Unit: persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Management</td>
</tr>
<tr>
<td>Semiconductor Markets</td>
</tr>
<tr>
<td>Manufacturing/Development</td>
</tr>
<tr>
<td>Sales/Marketing</td>
</tr>
<tr>
<td>Finance, Accounting/Engagement with Capital Markets</td>
</tr>
<tr>
<td>Legal Affairs/Risk Management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Independence and Diversity of Corporate Directors (Unit: persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Outside Directors</td>
</tr>
<tr>
<td>Female Corporate Directors</td>
</tr>
</tbody>
</table>

**Directors, Audit & Supervisory Board Members and Corporate Officers (As of July 1, 2023)**

**Directors**

- **Toshiki Kawai**
  - Representative Director
  - President & CEO
  - Corporate Officer
- **Sadao Sasaki**
  - Representative Director
  - Senior Executive Vice President
  - Corporate Officer
  - Chairman & Representative Director
  - Tokyo Electron Technology Solutions Ltd.
- **Yoshikazu Nunokawa**
  - Chairman of the Board of Directors
- **Michio Sasaki**
  - Outside Director
  - Director and Vice President, SHIFT Inc.
- **Makiko Eda**
  - Outside Director
  - Chief Representative Officer, World Economic Forum Japan
  - Outside Director, FUJIFILM Holdings Corporation
- **Sachiko Ichikawa**
  - Outside Director
  - Partner, Tanabe & Partners
  - Outside Director, COMESU CORPORATION
  - The Board Director Training Institute of Japan

**Audit & Supervisory Board Members**

- **Kazushi Tahara**
  - Audit & Supervisory Board Member
- **Yutaka Nanasawa**
  - Audit & Supervisory Board Member
- **Kyosuke Wagaiz**
  - Audit & Supervisory Board Member
  - Takara & Company, Ltd.
  - Audit & Supervisory Board Member, Micron Technology, Inc.
  - Outside Director, Eiyo Asset Management Corporation
- **Masatomo Harms**
  - Audit & Supervisory Board Member
  - Takara & Company, Ltd.
  - Audit & Supervisory Board Member, Micron Technology, Inc.
  - Outside Director, Eiyo Asset Management Corporation
- **Ryota Miura**
  - Audit & Supervisory Board Member
  - Mukai & Partners Legal Profession Corporation
  - Chairman, Audit & Supervisory Board Member, Nichirei Corporation
  - Outside Director, Ita Co., Ltd.

**Corporate Officers**

- **Tatsuya Nagakubo**
  - Corporate Officer
- **Seisu Ikeda**
  - Corporate Officer
- **Yoshinobu Mitano**
  - Corporate Officer
- **Takeshi Okubo**
  - Corporate Officer
Obtain information and confirm the facts quickly. On this point, I potentially impact all other business risks, it is essential that we in particular are out of our control, but because they can to continually hone our responsiveness through constant auditing.

Governance is a journey without end. Therefore, I will continue striving to ensure the company is in a position to contribute to and that migration from existing systems is smooth and satisfactory to all. With human resource mobility increasing globally, we can also expect competition for talent, so it is essential that compensation systems be designed to be competitive. Therefore, it is essential that the Compensation Committee also continue to assess our system to ensure it functions effectively and is competitive. I want that the Compensation Committee also continue to evaluate our non-financial factors are better reflected in compensation amounts and that migration from such existing systems is smooth and satisfactory to all.

As I understand it, governance means supervising a company’s activities to enable ongoing sustainable growth of the company, preservation of the global environment and contributions to human society. In a rapidly changing and complex external business environment, I am reassured that key risks are being identified at Tokyo Electron, and that risk management is being implemented under the direction of executives with ownership over each of those risks. However, risks are always changing, so it is important to continually hone our responsiveness through constant auditing and reporting while never letting down our guard. Geopolitical risks in particular are out of our control, but because they can potentially impact all other business risks, it is essential that we obtain information and confirm the facts quarterly. On this point, I believe that we have enhanced our external relationship function and are now seeing results.

As for future challenges, I believe it is important to stay ahead of the times and take an ever-unwrapping approach to the very nature of the entire supply chain, procurement, product competitiveness and manufacturing sites as specific challenges related to medium- to long-term business strategy. I am also keenly aware of the need to prepare for future growth and work toward further investment in human resources, investment in research and development, and diversity.

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?

How would you rate corporate governance at Tokyo Electron right now, and what future challenges do you see?
Risk Management

Approach to Risk Management
We are building and developing a risk management system to respond appropriately and promptly to risks that are growing increasingly complex and diverse as society and the business environment change. We identify cross-business and comprehensive risks across the entire Group to build a solid financial foundation based on the Medium-term Management Plan that is competitive globally. We make decisions and supervise particularly material risks at the Corporate Officers Meeting and the Board of Directors.

Risk Management System
We have established the organization to oversee the entire Group at our headquarters and carry out enterprise risk management1 to promote more effective risk management. This organization, together with the respective departments responsible for each operation, comprehensively identifies a wide range of risks associated with our business activities, such as compliance, human resource, labor and business continuity, and classifies those with high impact and probability as our material risks.

In addition, we strive to improve the effectiveness of risk management through measures such as regular education and training programs for management and employees to raise Group-wide risk awareness, formulating and monitoring the implementation of measures to reduce material risks, and reinforcing the PDCA cycle through discussions at major internal meetings. Specifically, we review the response status of the reinforcing the PDCA cycle through discussions at major internal meetings.

We are also continuing to focus on the revision and operational improvement of our BCP for the entire Group, and we regularly conduct BCP drills and disaster drills for all employees to foster the practical ability to ensure the continuation of business operations in the event of an emergency.

Starting in fiscal 2023, we are promoting further DX in our risk management activities by introducing GRC tools2 that utilize digital technology. It is now possible to visualize the assessment of and countermeasures against risks across the entire Group, as well as to synchronize the information among risk owners and departments in charge of each risk on a global and cross-sectional basis through the use of these tools.

To continue practicing autonomous and highly effective risk management, we will develop group-wide activities for each risk owner to further strengthen risk management for the 12 risk items that we have defined.

