“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. In the 2022 report, we explain how we continuously create value through the value chain of our business activities in conjunction with our sustainability initiatives. We also describe our Vision in our newly defined philosophy system as well as our Medium-term Management Plan through to fiscal 2027. 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 (27 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
• Environmental Reporting Guideline 2018, Ministry of the Environment, Government of Japan
• Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Issued Date
September 2022

Period Covered
Fiscal 2022 (April 1, 2021, to March 31, 2022), some content also covers fiscal 2023

Contact
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www.tel.com/contactus/

Main Company-related Information Disclosures
• Integrated Report www.tel.com/ir/library/ar/
• Consolidated Financial Statements www.tel.com/ir/library/consolidated-financial-statements/
• Medium-term Management Plan www.tel.com/ir/policy/mplan/
• Sustainability Report www.tel.com/sustainability/report/
• Corporate Governance Guidelines and Report www.tel.com/about/cg/
• Corporate Profile www.tel.com/about/document/corporate_guide_e.pdf

Tokyo Electron’s Logo
Tokyo Electron’s logo was created as a symbol for our next stage of growth, based on our Corporate Philosophy and Vision in 2015. This simple design represents our reliability and the engaging presence we bring to a competitive industry. The green square at the center of the logo signifies the core of innovation supporting development in the industry, the translucent blue expresses our leading-edge advanced technology. We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.
Chapter 1 —— About Tokyo Electron

CEO's Message

New Vision

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

Current Business Conditions

I would like to express my sincere gratitude to all stakeholders for your continued support and patronage.

In recent years, industry, society and the lives of the public have been significantly affected by a series of challenges. These include the spread of COVID-19; natural disasters caused by climate change; geopolitical risks—typified by trade frictions and international conflicts—and the human rights issues they engender.

On the other hand, in order to build a strong and resilient society in which economic activities do not stop under such circumstances, various efforts are underway, including the implementation of ICT (information and communication technology) and decarbonization to preserve the global environment.

Meanwhile, the transition to a data-driven society is progressing at an unprecedented speed, and digital technologies are now used furthermore: IoT, AI and 5G are becoming more widespread, industries are growing; the much-talked-about 5G is progressing at an unprecedented speed, and digital communication technology and decarbonization are a semiconductor production equipment manufacturing company values,” and to realize the Vision through engagement with our stakeholders.

This new Vision is based on the idea of CSV (Creating Shared Value). The concept behind CSV is that, by using their expertise to resolve social issues, companies can improve corporate value and realize sustainable growth through the creation of social and economic value.

We formulated our Medium-term Management Plan in May 2019, and have been working 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. Against that background, the smooth progress of business in our focal fields mean that we have managed to outperform the growth of the market. For fiscal 2022, we achieved net sales of 2,003.8 billion yen, an operating margin of 29.9% and ROE of 37.2%. These are the best results in the history of our company, and mean we have realized our target financial model two years ahead of schedule.

A number of factors contributed to these outstanding results. Despite fluctuating markets, over the past five years we have invested heavily in growth, including investments worth approximately 600 billion yen in research and development. As a result, we have been able to continually create high-value-added products and services. Also, we have cultivated abundant technological capabilities as an industry leader and earned the absolute trust of our customers based on our reliable technical services. Then, we have challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

We would not have been able to achieve our best-ever results without the continued support of all our stakeholders, and I would like to take this opportunity to express my sincerest gratitude.

Further Enhancing Corporate Value

Tokyo Electron celebrates its 60th fiscal year in 2022. In pursuit of further growth, we have formulated a new Vision to become “A company filled with dreams and vitality that contributes to technological innovation in semiconductors.” This Vision incorporates three perspectives, outlined below:

- To pursue technological innovation in semiconductors that supports the sustainable development of the world
- To 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
- To recognize that “Our corporate growth is enabled by people, and our employees both create and fulfill company values,” and to realize the Vision through engagement with our stakeholders.

This new Vision is based on the idea of CSV (Creating Shared Value). The concept behind CSV is that, by using their expertise to resolve social issues, companies can improve corporate value and realize sustainable growth through the creation of social and economic value.

We are a semiconductor production equipment manufacturer and so, for us, CSV means contributing to the technological innovation in semiconductors, which are indispensable for the development of a dream-inspiring society. We have termed this TSV (TEL’s Shared Value). Through business activities based on TSV, we intend to contribute both to achieving SDGs—which are goals shared by the world—and to realizing a more abundant future.

We have therefore set ourselves the even loftier goals of further growth and world-class profits, and formulated a new Medium-term Management Plan to achieve them. By fiscal 2027, we intend to establish a strong financial footing with net sales of 3 trillion yen or more, an operating margin of 35% or more and ROE of 30% or more. We consider profit to be an important measure of value in our products and services; to this end, we seek to leverage our unique capabilities to create unprecedented technologies with high added value. We will also redouble our efforts to achieve key indicators for continuous corporate value enhancement including ESG.

Achieving the world-class operating margin and ROE detailed above requires our company to shift toward a more aggressive style of management. At the same time, we will continue to focus on safety, quality, compliance, employee engagement, risk management and security. Our efforts on these areas may appear at first glance to be defensive in nature, however, we believe that improving them will help our company become stronger. Going forward, we will continue to engage in a “double-offensive” style of management, in which defensive measures are turned into strengths, with the aim of further corporate value enhancement.
Chapter 1  About Tokyo Electron

Initiatives for a Double-offensive Management Style

Business Activities Rooted in Material Issues
We have identified the following four material issues for achieving our new Medium-term Management Plan, and we intend to make improvements in each of them.

- Product Competitiveness
We are a manufacturer, and we can drive company growth through continuously creating next-generation products with high added value, which will be needed by our customers in the future.

- Customer Responsiveness
As the sole strategic partner, we will pursue technological innovation in semiconductors via strong relationship based on our customers’ trust.

- Higher Productivity
The scale of our business is expanding rapidly; we will pursue operational efficiency in all our business activities, including research and development, procurement and manufacturing, sales as well as installation and maintenance services.

- Management Foundation
Based on a strong, profit-focused financial base, we will seek to strengthen the management foundation required for the above three material issues, more specifically, this includes governance, risk management, employee engagement, work-life balance and so on.

