Chapter 2 — Medium- to Long-term Value Creation Story

Material Issues

Identifying Material Issues

We have come to understand social issues and business environments, considered risks and opportunities, examined the opinions and requests of all stakeholders and identified our material issues with the approval of the CEO as well as directors and executive officers related to sustainability.

We will work on “Product Competitiveness” that drives our growth as a manufacturer and continuously creates next-generation products with high added value that will be needed by customers in the future. “Customer Responsiveness” for pursuing technological innovation in semiconductors based on the absolute trust of our customers as our sole strategic partner, and “Higher Productivity” that pursues operational efficiency in all business activities—including research and development, procurement and manufacturing, sales as well as installation and maintenance services—will continue in business scale. At the same time, with a strong financial foundation based on profits, we will enhance our “Management Foundation” including governance, compliance, risk management and employee engagement in order to support these.

Material Issues Identification Process

<table>
<thead>
<tr>
<th>Social Issues</th>
<th>Business Environment</th>
<th>Social Themes of Risks and Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abnormal weather conditions, natural disasters, human rights issues, conflicts between nations, stagnation of supply chains, cyberattacks and so forth</td>
<td>Rapid transition to a data-driven society, leading to further growth in the semiconductor market that is the foundation of the transition</td>
<td>Response to risks and innovation of business opportunities in the environment, human rights, supply chain management, governance, compliance, evolution of technology, information security</td>
</tr>
</tbody>
</table>

- **Social Issues**
  - Abnormal weather conditions, natural disasters, human rights issues, conflicts between nations, stagnation of supply chains, cyberattacks and so forth

- **Business Environment**
  - Rapid transition to a data-driven society, leading to further growth in the semiconductor market that is the foundation of the transition

- **Social Themes of Risks and Opportunities**
  - Response to risks and innovation of business opportunities in the environment, human rights, supply chain management, governance, compliance, evolution of technology, information security

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Continuously create high value-added next-generation products

Strong relationship based on trust: Sole strategic partner

Product Competitiveness

Pursuit of operational efficiency

Management Foundation

Customer Responsiveness

Higher Productivity

Product Competitiveness

Customer Responsiveness

Higher Productivity

SDGs Initiatives

- Utilize abundant technological capabilities cultivated as an industry leader and continuously create high-value-added, next-generation products based on innovative technology on a timely basis
- Promote leading-edge research and development on a global level by jointly creating technology roadmaps spanning multiple generations with customers to respond to the requirements of technological innovation as well as collaboration with the world’s leading consortia and academias
- Strengthen development capabilities and product competitiveness by promoting digital transformation, which utilizes data and AI

- Help customers manufacture leading-edge semiconductor devices and displays by maintaining an accurate and prompt grasp of customer needs and providing innovative technologies for future generations
- Further enhance customer satisfaction, a key management theme that has been tackled since foundation, to become the sole strategic partner for customers
- Propose optimal solutions contributing to value creation for customers as a semiconductor production equipment manufacturer with a diverse product lineup
- Help customers with the stable long-term operation of various generations of equipment by providing high-value-added services making full use of leading-edge AI, digital technologies and knowledge management tools

- Improve business operations, implement quality-first management and pursue operational efficiency continually
- Promote standardization, efficiency and automation throughout the entire Group by integrating business systems, unifying databases and so forth
- Optimize and level production operations by formulating detailed production plans based on analysis of technology and market trends and customer investment plans as well as promoting the stable procurement of parts and materials

- Build a strong and sound management foundation for underpinning continued growth as a company
- Build a highly effective corporate governance system to ensure that operational decision-making and supervisory functions are exercised sufficiently
- Further strengthen compliance and risk management
- Preserve the global environment through contributing to semiconductor technological innovation as well as through initiatives in products, at plants and offices and in the supply chain
- Practice respect for human rights based on high ethical standards
- Build a workplace environment replete with dreams and vitality that respects employee diversity and enables them to realize their full potential

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Main Initiatives

SDGs Initiatives

- Create innovative technologies by promoting innovation
- Help develop a sustainable society by providing environmentally friendly products and services
- Pursue productivity improvement and continuously improve operational efficiency
- Contribute to the development of the industry and society and to economic growth by promoting sustainable innovation and consumption mode