1 Enterprise risk management: Group-wide systems and processes related to risk management activities.
2 GRC tools: A system that contributes to risk-oriented decision-making in a timely manner by systematically organizing multi-layered and complex corporate management functions and management information collected through the integration of Governance, Risk and Compliance (GRC) measures related to corporate activities.

Risk Management Initiatives
We have begun to address emerging risks from a medium- to long-term perspective, going a step further than its conventional approach of assessing the current risk management state, identifying known and unknown risks that may surround the company in the future and examining mitigation measures. In fiscal 2023, the 12 risks identified to date were reviewed and realigned from the perspective of their potential to have a significant impact on our operating results, financial condition and cash flow. We then pushed forward risk management initiatives for each identified risk even further.

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Potential Impact</th>
<th>Risk Management Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market Fluctuations</td>
<td>A rapid contraction of the semiconductor market could lead to overproduction or an increase in raw materials inventory.</td>
<td>Minimize the impact on our business by adjusting production levels and managing inventory.</td>
<td>Establish the Corporate Innovation Division and build a Group-wide development framework that integrates innovative technology development with the technology semi-conductor manufacturing.</td>
</tr>
<tr>
<td>2. Geopolitics</td>
<td>Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policy.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Formulate BCP, develop alternate production capabilities, promote the semantic refinement of product development, etc.</td>
</tr>
<tr>
<td>3. Procurement, Production and Supply</td>
<td>Disruptions to the production or delivery of products due to delays in the supply of products to customers.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>4. Safety</td>
<td>Accidents that occur during work in the workplace or equipment failures could lead to damages to customers, liability for damages and a decline in public trust and confidence in the Company.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>5. Environmental Issues</td>
<td>The inability to respond appropriately to climate change, environmental laws and regulations, and natural disasters could lead to additional costs such as for developing new products or changing specifications, as well as to reduced product competitiveness and diminished public confidence in the Company.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>6. Laws and Regulations</td>
<td>Violations of the laws and regulations of the countries and regions in which the Company operates could lead to diminished public confidence in the Company, fines, liabilities for damages or restrictions on business activities.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>7. Intellectual Property Rights</td>
<td>The inability to obtain exclusive rights to proprietary technologies could lead to reduced product competitiveness.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>8. Information Security</td>
<td>Breaches of information or the suspension of services due to unauthorized access through cyberattacks against the Company or suppliers, natural disasters or other factors could lead to diminished public confidence in the Company or liability for damages.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>9. Human Resources</td>
<td>The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an organizational structure that can respond to changes in the business environment.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
<tr>
<td>10. Other Risks</td>
<td>The global and regional political landscape, economic environment, financial and stock markets, foreign exchange fluctuations, infectious diseases and natural disasters such as earthquakes, typhoons and floods, among other factors, could cause the Company’s business activities to stagnate and the global economy to deteriorate.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
<td>Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region.</td>
</tr>
</tbody>
</table>
Chapter 3
Value Creation by the Value Chain

Information Security

As the data-driven society advances and the importance of information security increases, we aim to achieve both data utilization and information security by promoting DX and other measures. We are working with our suppliers to promote ongoing measures to protect the entire supply chain from the risk of cyberattacks that could target the entire Group.

Main Activities

Information Security Systems

We work proactively to introduce advanced technology and have established a dedicated security organization, and are operating a robust monitoring system, to respond to security threats such as cyberattacks (including ransomware) and information leaks.

Security at Manufacturing Sites and in Products

We operate a system that can detect the occurrence of security incidents, and have structures in place that aim to respond to issues and recover systems swiftly. We also carry out incident response training for the entire Company, including management.

Supply Chain Security

We participate in a variety of global initiatives and promote sustainability in our business activities. We are also working to ensure information security in our products as one of our services and as part of the quality that is required to meet our customers’ expectations.

Increasing Resilience

We have proactively introduced advanced technology and established a dedicated security organization, and are operating a robust monitoring system, to respond to security threats such as cyberattacks (including ransomware) and information leaks.

Responses to Security Threats

We are working with our suppliers to promote ongoing measures to protect the entire supply chain from the risk of cyberattacks that could target the entire Group.

Evaluation from Third-party Institutions

Our sustainability initiatives have allowed us to continue to be selected as a constituent stock under leading global ESG indices, including the Dow Jones Sustainability™ Asia/Pacific Index, FTSE4Good Index Series, MSCI ESG Leaders Indexes®, Euronext Vigeo World 120 Index and STOXX® Global ESG Leaders Indexes. In fiscal 2023, we were selected under the Bloomberg Gender-Equality Index (GEI) and evaluated as a low-risk company in Sustainalytics’ ESG Risk Ratings®, as well as being selected for the first time as an “A-Star” under the 2023 All-Japan Executive Team announced by Institutional Investor.

Additionally, we received the Porter Prize, which recognizes companies and enterprises that implement unique and outstanding strategies in Japan.

Furthermore, we received recognition as one of the top 500 companies under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program® for the 5th consecutive year, while the Tokyo Electron Integrated Report 2022 was selected again as an “Excellent Integrated Report” by the Government Pension Investment Fund (GPIF)’s external asset managers entrusted with domestic equity investment, continuing from the previous year.

Participation in Global Initiatives

We participate in a variety of global initiatives and promote sustainability in our business activities.

Engagement with Capital Markets

Our management actively engages in IR (Investor Relations) and SR (Shareholder Relations) activities to contribute to our sustainable growth and increase corporate value over the medium to long term. In terms of IR activities, the CEO and each company’s executive appear at quarterly financial announcement and Medium-term Management Plan briefings to share our business strategies and growth story. We have also established the IR Department under the direct control of the CEO to enable deeper discussions with our investors. As part of our SR activities, each company executives play a central role in constructive dialogue with our major investors and proxy advisory firms. In addition to explaining the Shareholders’ Meeting agenda in advance, we engage in repeated dialogue throughout the year on a wide range of topics including corporate governance, our policies about sustainability-related initiatives, the environment, human rights, and diversity and inclusion. Opinions gathered from dialogues with investors are regularly reported to management and the Board of Directors.

Main Activities

Engagement with Capital Markets

- Individual meetings for institutional investors: 624 times*, overseas IR road shows: 3 times*

Financial Announcement

- Broadcasting using simultaneous interpretation and subtitles

Medium-term Management Plan Announcements

- Broadcasting of archives from announcements/conferences within one business day; disclosure of Q&A within two business days.