Introduction of a Corporate Officer System
Tokyo Electron is a leading company in the semiconductor production equipment industry, which is characterized by rapid technological innovations and dynamic market changes. Toward our further growth, it is vital that we increasingly accelerate and optimize our decision-making. For this reason, we have introduced a Corporate Officer system, and established the Corporate Officers Meeting as the highest decision-making body on the executive side.

Corporate officers adopt the same perspective as the CEO, and hold responsibility for executing business across the entire Group. Corporate Officers Meetings, which have been properly delegated authority by the Board of Directors, will promote rapid decision making and flexible execution of our business. So that the Board of Directors can properly supervise these activities, corporate officers will attend Board of Directors meetings and provide explanations regarding the business they have executed. In addition, corporate officers will apply the suggestions of the Board to business they execute in an appropriate and speedy manner.

The semiconductor industry will continue to grow, and we expect to expand the scale of our business from 77 sites in 18 countries and regions currently to 100 sites or more in the near future. The adoption of the Corporate Officer system will enable us to promote a more aggressive style of management.

(For further details, refer to Corporate Governance on p. 49)

The Hierarchy of the Corporate Officers Meeting

Four Material Issues

Advancing E-COMPASS
We will work together with our customers and partner companies to promote technological innovation and reduce the environmental impact of semiconductors throughout the entire supply chain from the following three main perspectives.

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

In addition to our medium-term environmental goals for 2030, we set a long-term environmental goal of reducing greenhouse gas emissions to net zero by 2050. We are promoting various initiatives so that we can achieve net zero in Scope 1 and Scope 2 emissions—which are generated by our company—by 2040, and net zero in Scope 3 emission—which are not generated from our Group—by 2050. As a leader in environmental management, we will contribute to the preservation of the global environment through advancing E-COMPASS.
(For further details, refer to E-COMPASS on p. 43)

Human Resources Initiatives
We believe that “Our Corporate growth is enabled by people, and our employees both create and fulfill company values.” Accordingly, we intend to promote employee motivation through the five management perspectives below:

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

Based on the aforementioned, we are carrying out the following initiatives:

- Formulating a new Vision and promoting TSV (TEL’s Shared Value)
- Setting globally competitive financial targets, based on a new Medium-term Management Plan
- Making plans to invest more than 1 trillion yen in research and development over the next five years
- Executing ESG initiatives aimed at continuous corporate value enhancement
- Implementing a shared, global human resources system and performance-linked compensation
- Creating opportunities for active dialogue between management and employees through employee meetings and workplace visits

We intend to carry out these initiatives in line with TEL Values, which delineate Tokyo Electron’s values, the mindset that each employee must possess and the codes of conduct.

To Be a Company that Is Loved and Trusted by All Stakeholders
Utilizing our expertise as an equipment manufacturer and our diverse management resources, we will provide society with high-value-added technologies that the world has never seen and only we can accomplish. Going forward, we will continue to take on new challenges and evolve with the aim of becoming No. 1 in the world, and of being loved and highly trusted by all our stakeholders.

We look forward to your continued support and patronage.
Chapter 1 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 newly 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 Values, from a medium- to long-term perspective.

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.

The Vision describes Tokyo Electron’s medium- to long-term business aspirations and the direction of its near future. It is a summary of top priorities to be addressed to realize the Corporate Philosophy.

The Values (TEL Values) clearly define Tokyo Electron’s values as well as the mindset and code of conduct of each employee.

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

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

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

Management Policies
The Management Policies highlight the management values that Tokyo Electron regards as essential to achieving the objectives defined in its Corporate Philosophy. They express the logic that underscores our eight general rules of management.
Company Overview

Tokyo Electron operates worldwide as a leading company in semiconductor production equipment industry. By providing the Best Products and 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 through our business.

Number of Sites (As of March 31, 2022)

<table>
<thead>
<tr>
<th>Branch, Office (including Field Service, Sales Office)</th>
<th>Japan</th>
<th>Overseas</th>
<th>World Wide Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>52 sites</td>
<td>18 countries and regions</td>
<td>27 sites</td>
<td>Total 77 sites</td>
</tr>
</tbody>
</table>

Worldwide total 77 companies at 52 sites in 17 countries and regions

Group companies in the process of being wound up are not shown on the map.

History

1960s~
- Founded as technical specialized trading company

1970s
- 1964: Tokyo Electron (Kunshan) established with capital
- 1966: Export of semiconductor production equipment begins

1980s~
- 1980: Listed on the Second Section of the Tokyo Stock Exchange
- 1990: Tokyo Electron (TEL) marks a major move into development and marketing of FPD production equipment

1999
- Category of industry on the Tokyo Stock Exchange: Electronics, Informational Technology, and Electric Appliance

2000s~
- 2000: Formulation of new corporate value

2010s~
- 2018: Formulation of the Medium-term Management Plan to further enhance corporate value

Sales by Region (Consolidated)

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (Unit: Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>2,003.8 billion yen</td>
</tr>
<tr>
<td>North America</td>
<td>268.0 billion yen</td>
</tr>
<tr>
<td>South Korea</td>
<td>361.5 billion yen</td>
</tr>
</tbody>
</table>

Number of Employees by Region (Consolidated)

<table>
<thead>
<tr>
<th>Region</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>15,634 people</td>
</tr>
<tr>
<td>Europe</td>
<td>8,661 people</td>
</tr>
<tr>
<td>North America</td>
<td>2,002 people</td>
</tr>
<tr>
<td>South Korea</td>
<td>4,365 people</td>
</tr>
</tbody>
</table>

Semiconductor Manufacturing Process and Our Main Products

Flat Panel Display (FPD) Production Equipment

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposure</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
</tr>
<tr>
<td>Etching</td>
<td></td>
</tr>
<tr>
<td>Ashing/Cleaning</td>
<td></td>
</tr>
<tr>
<td>Contact Formation</td>
<td></td>
</tr>
<tr>
<td>Inspection</td>
<td></td>
</tr>
<tr>
<td>Packaging/Assembly</td>
<td></td>
</tr>
</tbody>
</table>

Repetition

TEL is a registered trademark or a trademark of Tokyo Electron Limited in Japan and/or other countries.