- Build a solid management foundation that is free of sustainable growth
- Promote respect for human rights, environment, conscious actions and value creation in the supply chain

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1. Refer to “Identifying Material Issues” in the “Tokyo Electron Sustainability Report 2022” for information about the material issues identification process and refer to “Annual Sustainability Goals and Results” for information about annual goals at www.tel.com/sustainability/report/
2. Refer to Stakeholder Engagement on p. 25
3. WFE: Wafer Fab Equipment. The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. WFE refers to the production equipment used in front-end production and in wafer-level packaging production.
4. SDGs: Sustainable Development Goals
We will be reaching our milestone 60th fiscal year in 2022 and have formulated our new Vision and new Medium-term Management Plan as we strive for further growth. Under this plan, we will continue to work toward the Best Products and Best Technical Service, and will strive to achieve short-term and medium- to long-term profit expansion and continuous corporate value enhancement.

**Financial Targets and Principal Initiatives**

We have set financial targets for net sales at 3 trillion yen or more in scale, an operating margin of 33% or more, and ROE of 30% or more by fiscal 2027. We are also working diligently toward sturdier financial structures and aiming to create world-class profit.

**Financial Targets**

<table>
<thead>
<tr>
<th>Financial Targets (by Fiscal 2027)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥3 trillion or more</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>35% or more</td>
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<td>ROE</td>
<td>30% or more</td>
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We will promote the following initiatives based on our material issues of “Product Competitiveness,” “Customer Responsiveness,” “Higher Productivity” and “Management Foundation” to achieve the new Medium-term Management Plan.

- Providing leading-edge technological products with high added value and superior technological services
- Continuing proactive investments to enable maximum capture of future growth opportunities, and implementing research and development investments of at least ¥3 trillion yen over five years
- Enhancing the field solutions business by utilizing our industry-leading installed base
- Increasing productivity and added value using data and AI
- Advancing E-COMPASS in order to establish a sustainable supply chain in the industry
- Revising environmental long-term goals for 2050, declaring achievement of net zero (reducing greenhouse gas emissions to virtually zero) and developing activities to achieve goals
- Clarifying key indicators for continuous corporate value enhancement

**Corporate Governance**

In relation to the aforementioned execution of principal initiatives, it is important to ensure the development of highly effective corporate governance as a management foundation. As part of that, we introduced a Corporate Officer system in June of 2022. Corporate officers, including the CEO, exchange opinions and engage in discussions from the same perspective as the CEO as well as make important decisions promptly at the Corporate Officers Meeting, which is positioned as the highest decision-making body on the executive side. In addition, corporate officers promptly share important decisions with each responsible department and realize flexible and dynamic executive management that is based on even stronger cooperation.

By enhancing executive side systems and appropriately transferring authority from the Board of Directors to the executive management side under this system, we are strengthening the supervisory functions of the Board of Directors and establishing a system for holding in-depth discussions on more important medium- to long-term matters such as management issues and growth strategies.

**Capital Policy and Shareholder Return Policy**

**View Regarding Capital Efficiency**

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

**Shareholder Return Policy**

Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on consolidated net income attributable to owners of parent. However, the amount of annual dividend per share shall not be less than ¥100 yen. We will flexibly consider share buybacks.

1. We will review our dividend policy if we do not generate net income for two consecutive fiscal years.

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**Review of the Previous Medium-term Management Plan**

We formulated our Medium-term Management Plan in May of 2019 and have been engaging in efforts to achieve a financial model with net sales of 2 trillion yen, an operating margin of 30% or more, and ROE of 30% or more by fiscal 2024. As the wafer fab equipment (WFE) market has expanded significantly, we outperformed the market growth by making steady progress in our business development in our focus areas. With net sales of 2,003.8 billion yen, an operating margin of 29.9%, and ROE of 37.2% for fiscal 2022, our best-ever performance, we reached our targeted financial model two years ahead of schedule. The main reasons for this are as follows:

1. **Continue to Invest in Growth**
   - Even when net sales declined because the WFE market was undergoing adjustment, we continued to increase our investment without loosening the reins and invested approximately 600 billion yen in R&D over the past five years to strive to maintain and improve our industry-leading technological innovations. As a result, progress was made in developing new functions and products with high-value-added, leading-edge technology and bringing them to market, leading to the acquisition of new business. In addition, our continuous capital investment and systematic production capacity preparations enabled us to increase our market share of all the semiconductor production equipment we handle in 2021.