Shareholders’ Meeting

- Posting of conviction notices on the website and dispatch of conviction notices at an early stage

Disclosure of Material

- Consolidated Financial Statements, Integrated Report, Fact Book (each once per year)
- Quarterly Report, Earnings Release, Financial Announcement Materials, Corporate Update (each 4 times/year)

* Fiscal 2023
Integration
A richer world where people and society are all connected.

Evolution of Technology
In recent years, the expansion of smartphones, tablets, and cloud servers has led to rapid digitization in society as a whole. Along with the spread of 5G/6G and the evolution of IoT and AI technology, a variety of services and solutions are being created that make advanced use of huge amounts of data, such as the shift to EVs for automobiles and autonomous driving. The development of smart cities and smarter industries in the plant, agricultural, medical, and energy sectors. These are expected to make our lives more convenient and contribute to solving various problems that society faces, such as environmental and population issues. It is expected that the evolution of technology will connect people and society in all aspects and realize a sustainable world.

Medium- to Long-term Outlook
In order to build a strong and resilient society in which economic activities do not stop under any circumstances, the world will continue to push firmly ahead with implementing ICT (Information and Communication Technology), and computer technology supporting this technology is also expected to continue to develop further. The evolution and practical application of innovative technologies are expected to realize a sustainable world in which people and society are connected in every aspect. Under these circumstances, semiconductors are expected to become even more important as social infrastructure, and the semiconductor market will evolve in more diverse ways as technological demands for larger capacity, higher speed, and lower power consumption increase. In the semiconductor production equipment business, it is essential to provide new value through manufacturing methods that realize ultra-efficient productivity and reduced environmental impact along with the best solutions. At the same time, it is important to ensure that we achieve net zero greenhouse gas emissions by 2050, and to invest in human capital continuously and aggressively. Through the realization of our Vision, which specifies our medium- to long-term business aspirations and the direction of our near future, and through the practice of our Corporate Philosophy, which defines the purpose of our existence and mission in society, we will meet the expectations of all of our stakeholders.

Toward the Realization of a Sustainable Society
Based on the concept of TSV (TEL’s Shared Value), which is to solve social issues through our business activities, we are committed to providing further value through the continuous creation of innovative technologies. In June 2022, we established a new Vision and Medium-term Management Plan, and set key financial and sustainability indicators, and are promoting initiatives to achieve them.

In addition to our medium-term environmental goals, we have declared our long-term goal of achieving net zero greenhouse gas (GHG) emissions by 2050. While reducing our own emissions, including increasing to a rate of 100% renewable energy usage at all of our plants and offices, we will work with our customers and suppliers to develop technologies to improve the energy efficiency of our products, including energy-saving equipment and ancillary facilities and developing processes that use GHG alternative gases.

The Future of Semiconductors
The semiconductor market that supports computer technology is expected to evolve in more diverse ways in the future. The performance of semiconductors has been improved through scaling and integration, but the demand for further performance improvement to realize computer technology that can process large amounts of data at higher speed and with lower power consumption is increasing (Moore’s Law). In addition, with the diversification of applications and services, it is necessary to optimize semiconductor design, manufacturing technology and the entire system according to the application (Customization). Furthermore, larger capacity data traffic and their processing and analysis require an enormous amount of semiconductors. To realize a world in which everyone can enjoy the benefits of computer technology, it is necessary to reduce the cost of semiconductors through economies of scale (Hyper-Mass). For semiconductor production equipment manufacturers, the key to value creation in the future will be to solve the technological and cost challenges of scaling and integration, to quickly propose the best solutions to meet the diverse needs of semiconductor manufacturing customers and to provide manufacturing methods that achieve extremely high productivity and optimize environmental impact.

Toward Further Growth
Along with the evolution of technology, the computer technology that handles information processing also continues to develop further. In addition to conventional bit-based computers such as PCs and data servers that perform mathematical processing, innovative technologies such as quantum computers and brain-inspired computers that copy the movements of the human brain are expected to emerge going forward. As these technologies spread throughout society, data traffic will increase dramatically, and it is predicted that by 2040 it will be 100 times the 2010 level. A sudden increase in power consumption due to computing is expected due to the processing of huge amounts of data, and there is a need for new technologies that achieve both improved performance and lower power consumption.
## Financial Review

### Operating Results

The global economy during fiscal 2023 slowed due to persistent inflation of raw material energy, and various goods in conjunction with heightened geopolitical risks, interest rate hikes, and rapid exchange rate fluctuations mainly in Europe and the United States. The Company continues to closely monitor the impact of these global economic and geopolitical headwinds and the impact on the supply chain.

On the other hand, in the electronics industry, where the TEL operates, the role of semiconductors that support electronic devices and their technology innovations are becoming more and more important, against the backdrop of the transition to a data society accompanying the expansion of information and communication technology and efforts to create a decarbonized society. With its increased importance, the semiconductor production equipment market has become the largest ever.

In this environment, the consolidated business results for the fiscal year under review are as follows:

Net sales for the fiscal year increased 10.2% from the previous fiscal year to 2,029.0 billion yen. Domestic net sales increased 4.2% from the previous fiscal year to 2,139.8 billion yen, while overseas net sales increased 11.0% to 1,169.0 billion yen to account for 89.1% of net sales.

Cost of sales increased 12.1% to 1,224.6 billion yen and gross profit increased 8.0% to 984.4 billion yen. As a result, total operating income increased 3.1% to 617.7 billion yen.

Sales, general and administrative (SG&A) expenses increased 17.3% to 366.6 billion yen, while the ratio to consolidated net sales increased 10 points to 16.6%.

As a result, operating income increased 3.1% to 617.7 billion yen and operating margin increased 19 points to 28.0%.

Income before income taxes was 599.2 billion yen (year-on-year growth of 7.9%). As a result, net income per share was 935.95 yen in the previous fiscal year.

### Financial Conditions

Current assets at the end of fiscal 2023 were 1,740.9 billion yen, an increase of 332.2 billion yen compared to the end of the previous fiscal year. This was mainly due to an increase of 191.8 billion yen in cash and deposits, an increase of 78.3 billion yen in inventories, and a decrease of 60.2 billion yen in long-term investments.