Chapter 1 About Tokyo Electron

Our Business

- Founded as a technical specialized trading company
- Shifting to a full-scale manufacturer
- Accelerating globalization
- Aspirations toward innovation and new growth
Chapter 1 About Tokyo Electron

Highlights of Key Indicators for Continuous Corporate Value Enhancement

At Tokyo Electron, policy decisions and various judgments are made in our business activities by clarifying management indicators, which are important for medium- to long-term profit expansion and continuous corporate value enhancement, as well as conducting monitoring and analysis.

### Net Sales and Gross Profit Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (Billions of yen)</th>
<th>Gross profit margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>1,170.2</td>
<td>42.0</td>
</tr>
<tr>
<td>2019.3</td>
<td>1,278.2</td>
<td>41.2</td>
</tr>
<tr>
<td>2020.3</td>
<td>1,327.2</td>
<td>40.1</td>
</tr>
<tr>
<td>2021.3</td>
<td>1,399.1</td>
<td>40.4</td>
</tr>
<tr>
<td>2022.3</td>
<td>1,513.5</td>
<td>41.5</td>
</tr>
</tbody>
</table>

Net sales reached a record high due to the rapid expansion of the semiconductor production equipment market and an increase in market share. Gross profit margin also reached a record high due to sales contributions from newly acquired processes as well as an increase in net sales.

### Operating Income and Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating income (Billions of yen)</th>
<th>Operating margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>217.2</td>
<td>9.7</td>
</tr>
<tr>
<td>2019.3</td>
<td>310.5</td>
<td>12.3</td>
</tr>
<tr>
<td>2020.3</td>
<td>320.6</td>
<td>11.9</td>
</tr>
<tr>
<td>2021.3</td>
<td>299.2</td>
<td>10.1</td>
</tr>
<tr>
<td>2022.3</td>
<td>281.1</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Net sales increased significantly as a result of steady response to the sudden increased demand for semiconductor production equipment. The fixed cost ratio declined and both operating income and operating margin reached record highs.

### Net Income Attributable to Owners of Parent and ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>Net income a/t_tributable to owners of parent (Billions of yen)</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>24.9</td>
<td>1.1</td>
</tr>
<tr>
<td>2019.3</td>
<td>24.3</td>
<td>1.1</td>
</tr>
<tr>
<td>2020.3</td>
<td>21.0</td>
<td>1.0</td>
</tr>
<tr>
<td>2021.3</td>
<td>23.8</td>
<td>1.1</td>
</tr>
<tr>
<td>2022.3</td>
<td>29.9</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Net income attributable to owners of parent reached a record high as a result of the significant increase in net income attributable to owners of parent in relation to net assets.

### Free Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Free cash flow (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>204.3</td>
</tr>
<tr>
<td>2019.3</td>
<td>204.3</td>
</tr>
<tr>
<td>2020.3</td>
<td>218.1</td>
</tr>
<tr>
<td>2021.3</td>
<td>242.9</td>
</tr>
<tr>
<td>2022.3</td>
<td>265.8</td>
</tr>
</tbody>
</table>

Free cash flow = Cash flows from operating activities + Cash flows from investing activities (excluding changes in time deposits and short-term investments). Free cash flow increased significantly from the previous fiscal year due to a significant increase in net sales, despite the increase in procurement volume and inventory to respond quickly to market growth.

### Cash Dividends per Share

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash dividends per share (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>624</td>
</tr>
<tr>
<td>2019.3</td>
<td>758</td>
</tr>
<tr>
<td>2020.3</td>
<td>588</td>
</tr>
<tr>
<td>2021.3</td>
<td>781</td>
</tr>
<tr>
<td>2022.3</td>
<td>1,403</td>
</tr>
</tbody>
</table>

A dividend of 50% of net income attributable to owners of parent was distributed in accordance with the shareholder return policy. Cash dividends per share reached a record high.

### R&D Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D expenses (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>199.7</td>
</tr>
<tr>
<td>2019.3</td>
<td>113.9</td>
</tr>
<tr>
<td>2020.3</td>
<td>120.2</td>
</tr>
<tr>
<td>2021.3</td>
<td>136.6</td>
</tr>
<tr>
<td>2022.3</td>
<td>158.2</td>
</tr>
</tbody>
</table>

A record 158.2 billion yen was invested in R&D in fiscal 2022 to maintain and improve world-leading technological innovation. The investment plan of approximately 660 billion yen over 5 years starting in fiscal 2018 was executed.

### Patents Owned

<table>
<thead>
<tr>
<th>Year</th>
<th>Patents Owned (Patents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>17,473</td>
</tr>
<tr>
<td>2019.3</td>
<td>18,137</td>
</tr>
<tr>
<td>2020.3</td>
<td>18,692</td>
</tr>
<tr>
<td>2021.3</td>
<td>19,572</td>
</tr>
<tr>
<td>2022.3</td>
<td>16,767</td>
</tr>
</tbody>
</table>

No. 1 in the semiconductor equipment industry with 19,572 patents owned as of March 31, 2022. Our worldwide advantage in the area of intellectual property has been sustained, contributing to maintaining and increasing product competitiveness.

### Percentage of Respondents who Selected ‘Very Satisfied’ or ‘Satisfied’ in the Customer Satisfaction Survey

<table>
<thead>
<tr>
<th>Year</th>
<th>Very Satisfied (%)</th>
<th>Satisfied (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>82.6</td>
<td>97.1</td>
</tr>
<tr>
<td>2019.3</td>
<td>92.0</td>
<td>113.9</td>
</tr>
<tr>
<td>2020.3</td>
<td>93.8</td>
<td>120.2</td>
</tr>
<tr>
<td>2021.3</td>
<td>97.1</td>
<td>136.6</td>
</tr>
<tr>
<td>2022.3</td>
<td>100.0</td>
<td>158.2</td>
</tr>
</tbody>
</table>

The percentage of respondents who gave evaluations of ‘Very Satisfied’ or ‘Satisfied’ reached 100% in fiscal 2022. We are building a solid relationship with customers by further enhancing customer satisfaction, which we have valued highly since our founding.