2. **Execution of Agile Business Strategy**
   - Our basic strategy is the continuous provision of high-value-added Best Products and Best Technical Service. We were impacted by the travel restrictions caused by the spread of COVID-19 from the beginning of 2020, but despite these circumstances, we were able to conduct sales activities, equipment start-up, and provide services without delay through close communication with customers and our overseas companies. In addition, we strengthened our response capability at local sites by increasing the number of Japanese employees stationed abroad and striving to improve the skills of local engineers. We were able to strengthen the relationship of trust with our customers and contribute to the improvement of business performance by fully demonstrating the challenging spirit of our employees, who are capable of flexibility and rapidly adapting to changes in the environment.

3. **Close Communication and Collaboration with Partner Companies**
   - While the WFE market increased approximately 40% year-on-year in 2021, there were parts and materials procurement shortages worldwide. Under these circumstances, we provided information to our partner companies on a continuous and regular basis to build a system of collaboration and facilitate the smooth procurement of parts and materials, increasing production volume and resulting in our business performance greatly exceeding market growth.

**Market Capitalization**

Against a backdrop of the aforementioned improvement of business performance, our market capitalization has increased more than 10-fold over the past decade.

In addition to proactive growth investment in recent years, such as in R&D and production capacity expansion, our market capitalization has increased significantly compared to total net assets as a result of the stock market’s evaluation of value that is not reflected on balance sheets, such as the securing of talented human resources and collaboration with customers and suppliers.

We will continue to strive to enhance both shareholder value and corporate value, and continue to proactively invest in growth.

**Trends in Market Capitalization and Net Assets**

<table>
<thead>
<tr>
<th>Market Capitalization</th>
<th>Net Assets</th>
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</thead>
<tbody>
<tr>
<td>¥2,000.0 billion</td>
<td>¥1,345.0 billion</td>
</tr>
<tr>
<td>¥2,003.8 billion</td>
<td>¥1,347.0 billion</td>
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**New Medium-term Management Plan**

We have formulated our new Medium-term Management Plan as we strive for further growth. Under this plan, we will continue to work toward the Best Products and Best Technical Service, and will strive to achieve short-term and medium- to long-term profit expansion and continuous corporate value enhancement.

**Financial Targets and Principal Initiatives**

We have set financial targets for net sales at 3 trillion yen or more in scale, an operating margin of 33% or more, and ROE of 30% or more by fiscal 2027. We are also working diligently toward sturdier financial structures and aiming to create world-class profit.

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**Capital Policy and Shareholder Return Policy**

**View Regarding Capital Efficiency**

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1. We will review our dividend policy if we do not generate net income for two consecutive fiscal years.
Key Indicators for Continuous Corporate Value Enhancement

We have clarified key indicators related to the continuous enhancement of corporate value in the new Medium-term Management Plan and are taking actions in collaboration with the persons responsible for each indicator in order to achieve them.

### Finance

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Net Sales: ¥3 trillion or more</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td></td>
<td>Operating Margin: 35% or more</td>
<td>Fiscal 2027</td>
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<tr>
<td></td>
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### Research and Development

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development</td>
<td>Continuously create high value-added next-generation products by implementing R&amp;D expense of at least ¥1 trillion yen over 5 years</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td></td>
<td>A rate of 100% renewable energy usage</td>
<td>Fiscal 2031</td>
</tr>
<tr>
<td></td>
<td>Reduce energy consumption (per-unit basis) by 5% from the previous fiscal year at each plant and office</td>
<td>Every fiscal year</td>
</tr>
<tr>
<td></td>
<td>Maintain water consumption (per-unit basis) at each plant and office at individual base year levels</td>
<td>Every fiscal year</td>
</tr>
</tbody>
</table>

### Plants and Offices

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plants and Offices</td>
<td>Reduce CO₂ emissions of total logistics (own delivery) by 10% by further promoting modal shift and joint delivery</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td></td>
<td>Reduce the amount of use of wooden packaging materials by 50% (packaging for semiconductor production equipment)</td>
<td>Fiscal 2024</td>
</tr>
</tbody>
</table>