Inventories were 999.5 billion yen from the end of the previous fiscal year, to 821.7 billion yen. As a result, total assets increased by 471.7 billion yen from the end of the previous fiscal year, to 2,131.5 billion yen.

Current liabilities increased by 161.1 billion yen from the end of the previous fiscal year, to 2,003.8 billion yen. This was largely due to an increase of 186.6 billion yen in customer advances, and a decrease of 36.0 billion yen in income taxes payable.

Long-term liabilities increased by 3.1 billion yen from the end of the previous fiscal year, to 252.4 billion yen.

Cost of sales increased 12.1% to 1,224.6 billion yen and gross profit increased 8.0% to 984.4 billion yen. As a result, total operating income increased 3.1% to 617.7 billion yen.

Sales, general and administrative (SG&A) expenses increased 17.3% to 366.6 billion yen, while the ratio to consolidated net sales increased 10 points to 16.6%.

As a result, operating income increased 3.1% to 617.7 billion yen and operating margin increased 19 points to 28.0%.

Income before income taxes was 599.2 billion yen (year-on-year growth of 7.9%). As a result, net income per share was 935.95 yen in the previous fiscal year.

### Cash Flows

Cash and cash equivalents at the end of fiscal 2023 increased by 1,798.8 billion yen compared to the end of the previous fiscal year, to 984.4 billion yen. The combined balance including 0.6 billion yen in time deposits and short-term investments with maturities of more than three months that are not included in cash and cash equivalents was 4,751 billion yen, an increase of 1,018.6 billion yen from the end of the previous fiscal year. The overall situation regarding cash flows for the fiscal year was as described below.

Cash flows from operating activities were positive 426.2 billion yen, an increase of 142.8 billion yen compared to the end of the previous fiscal year. The major positive factors were 624.8 billion yen in income before income taxes, and a 185.6 billion yen increase in customer advances. The major negative factors were 209.1 billion yen in payment of income taxes, and a 173.4 billion yen increase in inventories.

Cash flows from investing activities were negative 417.7 billion yen compared to negative 55.6 billion yen in the same period of the previous fiscal year. This was largely due to the payment of 66.8 billion yen for the purchase of tangible fixed assets.

Cash flows from financing activities were negative 256.5 billion yen compared to negative 107.2 billion yen in the same period of the previous fiscal year. This was largely due to the payment of 252.9 billion yen in dividends.

### Production, Orders and Sales Results

We conduct production activities while flexibly responding to market changes. As our production trends are similar to those of our sales, we omit description of these results. We also do not indicate order results because they are not necessarily an appropriate indicator for projecting medium-to-long-term corporate performance, with short-term orders tending to fluctuate significantly according to customers’ investment trends.

Sales results by major customer and their ratio to total sales results are as shown below.

### Fiscal 2022 (Fiscal year ended March 31, 2022)

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Sales (Billions of yen)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intel Corporation</td>
<td>312,279</td>
<td>15.6</td>
</tr>
<tr>
<td>Samsung Electronics Co., Ltd.</td>
<td>303,982</td>
<td>15.2</td>
</tr>
<tr>
<td>Taiwan Semiconductor Manufacturing Company Ltd.</td>
<td>231,351</td>
<td>12.5</td>
</tr>
</tbody>
</table>

### Fiscal 2023 (Fiscal year ended March 31, 2023)

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Sales (Billions of yen)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intel Corporation</td>
<td>357,636</td>
<td>16.2</td>
</tr>
<tr>
<td>Samsung Electronics Co., Ltd.</td>
<td>320,427</td>
<td>14.5</td>
</tr>
<tr>
<td>Taiwan Semiconductor Manufacturing Company Ltd.</td>
<td>275,916</td>
<td>12.8</td>
</tr>
</tbody>
</table>

### Financial Conditions

- **Net Sales and Gross Profit Margin**
  - **Net Sales**
    - 2023: ¥1,740,959
    - 2022: ¥1,599,524
    - 2021: ¥1,399,11
    - 2020: ¥1,278,12
  - **Gross Profit**
    - 2023: ¥2,209.0
    - 2022: ¥2,033.8
    - 2021: ¥1,127.1
    - 2020: ¥1,199.1

- **Net Income Attributable to Owners of Parent and ROE**
  - **Net Income Attributable to Owners of Parent**
    - 2023: ¥471.5
    - 2022: ¥280.6
    - 2021: ¥269.3
    - 2020: ¥231.3
  - **ROE**
    - 2023: 28.0%
    - 2022: 26.7%
    - 2021: 23.0%
    - 2020: 21.0%

- **Net Sales and Gross Profit Margin**
  - **Net Sales**
    - 2023: ¥1,740,959
    - 2022: ¥1,599,524
    - 2021: ¥1,399,11
    - 2020: ¥1,278,12
  - **Gross Profit**
    - 2023: ¥2,209.0
    - 2022: ¥2,033.8
    - 2021: ¥1,127.1
    - 2020: ¥1,199.1

- **Income before income taxes**
  - 2023: ¥599.2
  - 2022: ¥426.2
  - 2021: ¥259.0
  - 2020: ¥166.6

- **Income taxes payable**
  - 2023: ¥136.8
  - 2022: ¥185.6
  - 2021: ¥36.0
  - 2020: ¥209.1

- **Net Income**
  - 2023: ¥471.5
  - 2022: ¥280.6
  - 2021: ¥269.3
  - 2020: ¥231.3

- **Net assets**
  - 2023: ¥1,740,959
  - 2022: ¥1,599,524
  - 2021: ¥1,399,11
  - 2020: ¥1,278,12

### Cash Flows

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flows from operating activities (Billions of yen)</th>
<th>Cash Flows from investing activities (Billions of yen)</th>
<th>Cash Flows from financing activities (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>¥1,897,572</td>
<td>¥426,270</td>
<td>¥528,387</td>
</tr>
<tr>
<td>2022</td>
<td>¥1,531,117</td>
<td>¥283,387</td>
<td>¥266,620</td>
</tr>
<tr>
<td>2021</td>
<td>¥1,458,888</td>
<td>¥226,670</td>
<td>¥253,185</td>
</tr>
<tr>
<td>2020</td>
<td>¥1,278,12</td>
<td>¥155,632</td>
<td>¥256,534</td>
</tr>
</tbody>
</table>
Management Discussion and Analysis of State of Operating Results

Regarding our operating results for fiscal 2023, despite the rapid tightening of supply and demand for electronic devices in the first half to the middle of the fiscal year having run its course, customers continued to actively invest in the semiconductor production equipment market, resulting in consolidated net sales of 2,209.0 billion yen, an increase of 10.2% from the previous year, and an operating income of 677.7 billion yen, an increase of 13% from the previous fiscal year, a record-high for the third consecutive year at the end of this period.