### Installation of Renewable Energy at Plants and Offices

<table>
<thead>
<tr>
<th>Year</th>
<th>Installation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>42.0</td>
</tr>
<tr>
<td>2019.3</td>
<td>40.4</td>
</tr>
<tr>
<td>2020.3</td>
<td>39.7</td>
</tr>
<tr>
<td>2021.3</td>
<td>40.1</td>
</tr>
<tr>
<td>2022.3</td>
<td>41.0</td>
</tr>
</tbody>
</table>

Completed 60% of installations in fiscal 2022. Initiatives are being promoted at a company-wide level to achieve a 50% reduction in CO2 emissions by fiscal 2031 (compared to fiscal 2019) and to achieve the further goal of net zero emissions.

### Workplace Incidents per 200,000 Work Hours (TCIR4)

<table>
<thead>
<tr>
<th>Year</th>
<th>TCIR4 Total Case Incident Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>0.38</td>
</tr>
<tr>
<td>2019.3</td>
<td>0.23</td>
</tr>
<tr>
<td>2020.3</td>
<td>0.20</td>
</tr>
<tr>
<td>2021.3</td>
<td>0.23</td>
</tr>
<tr>
<td>2022.3</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Achieved 0.30 for fiscal 2022. With our slogan “Safety First” as a manufacturer, we will continue to promote thorough safety awareness and continuous improvement activities while maintaining world-class standards.

### Retention After Three Years of Joining the Company (Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retention (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>93.1</td>
</tr>
<tr>
<td>2019.3</td>
<td>95.0</td>
</tr>
<tr>
<td>2020.3</td>
<td>94.1</td>
</tr>
<tr>
<td>2021.3</td>
<td>94.7</td>
</tr>
<tr>
<td>2022.3</td>
<td>94.7</td>
</tr>
</tbody>
</table>

Average in recent five years.

Based on the recognition that employees both create and fulfill company values, a high retention rate of 94.7% was maintained in fiscal 2022 through continuous initiatives to improve employee engagement.
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 their 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—aimed rapid expansion 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

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 www.telson.com/sustainability/report/.

2 Refer to Stakeholder Engagement on p. 25

3 WFE: Water-Fill 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

SDGs Initiatives

- Create innovative technologies by promoting innovation
- Help develop a sustainable society by providing environmentally friendly products and services

Main 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 consortiums and academe
- 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

Continuing our support of the SDGs, which are globally shared goals to be achieved by 2030, we have clarified appropriate SDGs initiatives through our business for each material issue and are conducting these initiatives throughout the entire Group. In fiscal 2022, we reconfirmed the 17 goals and 169 targets1.

Medium-term Management Plan

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 losing 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.

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

| Financial Targets (by Fiscal 2027) |
| Net Sales | ¥3 trillion or more |
| Operating Margin | 35% or more |
| ROE | 30% or more |

**New Medium-term Management Plan**

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 we 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 35% 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.

**Trends in Market Capitalization and Net Assets**

**Progress on the Previous Medium-term Management Plan**

| Financial Model (Fiscal 2024) | Fiscal 2022 Actual |
| Net Sales | ¥1,500.0 billion |
| Operating Margin | 26.5% |
| ROE | >30% |

**New Medium-term Management Plan**

| Financial Targets (by Fiscal 2027) |
| Net Sales | ¥3 trillion or more |
| Operating Margin | 35% or more |
| ROE | 30% or more |

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 150 yen. We will flexibly consider share buybacks when we believe it is appropriate to do so.

1 Refer to E-COMPASS on p. 41
2 Refer to Key Indicators for Continuous Corporate Value Enhancement on p. 17
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.

<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>
</tr>
<tr>
<td></td>
<td>• ROE: 30% or more</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td>Research and Development</td>
<td>• Continuously create high-value-added next-generation products by implementing R&amp;D and expense of at least ¥1 trillion yen over 5 years</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td>Plants and Offices</td>
<td>• Reduce total CO2 emissions by 70% (compared to fiscal 2019)</td>
<td>Fiscal 2031</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>
<tr>
<td>Environment</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>
<tr>
<td>Logistics</td>
<td>• Reduce per-user emissions of CO2 by 30% (compared to fiscal 2019)</td>
<td>Fiscal 2031</td>
</tr>
<tr>
<td></td>
<td>• Engagement survey score: Achieve further improvement (compared to the prior survey) or outperform the benchmark</td>
<td>Every survey</td>
</tr>
<tr>
<td>Employees</td>
<td>• Employee retention rates</td>
<td>Every fiscal year</td>
</tr>
<tr>
<td></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</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td>Careers</td>
<td>• Annual paid leave utilization rate</td>
<td>Japan: (1) Fiscal 2027 / (2) Fiscal 2023 Overseas: Every fiscal year</td>
</tr>
<tr>
<td></td>
<td>• Ratio of female managers Japan: 5%; Global: 8%</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td>Work-life Balance</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 Logistics suppliers: 100% of customs-related operators Staffing suppliers: 100% of employment agencies and contracting companies</td>
<td>Every fiscal year</td>
</tr>
<tr>
<td>Diversity and Inclusion</td>
<td>• Ratio of female managers Japan: 5%; Global: 8%</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>• Supply chain BCP 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>Fiscal 2027</td>
</tr>
<tr>
<td>Safety</td>
<td>• TCIR: No more than 0.10 (Globally No. 1 in the industry)</td>
<td>Fiscal 2027</td>
</tr>
<tr>
<td></td>
<td>• TCR: Total Case Incident Rate. The number of workplace incidents per 200,000 work hours.</td>
<td>Fiscal 2027</td>
</tr>
</tbody>
</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 solid 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 female) Free and open discussions including corporate auditors
     - Off-site meetings: For 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 strategies by the CEO (every Board of Directors)
     - CEO mission: Information is shared concerning the CEO’s mission for achieving the new Medium-term Management Plan
   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:
  1. Seeking a Board of Directors with high effectiveness
  2. Operating rhythm supporting the execution of business
  3. To conduct appropriate measures with certainty across the entire Group, we are identifying risks (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.
  4. 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.

- We are addressing issues 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, we are identifying risks (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.

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

- Requirements of semiconductor production equipment manufacturers
  - Requirements of semiconductor production equipment manufacturers
  - Requirements of semiconductor production equipment manufacturers
  - Requirements of semiconductor production equipment manufacturers
  - Requirements of semiconductor production equipment manufacturers

Solid relationship of mutual trust with customers

Building of sustainable supply chains

Initiatives to reduce environmental impact

R&D from a medium- to long-term perspective

Development of high-performance equipment that realizes technological innovations

Specialized expertise in a variety of fields, including electronics, mechanics, materials, and software

Provision of high-value-added technical services
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 are all strongly positioned in their respective segments, all of which have 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.
  - Proactive R&D investment aimed at creating leading-edge technologies based on strong management and financial foundations.
  - 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.
  - Creation of technology roadmaps with customers and quick launch of next-generation products with overwhelming added value.

- Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment:
  - Focus on strengthening human resource development and promoting management that places an emphasis on employee motivation.
  - Implementation of “TEL Values,” which summarize values and the codes of conduct for all employees.
  - Understanding of issues and implementation of policies based on a regular global engagement survey.

**Outlook of Semiconductor Production Equipment Business**

As the trend towards a data-driven society progresses rapidly, the importance of the semiconductors 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, and 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.
Logic/Foundry

In the current wave of quantum leaps in advancements, the semiconductor industry is transitioning from traditional 2D lithographic scaling to more advanced 3D integration techniques to achieve higher performance, density, and efficiency. This shift is driven by a number of factors, including the increasing complexity of semiconductor devices, the need for improved performance, and the demand for more advanced functionalities.

The transition from 2D to 3D technology is expected to enable wafer engine manufacturers to achieve greater performance and efficiency in their products. Furthermore, the use of 3D technologies is expected to help reduce chip sizes and improve power efficiency, which could lead to significant cost savings for consumers.

NAND

3D NAND multi-layering is progressing even further, and layer counts will increase to 300 and 500 in the future. According to this trend, high-productivity sacrificial film removal and atomic level deposition on 3D structure is in demand. Technologies that can effectively manage these processes will be crucial in the future.

DRAM

Technologies such as those that suppress delays caused by interconnects and those that 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, 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.

3D System Integration

3D system integration is advancing to improve the performance of semiconductor devices. Wafer bonding technology applications are now under production for CMOS image sensors, and its developments in 3D NAND, where memory cells and drive circuits are bonded together, and in Logic backside power delivery network, are accelerating. In addition, the industry is moving to chip disaggregation, called Chiplet, and then bond those together, as well as oppose to 3D NAND. NAND memory cells and drive circuits are bonded together. Furthermore, the need for advanced assembly technologies is increasing.

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.

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 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. We will continue to invest in these initiatives to support our customers and the semiconductor industry as a whole.

Development and Evaluation up to Four Generations Ahead

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Notes:
1 High-NA EUV: Refers to next-generation EUV, an exposure technology that shortens the resolvable line width by increasing the numerical aperture (NA).
2 FinFET: Fin Field Effect Transistor, a process technology with a three-dimensional structure in the shape of a fin.
3 GAA: Gate All Around, a next-generation technology for FinFET.
4 CFET: Complementary Field Effect Transistor, transistor with a new structure.
5 Aspect ratio: Depth to width ratio of the pattern formed on the wafer.
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

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

**INPUT (investment capital) Fiscal 2022**

**OUTCOME (created value) Fiscal 2022**

**IMPACT (impact on industry and society)**

<table>
<thead>
<tr>
<th>Financial capital</th>
<th>Net sales</th>
<th>2,003.8 billion yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating margin</td>
<td>29.9%</td>
</tr>
<tr>
<td></td>
<td>Net income</td>
<td>437.0 billion yen</td>
</tr>
<tr>
<td></td>
<td>ROIC</td>
<td>37.2%</td>
</tr>
<tr>
<td></td>
<td>Total annual dividend</td>
<td>219.3 billion yen (payout ratio: 50%)</td>
</tr>
</tbody>
</table>

**Manufactured capital**

- Manufacturing sites: 9 (6 in Japan and 3 overseas)
- Manufacturing-related capital investment: 91.2 billion yen (6 in Japan and 3 overseas)
- Increasing of production capacity and lowering many years of know-how and proven performance in manufacturing operations

**Intellectual capital**

- R&D sites: 12 (6 in Japan and 6 overseas)
- R&D investment: 158.2 billion yen
- Broad-ranging knowledge and technological capabilities in semiconductor and flat panel display (FPD) manufacturing processes
- Customer requests and technology trends
- Equipment-related data accumulated through AI and knowledge management
- Systems and know-how for promoting digital transformation

**Human capital**

- Number of employees: 15,634
- Proportion of engineers: 67.1%
- Personnel 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 cooperative working relationships with suppliers
- Foundation for business activities in local communities

**Natural capital**

- Energy consumption: 100,265 kL
- Water consumption: 1,417,000 m³

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

- Contributing to the growth of the semiconductor and FPD markets
- Contributing to the further development of industry and society through semiconductor and FPD technological innovation
- Contributing to the building of fair and sound markets that respect intellectual property
- Creating a workplace environment replete with dreams and stability that enables employees to realize their full potential
- Improving value provided to stakeholders

- Creating employment opportunities in and paying taxes to local municipalities and nations where we carry out business activities

- Contributing to the revitalization of and sustainable development in local communities

- Contributing to the preservation of the global environment through environmentally friendly products and business activities as well as collaboration with suppliers
- Contributing to customer manufacturing of semiconductors and FPDs that have a low environmental impact as well as customer business activities
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 customs 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

- 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

- Customers purchase the semiconductor and FPD production equipment our company provides and also utilize services necessary for maintaining that equipment.
- We improve and enhance the quality of our products and services through collaborative joint technology development with customers.

### Relationship with Stakeholders

- Customers purchase the semiconductor and FPD production equipment our company provides and also utilize services necessary for maintaining that equipment.

### Value Provided to Stakeholders

- Customers purchase the semiconductor and FPD production equipment our company provides and also utilize services necessary for maintaining that equipment.
- 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.
Chapter 3  Value Creation by the Value Chain

Tokyo Electron is building a superior business model that takes advantage of its characteristics and is continuing to create new value through sustainability initiatives and the development of value chains in its business activities.