### Environment

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Reduce CO₂ emissions of packaging materials by 50% (packaging for semiconductor production equipment)</td>
<td>Fiscal 2024</td>
</tr>
<tr>
<td></td>
<td>Employee retention rates - Japan: 95%, overseas: Higher than the industry average</td>
<td>Every fiscal year</td>
</tr>
<tr>
<td></td>
<td>Excluding retirement at the mandatory retirement age and so on</td>
<td>Every fiscal year</td>
</tr>
</tbody>
</table>

### Employees

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>We have created an environment where every employee can create value for the Company's growth and for society with the support of supervisors and others by challenging themselves to do what they want while imagining their own futures (career paths) and growing. (For details, refer to “Employees Both Create and Fulfill Company Values” on p. 47)</td>
<td>Fiscal 2027</td>
</tr>
</tbody>
</table>

### Work-life Balance

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-life Balance</td>
<td>Average paid leave utilization rate - Japan: (1) 90% / (2) 90%, Overseas: Equal to or better than the previous fiscal year's results</td>
<td>Fiscal 2027 / (2) Fiscal 2025</td>
</tr>
</tbody>
</table>

### Diversity and Inclusion

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity and Inclusion</td>
<td>Ratio of female managers - Japan: 5%, Global: 8%</td>
<td>Fiscal 2027</td>
</tr>
</tbody>
</table>

### Supply Chain Management

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Chain Management</td>
<td>Supply chain sustainability assessment/implementation rate</td>
<td>Every fiscal year</td>
</tr>
<tr>
<td></td>
<td>Material suppliers: Covering at least 85% of our procurement spend</td>
<td>Every fiscal year</td>
</tr>
</tbody>
</table>

### Safety

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Objective</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>TCI R: No more than 0.10 (Globally No. 1 in the industry)</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td></td>
<td>TCI R: Total Case Incident Rate: The number of workplace incidents per 200,000 work hours</td>
<td>Fiscal 2027</td>
</tr>
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</table>

Corporate Governance

- We are working at all times to establish an optimally effective Board of Directors and an aggressive management execution system, and by continuously addressing issues based on evaluations of the effectiveness of the Board of Directors and input from institutional investors and other stakeholders, we will achieve sustainable corporate governance for enhancing corporate value over the medium to long term and sustainable growth.
- 1. Seeking a Board of Directors with high effectiveness
   - Audit & Supervisory Board System
     - Ratio of outside directors: One-third (including two females)
   - Frequent, open discussions including corporate auditors
   - OFF-site meetings: Discussions on medium- to long-term strategies, issues, etc. (twice annually)
   - CEO reports: Reports to the Board of Directors on the status of execution of key decisions by the CEO (every Board of Directors meeting)
   - CEO mission: Information is shared concerning the CEO’s mission for achieving the new Medium-Term Management Plan
   - Representative director assessment closed sessions: Sessions including directors and audit & supervisory board members but excluding the representative director (once annually)
- 2. Operating rhythm supporting the execution of business
   - Corporate Officers Meeting: The highest decision-making body on the executive side (once-monthly)
   - CSS (Corporate Senior Staff) Global: across-the-board coordination of company-wide business execution (four times annually)
   - Quarterly review meeting: Monitoring the progress of the new Medium-Term Management Plan (four times annually)

Risk Management

- We are building and further improving a highly effective risk management system that supports a strong management foundation.
- We are enhancing risk management and compliance based on the slogan “Safety, Quality, and Compliance. Our top priority. It’s our pride.”
  - Together with establishing a dedicated Compliance Department at our headquarters and appointing a Chief Compliance Officer and Regional Compliance Controllers, we are also conducting assessments by external agencies and undertaking education.
  - We are conducting supervision and monitoring through reports to the Corporate Officers Meeting — the highest decision-making body on the executive side — and the Board of Directors (twice annually).
  - To conduct appropriate measures with certainty across the entire Group
  - Risk management (13 risks in fiscal 2023) expected in the execution of business, centered on the Risk Management Committee and deploying them in the activities of each company.
  - We are continuously conducting activities to foster awareness about safety, compliance and risk management, and reflecting the awareness of all executives and employees as well as their autonomous and specific initiatives in our human resource evaluation.