The operating margin was 28.0%, a decrease of 1.9 points from the previous fiscal year, but this was mainly due to temporary impacts such as soaring component prices and inflation, as well as a record-high R&D investment. Regarding temporary factors, we will optimize prices by introducing products with high added value, which will lead to future growth.

Total R&D expenses increased by 32.9 billion yen (year-on-year growth of 20.8%) from the previous fiscal year to a record-high of 1,911 billion yen in order to achieve the financial model of the Medium-term Management Plan announced on the current fiscal year as well as to achieve further growth in the future.

Net income attributable to owners of parent— which is operating income with other income and expenses—reflected less tax expenses — was 471.5 billion yen, and its ratio against net sales was 21.3%, a decrease of 0.5 points from the previous fiscal year. Net income per share was 1,007.82 yen due to the increase in net income attributable to owners of the parent company, backed by favorable semiconductor production equipment market conditions.

Segment profit margin for fiscal 2023 was 32.3%, down 2.0 points from 34.3% in the previous fiscal year. Segment sales increased, but this was mainly due to a rise in the ratio of fixed costs as a result of the rising cost of sales due to global inflation and increased R&D expenses in anticipation of medium- to long-term growth.

FFD Production Equipment
As capital investment for large-sized LCD panels for televisions has increased significantly, especially for logic/foundry and DRAM. In addition, net sales of used equipment and modifications as well as parts and services also grew steadily due to an increase in the cumulative number of equipment installations and high equipment utilization by customers.

The segment profit margin for fiscal 2023 was 32.3%, down 2.0 points from 34.3% in the previous fiscal year. Segment sales increased, but this was mainly due to a rise in the ratio of fixed costs as a result of the rising cost of sales due to global inflation and increased R&D expenses in anticipation of medium- to long-term growth.

Semiconductor Production Equipment
Capital investment in semiconductors for logic/foundry has been made in a wide range of areas, from cutting-edge to mature generations of semiconductors, driven by the digitization of society. Capital investment in memory was revised starting in the second half of the fiscal year due to inventory adjustments but remained at a high level throughout the fiscal year. Consequently, net sales to customers in this segment during FY2023 were 2,135.2 billion yen, an increase of 10.9% from previous fiscal-year. Segment profit was 696.3 billion yen, an increase of 4.3% from the previous fiscal year.

As described as the business environment, customers have been actively investing in new equipment against a backdrop of growing demand for semiconductors, and our sales strategies in the key fields have progressed steadily. As a result, net sales in fiscal 2023 increased significantly, especially for logic/foundry and DRAM. In addition, net sales of used equipment and modifications as well as parts and services also grew steadily due to an increase in the cumulative number of equipment installations and high equipment utilization by customers.

The segment profit margin for fiscal 2023 was 32.3%, down 2.0 points from 34.3% in the previous fiscal year. Segment sales increased, but this was mainly due to a rise in the ratio of fixed costs as a result of the rising cost of sales due to global inflation and increased R&D expenses in anticipation of medium- to long-term growth.
## Consolidated Five-year Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (¥bn)</th>
<th>Sales (U.S. $m)</th>
<th>Operating Income (¥bn)</th>
<th>Operating Income (U.S. $m)</th>
<th>Depreciation and Amortization (¥bn)</th>
<th>ROE (%)</th>
<th>Total Asset Turnover (times)</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY2019</td>
<td>1,943,841</td>
<td>16,543,289</td>
<td>4,679,523</td>
<td>596,698</td>
<td>131,200</td>
<td>70.5</td>
<td>1.05</td>
<td>17,204</td>
</tr>
<tr>
<td>CY2018</td>
<td>1,796,877</td>
<td>14,746,411</td>
<td>4,626,105</td>
<td>537,864</td>
<td>129,197</td>
<td>71.1</td>
<td>1.03</td>
<td>17,204</td>
</tr>
<tr>
<td>CY2017</td>
<td>1,773,437</td>
<td>14,376,473</td>
<td>4,617,723</td>
<td>534,864</td>
<td>129,197</td>
<td>64.1</td>
<td>0.89</td>
<td>17,204</td>
</tr>
<tr>
<td>CY2016</td>
<td>1,943,843</td>
<td>15,802,473</td>
<td>4,617,723</td>
<td>534,864</td>
<td>129,197</td>
<td>70.0</td>
<td>1.04</td>
<td>17,204</td>
</tr>
<tr>
<td>CY2015</td>
<td>1,943,843</td>
<td>15,802,473</td>
<td>4,617,723</td>
<td>534,864</td>
<td>129,197</td>
<td>70.0</td>
<td>1.04</td>
<td>17,204</td>
</tr>
</tbody>
</table>

## Stock Information (As of March 31, 2023)

### Distribution of Ownership among Shareholders

- **Japanese financial institutions and securities companies**: 3.38%
- **Japanese individuals and others**: 4.45%
- **Foreign individuals and others**: 69.68%
- **Other Japanese corporations**: 30.87%

### Major Shareholders

- **The Master Trust Bank of Japan, Ltd. (trust account)**: 42,310 shares (122.1%)
- **Custody Bank of Japan, Ltd. (trust account)**: 17,132 shares (50.8%)
- **Morgan Chase Bank (Rev 2003)**: 9,527 shares (3.4%)
- **TBS HOLDINGS INCO**: 5,435 shares (2.7%)
- **STATE STREET BANK WEST CLIENT – TREASURY 505234**: 2,710 shares (1.3%)
- **Custody Bank of Japan, Ltd. (trust account 4)**: 2,651 shares (1.6%)
- **SSBC CLIENT OMBNUS ACCOUNT**: 2,156 shares (1.3%)
- **Morgan Chase Bank (Rev 2003)**: 1,974 shares (1.2%)
- **HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITY DERIVATIVES**: 1,501 shares (0.9%)
- **Morgan Securities Japan Co., Ltd**: 1,482 shares (0.9%)

### Stock Price and Trading Volume

- **Low (yen)**: 21,935,000 (69.9%)
- **High (yen)**: 47,320,000 (122.1%)
- **Net assets per share of common stock**: $11.59
- **Cash dividends per share of common stock**: ¥1,711.00

### Stock Price Graph

The graph shows the stock price trend from CY2018 to CY2023, with high and low prices labeled for each year.