### Initiatives in the Value Chain

#### Research and Development

**Overview**
- Development of unique technologies for creating high-value-added, next-generation products that contribute to technological innovation in semiconductors
- Continuous development that looks into the future based on the prompt comprehension of market and technological trends, as well as customer needs

**Differentiation Points**
- Promotion and optimization of development through close collaboration among the Corporate Innovation Division, business divisions, and development sites in Japan and overseas
- Development of leading-edge technologies through various types of collaboration with consortia, academia, and suppliers in Japan and overseas
- Pursuit of development efficiency and new value creation by promoting digital transformation (DX)

**Value Created**
- Innovative, high-value-added and unique technologies and solutions that cover multiple semiconductor manufacturing processes
- Improvement in equipment productivity, such as higher throughput, a higher utilization rate and smaller space requirements
- Equipment technology that increases environmental performance

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#### Procurement and Manufacturing

**Overview**
- Establishment of stable production capabilities by building a sustainable supply chain
- Efficient manufacturing of high-quality, high-reliability, safe and environment-friendly products
- Creation of value through partnerships with suppliers

**Differentiation Points**
- Stable procurement and production leveling through collaboration based on relationships of mutual trust with suppliers
- World-class manufacturing operations through the use of our manufacturing know-how, knowledge and the equipment data we have accumulated over many years
- Initiatives to preserve the global environment throughout the supply chain

**Value Created**
- High-quality and high-reliability products incorporating leading-edge technologies
- Shortening of production lead times by optimizing the production plan and increasing the efficiency of manufacturing operations, etc.
- Safety-first operation

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#### Sales

**Overview**
- Be the sole strategic partner for customers by providing the Best Products and Best Technical Service
- Proposals on optimal solutions that contribute to the creation of value for our customers

**Differentiation Points**
- Accurate comprehension and prompt provision of technologies and solutions, etc. needed by our customers through the development of global operations
- Ability to suggest solutions by taking advantage of a wide range of product lineup and to satisfy a broader range of customer needs with used equipment and re-engineered equipment
- Continuous initiatives to improve customer satisfaction

**Value Created**
- High-value-added products incorporating innovative technologies by simultaneous parallel evaluation of four technology nodes
- Products that address a variety of applications, as well as used equipment and re-engineered equipment
- Responsiveness to customers through close collaboration throughout the entire Group

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#### Installation and Maintenance Services

**Overview**
- Deploying the Best Technical Service with high added value in a prompt and appropriate manner
- Strengthening of our global support structure to provide advanced field solutions that solve customers’ issues

**Differentiation Points**
- Field engineers who are highly specialized and possess broad knowledge
- Initiatives to reduce environmental impact through support services that extend the life cycles of equipment, etc.
- Providing highly efficient and high-quality services through the use of AI and digital technologies, the promotion of knowledge management, etc.

**Value Created**
- Comprehensive services that include everything from equipment delivery to maintenance
- Contribution toward the long-term steady operation of equipment across many generations
- High-quality technical services that contribute to improving customers’ productivity

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**Sustainability Initiatives in the Value Chain**
- Environment  P. 37
- Continuous Improvement of Business Operations  P. 46
- Compliance  P. 60
- Human Rights  P. 41
- Human Resources  P. 47
- Engagement with Capital Markets  P. 61
- Supply Chain Management  P. 43
- Corporate Governance  P. 49
- Evaluation from Third-party Institutions  P. 61
- Safety  P. 44
- Risk Management  P. 57
- Participation in Global Initiatives  P. 62
- Quality  P. 45
- Information Security  P. 50
Chapter 3 Value Creation by the Value Chain

Initiatives in the Value Chain

Research and Development

Tokyo Electron will continue to create highly unique technologies through balanced basic and applied R&D as well as through utilizing in-house and outside knowledge, while always remaining conscious of the most current customer needs.

We are creating innovative and unique technologies for manufacturing leading-edge semiconductors and flat panel displays (FPDs) by ascertaining technological and market trends as well as customer needs early on by leveraging global marketing activity networks and sharing that information throughout all relevant departments. Through development portfolio management, we are formulating short-term as well as medium- to long-term development strategies and progressing various types of basic and elemental R&D toward the next growth phase. Additionally, we are strengthening our R&D capabilities and continuing to develop technologies that will help customers create value through collaboration between our major domestic development sites and R&D sites worldwide as well as through alliances with outside consortiums, research institutes, academia and suppliers.

Key Themes for Medium- to Long-term Value Creation

- Timely development of high-value-added technologies and products through promotion of Shift Left
- Creating innovative and unique technologies for manufacturing leading-edge semiconductors and FPDs
- Increasing investment in human resources and development

Management Resources to Be Invested

R&D investment

More than 1 trillion yen

R&D sites

12

(6 in Japan and 6 overseas)

Primary Management Indicators

R&D expenses

Number of new product releases

Global patent application rate

- The percentage of invention applications that resulted in applications filed in multiple countries

Sustainability Initiatives

- Initiatives related to product environment
- Future-oriented development of environmental technologies through partnerships with suppliers
- Structure to promote innovative development that takes advantage of global diversity
- Development efficiency improvement through the promotion of DX

Risk Management Initiatives

Main Risks

- 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.
- Advance the intellectual property strategy, business strategy and R&D strategy in an integrated manner to build an appropriate intellectual property portfolio.
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- Advancing the intellectual property strategy, business strategy and R&D strategy in an integrated manner to build an appropriate intellectual property portfolio.
- The Corporate Innovation Division strives for the creation of further high-value-added products through collaboration 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.

Collaboration with Consortiums and Academia

We have focused on collaborative efforts with domestic and international consortiums and academic institutions (universities) to enhance our research and development capabilities and to create leading-edge technologies for a very long time.

Today, we continue our engagement in a wide range of activities toward product development. In the area of EUV and high-NA EUV lithography processes, this is achieved through collaboration with imec located in Belgium. Furthermore, we participate in a global research hub for hardware development of next-generation AI in the U.S. state of New York, and have formed a partnership with BRIDG, which is a non-profit public-private partnership located in the U.S. state of Florida, as well. At our research center in TEL Technology Center, America, advanced research and development in the areas of front-end, back-end, and advanced packaging process areas are being carried out daily.

Additionally, we collaborate with the National Institute of Advanced Industrial Science and Technology (AIST), one of Japan’s largest public research institutions. We leverage AIST’s world-class research environment and personnel to enhance our own development by conducting MIRAM and 3D material-related research. We do so to address the needs in the field of semiconductor.

Promotion of Digital Transformation (DX)

We have positioned DX as an important means for continuing to provide new value to customers and are developing company-wide initiatives to do so. In R&D, we have begun operation of remote support services that apply AR technology while also promoting initiatives to search for new materials and optimize processes at overwhelming speeds by utilizing materials information.