Characteristics of Semiconductor Production Equipment Business

As technological innovations in semiconductors drive the growth of the production equipment market, it is essential to provide leading-edge technologies as well as services that support them. We will promote initiatives in our new Medium-Term Management Plan based on the following requirements for semiconductor production equipment manufacturers.

Technical innovations in semiconductors driving the growth of the production equipment market

Requirements of semiconductor production equipment manufacturers

- R&D for a medium- to long-term business
- Development of highly advanced equipment that realizes technological innovations
- Specialized expertise in a variety of fields, including electronics, mechanical, process and software
- Prevention of high-value-added technical services

Solid relationship of mutual trust with customers

Building of sustainable supply chains

Incentives to reduce environmental impact
Our Strengths and the Driving Forces behind Our Company

We have identified "abundant technological capabilities cultivated as an industry leader," "absolute trust from customers based on our reliable technical services" and "challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment" as the driving forces behind further growth. By applying the strengths created by these driving forces to our business activities, we will strive to expand profits over the medium to long term and continuously enhance corporate value.

**Strengths**

- The world's only manufacturer with products for the four key successive processes necessary for semiconductor scaling: deposition, coater/developer, etch and cleaning
- 100% share in EUV lithography coater/developer, which are necessary for semiconductor evolution
- Our product lines in respective segments, all of which having achieved first or second place in market share
- Building a business model for field solutions where equipment sold becomes a new business opportunity and creates value

**The Driving Forces behind Our Company**

**Abundant technological capabilities cultivated as an industry leader**
- Innovative and varied technologies created through joint development with customers and collaboration with world-leading consortiums
- Product development through digital transformation which utilizes data and AI
- Absolute trust from customers based on our reliable technical services
- 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
- Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment

**Outlook of Semiconductor Production Equipment Business**

As the trend towards a data-driven society progresses rapidly, the importance of the semiconductor devices that form the foundation of this society is increasing even further. The semiconductor market exceeded US$500 billion for the first time in 2021 and is expected to exceed US$1 trillion by 2030, growth that will more than double the current market. Accordingly, the WFE market was approximately US$90 billion in 2021 and is expected to grow even further in the future.

**Semiconductor Device Technology Evolution and Business Opportunities**

Further growth in the semiconductor and WFE 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 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.

**Semiconductor Devices and Our Product Lineup**

- **Furnace**
- **ALD**
- **Single wafer deposition**
- **Coater/Developer**
- **Fluxing/etch**
- **Gas chemical etch**
- **Single wafer cleaning**
- **Batch cleaning**
- **Wafer prober**
- **Logic**
- **NAND**
- **DRAM**
- **3D System Integration**
- **Wafer Bonder/Debonder**
Logic/Foundry
Increasing patterning complexity requires co-optimization between unit processes. It is expected that high-NA EUV lithography technology will be applied to mass production to achieve further scaling going forward. In addition to scaling through high-NA EUV, various new technologies and structures will be introduced. Transistor structures are also expected to shift to new 3D structures (FinFET, GAA, CFET). Our front-end process equipment and wafer bonding equipment will contribute to the realization of this kind of technological innovation.

DRAM
Technologies such as those that suppress delays caused by interconnects and those that further advance 2D scaling are in demand. While many of our deposition, etch and cleaning systems are used for this technology in DRAM, we will continue to provide new products and solutions to achieve even further scaling. 2D scaling is progressing and the further shift to 3D DRAM that uses a 3D structure is expected in 3D DRAM as well. 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.

NAND
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. In addition, process integration is required to control the increase in chip manufacturing costs that are associated with this increase in layer counts. We are striving to further improve the performance of our etch and ALD deposition systems to meet these technological requirements.

3D System Integration
3D system integration is advancing to improve the performance of semiconductor devices using wafer bonding technology. The wafer bonding technology application is now under production for CMOS image sensors, and its developments in 3D NAND, where memory cells and drive circuits are bonded together, and also in Logic backside power delivery network, are accelerating. In addition, the industry is moving to chip disaggregation, called Chiplet, and then bond those together, expecting the device speed increase, and lowering power consumption and cost as one of advanced assembly technologies. We contribute to evolve the leading-edge device and the system level performance by providing wafer bonding and laser trimming equipment based on the technology and experience we have cultivated in front-end processes.