---

1. Depreciation and amortization does not include amortization and loss on impairment of goodwill.
2. Capital expenditures only represent the gross increase in property, plant and equipment.
3. From fiscal 2019, the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Statement No. 28, revised on February 16, 2018) released by the ASBJ.
4. Domestic sales include sales domestically, and overseas sales include sales to overseas companies.
5. Number of shareholders as of March 31, 2023.
6. Authorized 300,000,000 shares.

---
### Sustainability Data

#### Environment

**Greenhouse Gas Emissions**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Emissions (kt-CO₂)</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1 emissions</strong></td>
<td>Japan, energy-derived</td>
<td>24</td>
<td>28</td>
<td>29</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Overseas, energy-derived</td>
<td>7</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Non-energy-derived greenhouse gas emissions total</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td><strong>Scope 2 emissions</strong></td>
<td>Japan – RECs</td>
<td>0.7</td>
<td>0.2</td>
<td>0.1</td>
<td>0.7</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Japan – RECs</td>
<td>8.5</td>
<td>10.6</td>
<td>13.2</td>
<td>13.6</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>Japan – RECs</td>
<td>5.1</td>
<td>5.0</td>
<td>3.1</td>
<td>4.1</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>Japan – Other</td>
<td>0.3</td>
<td>0.4</td>
<td>0.6</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>Overseas – RECs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overseas – RECs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overseas – RECs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overseas – RECs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Scope 3 emissions</strong></td>
<td>Overseas – energy service</td>
<td>1.4</td>
<td>1.7</td>
<td>1.4</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Overseas – energy service</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Overseas – energy service</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Overseas – energy service</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

#### Water Consumption

<table>
<thead>
<tr>
<th>Source</th>
<th>Consumption (thousand m³)</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial water (Japan)</td>
<td>363</td>
<td>390</td>
<td>435</td>
<td>446</td>
<td>490</td>
<td>402</td>
</tr>
<tr>
<td>Top water</td>
<td>1098</td>
<td>1204</td>
<td>1325</td>
<td>1325</td>
<td>1204</td>
<td>1098</td>
</tr>
<tr>
<td>Tap water</td>
<td>363</td>
<td>390</td>
<td>435</td>
<td>446</td>
<td>490</td>
<td>402</td>
</tr>
<tr>
<td>Industrial water</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
</tr>
<tr>
<td>Overseas</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
<td>218</td>
</tr>
</tbody>
</table>

#### Energy Consumption/Generation

<table>
<thead>
<tr>
<th>Source</th>
<th>Consumption (MWh)</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power sales (MWh)</td>
<td>1,382</td>
<td>1,225</td>
<td>1,285</td>
<td>1,195</td>
<td>1,330</td>
<td></td>
</tr>
<tr>
<td>Power generation (MWh)</td>
<td>1,382</td>
<td>1,084</td>
<td>1,068</td>
<td>1,110</td>
<td>1,130</td>
<td></td>
</tr>
<tr>
<td>Non-energy derived</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Amount of self-consumption through onsite solar power generation system</td>
<td>1,010</td>
<td>2,579</td>
<td>2,783</td>
<td>2,695</td>
<td>2,783</td>
<td></td>
</tr>
<tr>
<td>Renewable energy (electricity)</td>
<td>1,010</td>
<td>2,579</td>
<td>2,783</td>
<td>2,695</td>
<td>2,783</td>
<td></td>
</tr>
</tbody>
</table>

#### Environmental Impact of Logistics

<table>
<thead>
<tr>
<th>Source</th>
<th>CO₂ Emissions (kt-CO₂)</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power sales</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Power generation</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
</tr>
</tbody>
</table>

**Electricity Consumption**

<table>
<thead>
<tr>
<th>Source</th>
<th>Consumption (MWh)</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1420</td>
<td>1305</td>
<td>1377</td>
<td>1335</td>
<td>1204</td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>1054</td>
<td>1098</td>
<td>1183</td>
<td>1204</td>
<td>1255</td>
<td></td>
</tr>
</tbody>
</table>

**CO₂ Emissions from the use of fuel gas and electricity is related to the Act on Rationalizing Use of Energy and Shifting to Non-fossil Energy**

**Global Warming Countermeasures**

<table>
<thead>
<tr>
<th>Source</th>
<th>Environmental Impact of Logistics</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power sales</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Power generation</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
</tr>
</tbody>
</table>

**Environmental Impact of Logistics**

<table>
<thead>
<tr>
<th>Impact</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power sales</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Power generation</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

**Environmental Impact of Logistics**

<table>
<thead>
<tr>
<th>Impact</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
<th>2023.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power sales</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Power generation</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>
### Recycling Rate/Generation of Incinerated and Landfill Waste in Japan

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Product Shipment (t)</th>
<th>Total Product Shipment (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>32,715</td>
<td>31,184</td>
</tr>
<tr>
<td>2020.3</td>
<td>28,862</td>
<td>41,352</td>
</tr>
<tr>
<td>2021.3</td>
<td>48,922</td>
<td>48,922</td>
</tr>
</tbody>
</table>

### Environmental Laws and Regulations

- ISO 14001
- Other

### Biodiversity Number of Ecosystem Tours

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>101</td>
<td>121</td>
<td>222</td>
</tr>
<tr>
<td>2020.3</td>
<td>114</td>
<td>138</td>
<td>252</td>
</tr>
<tr>
<td>2021.3</td>
<td>136</td>
<td>140</td>
<td>276</td>
</tr>
</tbody>
</table>