Furthermore, in addition to the "Advanced Data Planning Department" that supports DX activities in product competitiveness and customer responsiveness, we established the "Digital Transformation Promotion Department" in January 2022 which is responsible for planning and supporting DX activities in productivity improvement and management foundation, further strengthening DX promotion throughout the entire Group.

We plan to continue the utilization of things such as AI in solving technology development, which is becoming increasingly diverse.

Main Research and Development Initiatives

Strengthening Research and Development Capabilities

For our medium- to long-term growth, it is extremely important to continuously create the high-value-added next-generation products that are necessary for technological innovation in semiconductors.

Development sites in Japan and overseas, business divisions and the Corporate Innovation Division maintain their respective individuality, collaborating in necessary areas while promoting technological development and integration. We have a multi-structured development system that promotes advancement and evolution in the process from basic element development to mass-produced products.

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

The Corporate Innovation Division strives for the creation of further high-value-added products through collaboration 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.

development and management foundation, further strengthening DX promotion throughout the entire Group.

We plan to continue the utilization of things such as AI in solving various issues and developing functions, and to advance the development of production equipment that is equipped with innovative functions such as analyzing its own operating conditions and improving functions and operating efficiency.

- 1: EUV and high-NA EUV: Extreme Ultraviolet. Ultraviolet radiation (ultraviolet rays) is in the wavelength range of 10nm to 400nm. High NA EUV refers to next-generation EUV, an exposure technology that shortens the resolvable line width by increasing the numerical aperture (NA).

- 2: Front-end/Back-end: In semiconductor device production, the beginning section of the manufacturing process where the device element is formed is called the front-end (FEOL), and the latter section is called the back-end (BEOL) where the wiring is traditionally accomplished.

- 3: MIRAM: Magneto-reactive垄断 Access Memory

- 4: 5G: Fifth Generation (5th generation)

- 5: E-COMPASS: Electronic Components and Systems

- 6: Koshi Office, Ozu Office

- 7: 950 Office, Osaka Office, Fukuoka Office

- 8: Charlotte Office, Chelmsford Office

- 9: 3-P: Medium- and Long-term Environmental Goals

- 10: TEL Technology Center, America

- 11: TEL Technology Europe

- 12: TEL Technology China

- 13: TEL Technology Japan

- 14: Tokyo Electron Technology Solutions (Tokyo Electron Engineerings)

- 15: Research and Development

- 16: Production

- 17: Installation and Maintenance

- 18: Sales

- 19: E-COMPASS

- 20: 3-P: Medium- and Long-term Environmental Goals

- 21: E-COMPASS

- 22: 3-P: Medium- and Long-term Environmental Goals

- 23: E-COMPASS

- 24: 3-P: Medium- and Long-term Environmental Goals
Along with striving to build a sustainable supply chain, we have established a system for manufacturing high-quality products more efficiently.

We are aiming for constant innovation in production based on the themes of safety, high quality and high reliability, and are putting together manufacturing operations that are eco-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

Management Resources to Be Invested

- Many years of know-how (people and products) in semiconductor fab manufacturing

Primary Management Indicators

- Manufacturing core systems based on the latest digital technology
- Firm trust-based relationship with our suppliers

Sustainability Initiatives

- 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
- Shortening of production lead times and leveling
- Streamlining manufacturing operations with consideration toward the operating margin and ROE
- Optimizing management resource allocation to truncate the transition period from product development to mass production
- Promoting sound supply chain management based on industry codes of conduct
- Initiatives for reducing CO2 emissions and introducing renewable energy at plants and offices
- Direct and indirect manufacturing costs
- Production lead times
- Procurement stockout rate
- Continuous Improvement of Business Operations

Main Procurement and Manufacturing Initiatives

Sustainable Procurement Strategies

We are rapidly developing various initiatives to respond to delays in the procurement of parts and materials needed for production, price increases, and resulting supply chain disruptions caused by recent global shortages of semiconductors and electronic components.

The Corporate Production Division is working with each manufacturing site and promoting the optimization of procurement and parts inventories throughout the Group by regularly conducting supply chain BCP assessments, improving commercial distribution management through the further enhancement of supplier maps and other tools, strengthening supplementary parts systems between manufacturing sites and examining procurement processes. 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 leveling. Through these efforts, we are striving to improve safety, quality and efficiency of equipment production and start-up.

Based on the belief that smooth communication with suppliers is important, we hold periodic 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.

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Based on the belief that smooth communication with suppliers is important, we hold periodic 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.
We propose optimal solutions that contribute to the creation of value for our customers in order to be the sole strategic partner.

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 and 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 innovative technologies for future generations. In addition, by leveraging our strengths as a semiconductor production equipment manufacturer with a diverse product lineup and the experience and high level of quality we have cultivated over many years, we propose optimal solutions that contribute to the creation of value for our customers. Moreover, by focusing on sales of used equipment and re-engineered equipment, we can meet a wider range of customer needs and help maximize their return on investment.

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 and Best Technical Service
- Improving our position among our major customers
- Producing solutions that contribute to the creation of value for our customers

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 build through many years of performance records

Primary Management Indicators

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

Sustainability Initiatives
- Initiatives for improvement of customer satisfaction
- Ongoing efforts to ensure customer safety
- Reducing CO₂ emissions from product usage by addressing Medium-term Environmental Goals
- Improvement of operational efficiency in sales activities
- Continuous improvement of Business Operations

Initiatives for Improvement of Customer Satisfaction

- Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region
- Actively respond to macroeconomic fluctuations and regulatory changes related to product exports/imports or technological development in the Company’s business and consider countermeasures in advance
- Actively engage in public discussions and establish an information security system that conforms to international standards by having security assessments conducted by external experts, etc.
- Establish globally standardized rules and regulations for information management and implement response guidelines

Main Sales 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 is made up of two divisions: our Account Sales Division, which targets major semiconductor manufacturers, who have been our traditional customers, to develop new technologies with an eye to the needs of next-generation leading-edge technologies in memory, logic, foundry, etc., and our Global Sales Division, which responds to the needs of more than 100 customers in Japan and overseas who deal in products for the rapidly growing Chinese market as well as the industrial IoT market.