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. In order to continue this kind of development and evaluation with semiconductor manufacturers, high technology development capabilities, resources in engineering and a strong financial base are required.
We work with our customers, who are semiconductor manufacturers, in their 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
We are further strengthening our development structure in order to advance the development and evaluation of leading-edge semiconductor devices up to four generations ahead.
We have already established the TEL Digital Design Square and the Miyagi Technology Innovation Center, and we plan to open new development buildings at sites in Yamanashi, Kumamoto and Miyagi between 2023 and 2025. The Yamanashi site will be responsible for film deposition, gas chemical etch and corporate development, the Kumamoto site for coater/developer and cleaning system development, and the Miyagi site for etch system development.

Kumamoto New Development Building
(Completion scheduled for fall 2024)

Miyagi New Development Building
(Opened in November 2021)

Miyagi Technology Innovation Center
(Began operation in October 2021)

Yamanashi New Development Building
(Completion scheduled for spring 2023)

Kumamoto New Development Building
(Completion scheduled for spring 2023)
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 behind our company

Abundant technological capabilities cultivated as an industry leader

Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment
Stakeholder Engagement

Actively providing opportunities for engagement with our stakeholders and promoting mutual communication allows us to accurately comprehend their requirements and reflect them in our business activities. We strive to build a solid relationship of mutual trust with all the stakeholders surrounding our company and respond to each of their expectations, so that we can fulfill our roles and responsibilities in society.

**Relationship with Stakeholders**
- Employees help enhance corporate value by utilizing their individual abilities and know-how, and by improving their skills through training
- 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 demonstrate a challenge spirit
- Opportunities for career development and skill improvement
- Fair performance review and remuneration commensurate with results

**Relationship with Stakeholders**
- Suppliers supply the parts, materials and human resources necessary for our company’s equipment manufacturing, and also perform custom clearance and logistics operations
- We improve and enhance the quality of our products and services collaboratively with our suppliers and build a sustainable supply chain that takes into account labor, the environment, health and safety, and ethics

**Value Provided to Stakeholders**
- Maintaining soundness and strengthening competitiveness throughout the entire supply chain
- Further improving added value of products and services through collaboration with our company
- Providing business opportunities in the semiconductor and flat panel display (FPD) production equipment market

**Relationship with Stakeholders**
- We advance together with the local communities where we carry out business activities. We create employment opportunities, develop local industries and advance environmental preservation initiatives as well as pay taxes in line with the profit generated by our business activities

**Value Provided to Stakeholders**
- Provision of human resources development and employment opportunities
- Promotion of environmental preservation in communities
- Financial contributions through tax payments

**Relationship with Stakeholders**
- Customers purchase the semiconductor and FPD production equipment our company provides and also utilize services necessary for maintaining that equipment
- We not only provide products and services but also create technology roadmaps spanning multiple generations and carry out joint technology development with customers toward developing next-generation devices and processes

**Value Provided to Stakeholders**
- Best Products with world-leading performance that incorporate leading-edge technologies
- High-value-added Best Technical Service
- Environment-friendly products and services with a focus on safety and quality
- Solutions that satisfy a variety of application needs

**Relationship with Stakeholders**
- Shareholders and investors support our company’s business expansion from a financial aspect and participate in company management by exercising their voting rights, etc.
- We share our management vision and growth scenario with shareholders and investors, and incorporate the feedback received from them through constructive dialogue into management decision-making in an effort to enhance our corporate value

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

**Relationship with Stakeholders**
- In the markets where we carry out our business activities, we work to accurately comprehend societal needs by collaborating with highly relevant international organizations, industry associations, initiatives and NGOs, contributing to the resolution of issues faced by the industry and society, as well as to further development

**Value Provided to Stakeholders**
- Solutions that help solve and develop industrial and societal issues
- Products, services and business models that are conscious of the environment, human rights and other factors
- Business activities that comply with laws, regulations, industry codes of conduct and other rules