### Chemical Substances Consumption/Emissions

- **PRTR Class I designated chemical substances**
  - Volume handled (t)
  - Femic chloride
  - Hydrogen fluoride and its water-soluble salts
  - Methylphosphorane
  - VOCs
  - Other
  - Amount transported (waste amount) (t)
  - Consumption (t)
  - % Emissions
  - % Emissions

- **Other**
  - Number of certified offices
  - ISO 14001
  - Number of ecosystem tours
  - Number of ecosystem tour participants
  - Experimental laws and regulations
  - Amount of fines for breaches of laws and regulations
  - Total product shipment (t)

### Recycling Rate/Generation of Incinerated and Landfill Waste in Japan

- **Incinerated and landfill waste**
  - Recycling rate (%): (Recycled amount/Amount of waste generated)

### Social

#### Number of Employees (Entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Regular Employees</th>
<th>Number of Regular Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>12,469</td>
<td>13,542</td>
</tr>
<tr>
<td>2020.3</td>
<td>14,022</td>
<td>15,140</td>
</tr>
<tr>
<td>2021.3</td>
<td>15,777</td>
<td>16,605</td>
</tr>
</tbody>
</table>

### Composition of Employees (Japan)

- **Regular employees**
  - Men: 7,526
  - Women: 7,591
- **Regular employees**
  - Men: 8,736
  - Women: 8,373
- **Regular employees**
  - Men: 9,679
  - Women: 8,853

### Recruitment/Employment (Japan)

- **Number hired**
  - Men: 164
  - Women: 12
- **Regular employees**
  - Men: 12,469
  - Women: 6,619

### Data Section

- **Recycling**
- **Incinerated and landfill waste (t)**
- **Recycling rate (%): (Recycled amount/Amount of waste generated)**
- **Volume handled (t)**
- **Femic chloride**
- **Hydrogen fluoride and its water-soluble salts**
- **Methylphosphorane**
- **Other**
- **VOCs (t)**
- **Methylnaphthalene**
- **Hydrogen fluoride and its water-soluble salts**
- **Ferric chloride**
- **Composition of Employees (Japan)**
  - **Gender**
    - Men: 5,702
    - Women: 5,239
  - **Age**
    - 30–49 yrs. old: 1,400
    - 50 yrs. old and over: 190
  - **Education**
    - Under 30 yrs. old: 22
    - 30–49 yrs. old: 24
    - 50 yrs. old and over: 16
  - **Career-track recruits**
    - New graduates hired: 23
    - Career-track recruits: 7
  - **Number of users**
    - Male: 442
    - Female: 133
  - **Employees with disabilities**
  - **Employees with disabilities**
    - Men: 2.18
    - Women: 2.06
  - **Reemployment system**
    - Men: 199
    - Women: 281
  - **Employees who received regular performance and career evaluations**
    - Percentage of regular employees: 100.0
  - **Employees who received regular performance and career evaluations**
    - Percentage of regular employees: 100.0
- **Social**
- **Data Section**
- **Regular employees (Japan)**
  - Men: 7,526
  - Women: 7,591
- **Regular employees (Japan)**
  - Men: 8,736
  - Women: 8,373
- **Regular employees (Japan)**
  - Men: 9,679
  - Women: 8,853

---

83 TOKYO ELECTRON Integrated Report 2023

84 TOKYO ELECTRON Integrated Report 2023
## Data Section

### Employee retention (Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retention after three years</th>
<th>Average service years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>93%</td>
<td>17 yrs. 2 mos.</td>
</tr>
<tr>
<td>2020.3</td>
<td>93.8%</td>
<td>17 yrs. 2 mos.</td>
</tr>
<tr>
<td>2021.3</td>
<td>94.1%</td>
<td>17 yrs. 4 mos.</td>
</tr>
<tr>
<td>2022.3</td>
<td>94.7%</td>
<td>17 yrs. 2 mos.</td>
</tr>
<tr>
<td>2023.3</td>
<td>92.7%</td>
<td>16 yrs. 8 mos.</td>
</tr>
</tbody>
</table>

#### Turnover due to personal circumstances

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>Men: 9%</td>
</tr>
<tr>
<td></td>
<td>Women: 11%</td>
</tr>
<tr>
<td>2020.3</td>
<td>Men: 8%</td>
</tr>
<tr>
<td></td>
<td>Women: 10%</td>
</tr>
<tr>
<td>2021.3</td>
<td>Men: 7%</td>
</tr>
<tr>
<td></td>
<td>Women: 11%</td>
</tr>
<tr>
<td>2022.3</td>
<td>Men: 6%</td>
</tr>
<tr>
<td></td>
<td>Women: 12%</td>
</tr>
<tr>
<td>2023.3</td>
<td>Men: 4%</td>
</tr>
<tr>
<td></td>
<td>Women: 12%</td>
</tr>
</tbody>
</table>

#### Turnover due to retirement

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>Men: 4%</td>
</tr>
<tr>
<td></td>
<td>Women: 5%</td>
</tr>
<tr>
<td>2020.3</td>
<td>Men: 5%</td>
</tr>
<tr>
<td></td>
<td>Women: 8%</td>
</tr>
<tr>
<td>2021.3</td>
<td>Men: 6%</td>
</tr>
<tr>
<td></td>
<td>Women: 8%</td>
</tr>
<tr>
<td>2022.3</td>
<td>Men: 7%</td>
</tr>
<tr>
<td></td>
<td>Women: 9%</td>
</tr>
<tr>
<td>2023.3</td>
<td>Men: 5%</td>
</tr>
<tr>
<td></td>
<td>Women: 9%</td>
</tr>
</tbody>
</table>

### Employee turnover (Entire Group)

#### Turnover due to personal circumstances

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>Men: 10%</td>
</tr>
<tr>
<td></td>
<td>Women: 12%</td>
</tr>
<tr>
<td>2020.3</td>
<td>Men: 8%</td>
</tr>
<tr>
<td></td>
<td>Women: 11%</td>
</tr>
<tr>
<td>2021.3</td>
<td>Men: 7%</td>
</tr>
<tr>
<td></td>
<td>Women: 11%</td>
</tr>
<tr>
<td>2022.3</td>
<td>Men: 6%</td>
</tr>
<tr>
<td></td>
<td>Women: 12%</td>
</tr>
<tr>
<td>2023.3</td>
<td>Men: 4%</td>
</tr>
<tr>
<td></td>
<td>Women: 12%</td>
</tr>
</tbody>
</table>

### Work-life Balance (Japan)

#### Annual paid leave

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual leave taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>605</td>
</tr>
<tr>
<td>2020.3</td>
<td>507</td>
</tr>
<tr>
<td>2021.3</td>
<td>507</td>
</tr>
<tr>
<td>2022.3</td>
<td>507</td>
</tr>
<tr>
<td>2023.3</td>
<td>507</td>
</tr>
</tbody>
</table>

#### Paternity leave

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of those who took leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>155</td>
</tr>
<tr>
<td>2020.3</td>
<td>151</td>
</tr>
<tr>
<td>2021.3</td>
<td>143</td>
</tr>
<tr>
<td>2022.3</td>
<td>137</td>
</tr>
<tr>
<td>2023.3</td>
<td>147</td>
</tr>
</tbody>
</table>

#### Short working hour system

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of those who used</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>355</td>
</tr>
<tr>
<td>2020.3</td>
<td>154</td>
</tr>
<tr>
<td>2021.3</td>
<td>133</td>
</tr>
<tr>
<td>2022.3</td>
<td>103</td>
</tr>
<tr>
<td>2023.3</td>
<td>94</td>
</tr>
</tbody>
</table>

### Safety

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of employees who received training on basic safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>100</td>
</tr>
<tr>
<td>2020.3</td>
<td>100</td>
</tr>
<tr>
<td>2021.3</td>
<td>100</td>
</tr>
<tr>
<td>2022.3</td>
<td>100</td>
</tr>
<tr>
<td>2023.3</td>
<td>100</td>
</tr>
</tbody>
</table>

### Customers

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of respondents who selected &quot;Very Satisfied&quot; or &quot;Satisfied&quot; in the customer satisfaction survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>84.4</td>
</tr>
<tr>
<td>2020.3</td>
<td>95.3</td>
</tr>
<tr>
<td>2021.3</td>
<td>96.7</td>
</tr>
<tr>
<td>2022.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2023.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Products/Innovation

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of models of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>0</td>
</tr>
<tr>
<td>2020.3</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
</tr>
<tr>
<td>2023.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Procurement

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of critical incidents notified to the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>0</td>
</tr>
<tr>
<td>2020.3</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
</tr>
<tr>
<td>2023.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Compliance

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of employees who have consented to the information security agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2020.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2021.3</td>
<td>99.4</td>
</tr>
<tr>
<td>2022.3</td>
<td>99.9</td>
</tr>
<tr>
<td>2023.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Social Contribution

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending on social contribution (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>281</td>
</tr>
<tr>
<td>2020.3</td>
<td>250</td>
</tr>
<tr>
<td>2021.3</td>
<td>244</td>
</tr>
<tr>
<td>2022.3</td>
<td>170</td>
</tr>
<tr>
<td>2023.3</td>
<td>102</td>
</tr>
</tbody>
</table>

### Patent application

<table>
<thead>
<tr>
<th>Year</th>
<th>Patent application rate (Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.2</td>
<td>83.1</td>
</tr>
<tr>
<td>2018.2</td>
<td>79.8</td>
</tr>
<tr>
<td>2019.2</td>
<td>74.6</td>
</tr>
<tr>
<td>2020.2</td>
<td>80.7</td>
</tr>
</tbody>
</table>

### Payment to politically affiliated organizations

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment to politically affiliated organizations (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>0</td>
</tr>
<tr>
<td>2020.3</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
</tr>
<tr>
<td>2023.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Payment to industry groups

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment to industry groups (thousand yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>21,093</td>
</tr>
<tr>
<td>2020.3</td>
<td>29,927</td>
</tr>
<tr>
<td>2021.3</td>
<td>32,036</td>
</tr>
<tr>
<td>2022.3</td>
<td>56,374</td>
</tr>
<tr>
<td>2023.3</td>
<td>73,313</td>
</tr>
</tbody>
</table>

### Social contribution activities

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending on social contribution activities excluding disaster relief contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>35.8</td>
</tr>
<tr>
<td>2020.3</td>
<td>23.1</td>
</tr>
<tr>
<td>2021.3</td>
<td>31.5</td>
</tr>
<tr>
<td>2022.3</td>
<td>30.5</td>
</tr>
<tr>
<td>2023.3</td>
<td>32.4</td>
</tr>
</tbody>
</table>

### Social contribution activities excluding disaster relief contributions

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending on social contribution activities excluding disaster relief contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>15.4</td>
</tr>
<tr>
<td>2020.3</td>
<td>22.6</td>
</tr>
<tr>
<td>2021.3</td>
<td>25.4</td>
</tr>
<tr>
<td>2022.3</td>
<td>29.5</td>
</tr>
<tr>
<td>2023.3</td>
<td>31.9</td>
</tr>
</tbody>
</table>

### Customer satisfaction survey

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of respondents who selected &quot;Very Satisfied&quot; or &quot;Satisfied&quot; in the customer satisfaction survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>84.4</td>
</tr>
<tr>
<td>2020.3</td>
<td>95.3</td>
</tr>
<tr>
<td>2021.3</td>
<td>96.7</td>
</tr>
<tr>
<td>2022.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2023.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Products/Innovation

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of models of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>0</td>
</tr>
<tr>
<td>2020.3</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
</tr>
<tr>
<td>2023.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Procurement

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of critical incidents notified to the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>0</td>
</tr>
<tr>
<td>2020.3</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
</tr>
<tr>
<td>2023.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Compliance

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of employees who have consented to the information security agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2020.3</td>
<td>100.0</td>
</tr>
<tr>
<td>2021.3</td>
<td>99.4</td>
</tr>
<tr>
<td>2022.3</td>
<td>99.9</td>
</tr>
<tr>
<td>2023.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Social contribution activities

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending on social contribution activities excluding disaster relief contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.3</td>
<td>35.8</td>
</tr>
<tr>
<td>2020.3</td>
<td>23.1</td>
</tr>
<tr>
<td>2021.3</td>
<td>31.5</td>
</tr>
<tr>
<td>2022.3</td>
<td>30.5</td>
</tr>
<tr>
<td>2023.3</td>
<td>32.4</td>
</tr>
</tbody>
</table>