Proposing Customer Solutions Leveraging a Wide Range of Product Lineup

To solve customers’ issues and contribute to the manufacture of highly competitive devices, we offer proposals that leverage our wide range of product lineup, including equipment for key processes such as deposition, coating/developer, etch and cleaning. We simultaneously strive to help optimize manufacturing processes and enhance the productivity and quality of development and manufacturing processes by providing optimal solutions that include remote support systems and software for maximizing equipment utilization rate. Furthermore, through continuous improvements to performance of our mass production equipment, we are proactively working to meet customer demands for the production of multiple generations of products.

We are also responding to satisfy the market’s diversifying needs by providing products for the IoT market, which include power devices, image sensors and communication devices, as well as used equipment and re-engineered 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 our customers, semiconductor manufacturers, in order to be the sole strategic partner for our customers. The Customer Collaboration Group is made up of two divisions: our Account Sales Division, which targets major semiconductor manufacturers, who have been our traditional customers, to develop new technologies with an eye to the needs of next-generation leading-edge technologies in memory, logic, foundry, etc., and our Global Sales Division, which responds to the needs of more than 100 customers in Japan and overseas who deal in products for the rapidly growing Chinese market as well as 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 (=One-TEL) and promptly provide customers with the technologies, services and solutions they require.

In addition to these activities, we conduct a unique customer satisfaction survey every year and promote ongoing improvements to our business practices.

In fiscal 2022 the results of our activities were highly evaluated and we received best awards from many of our customers. We will continue to provide the Best Products and Best Technical Service and further improve customer satisfaction in order to be the sole strategic partner for our customers.
We have established a global support system to provide the Best Technical Service with high added value in a prompt and appropriate manner. For installation and equipment maintenance, we take advantage of a cumulative number of equipment installations of approximately 82,000 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 refining the skills of the front-line engineers who interact with customers, we work hard to accurately identify customer needs and provide timely feedback to our development and manufacturing operations. In addition, we are deploying aspects such as support services that extend the life cycle of equipment as part of our efforts to reduce environmental impact. We are also promoting the further improvement of the quality of our services through the provision of advanced field solutions, such as Total Support Center (TSC) and remote maintenance services.

Management Resources to Be Invested
Service support infrastructure at 717 sites located in 18 countries and regions around the world. Service database and remote support system that utilizes AI, knowledge management, and other tools.

Primary Management Indicators
Net sales for field solutions business, profitability of field solutions business, man-hours for installation and maintenance services, etc.

Sustainability Initiatives
- Improving the efficiency of start-up operations and maintenance services
- Safety initiatives for installation and maintenance services
- Provision of high-quality services
- Effective utilization of diverse talents

Risk Management Initiatives
- Main Risks: Quality, Human Resources
- Initiatives: Establish a quality assurance system and a world-class class system, reduce technical issues from the product development and design stage, 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 improvements, make continuous improvements to work environments and promote diverse work styles as well as health and productivity management, e.g. sharing our visions by managing, establishing training plans for human resources who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits.

Enhancing Front-line Engineers
We believe it is essential to accurately ascertain valuable information related to matters such as customer needs and equipment operation status through installation and maintenance services in markets where our equipment is delivered, as well as to provide timely feedback with regard to related operations to assist in equipment development, improvements to functionality and service quality development. In order to efficiently conduct these activities, we are promoting a human resources development program where engineers from overseas subsidiaries who are in contact with customers in the field acquire knowledge and skills by undergoing training in Japan, thus further strengthening the foundation of our front line. We are also working to promote seamless communication by strengthening cooperation between engineers at overseas subsidiaries, Japanese engineers stationed overseas, development and manufacturing divisions and business units.

Initiatives to Reduce Environmental Impact
As part of our efforts to reduce the environmental impact of our services, we are also deploying LEAP, a support service that extends the life cycle of our equipment. Support for semiconductor manufacturing equipment, which consists of tens of thousands of parts, typically extends seven to eight years after discontinuation of production. The main reason for this is due to the discontinuation of parts or the difficulty in maintaining safety and quality. This has led to the promotion of replacement with newer equipment and the discarding of older equipment. In response to customer needs and in consideration of SDGs, we began redesigning discontinued parts, and by strengthening and restructuring our support system, including repairs, we are now able to provide an extended life cycle support for equipment to more than 15 years after discontinuation. Through these new support services, we are working to reduce equipment disposal and contribute to the continuous use of equipment over a long period of time. In addition, we also offer a re-engineered equipment for 200mm wafers based on the previous generation of equipment.

Promotion of High-value-added Services
We have built a global support system, establishing Total Support Centers (TSC) in Japan, the United States, China and Europe. Service CRM centrally manages customers’ equipment records (support/trouble history) as a database through knowledge management. We strive to resolve the various issues of customers and support the stable operation of equipment through the use of TELeMetricsTM, a remote maintenance service, and smart glasses1 with our unique functions as well as by deploying Service CRM at each TSC site.

In addition, in order to further promote the improved productivity of our services, we ascertain each field engineer’s actual work status through work orders to optimize personnel assignment and increase efficiency. Furthermore, we are placing more emphasis than ever on developing advanced equipment diagnostic capabilities that utilize equipment output data. Going forward, we plan to utilize these functions to support comprehensive contract-based services, particularly those with billing based on performance (Pay for Performance contracts).

We are making efforts to strengthen a management system for service operations in each country and region so that we can respond in a flexible and rapid manner to changes in the business environment and promote efficient operations.

Key Themes for Medium- to Long-term Value Creation
- Contributing to solving customer issues through the provision of high-value-added service
- Maximizing service revenues through expanded sales of comprehensive contract-based services
- Addressing new customer needs with equipment for power devices, re-engineered equipment and other measures

Initiatives in the Value Chain
Installation and Maintenance Services
We will strive to provide high-value-added services through the continuous promotion of these initiatives.

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

Product development in line with customer needs
**Sustainability Initiatives in the Value Chain**

Tokyo Electron is merging business activities with a variety of sustainability initiatives, focusing on the environment, society, and governance to help create new value.

**Environment**

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. These efforts are reviewed by the Global Environment Council and reported to the Manufacturing Companies Presidents’ Council. We were once again free from environmental incidents, accidents, violations and legal proceedings in fiscal 2022.

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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 90 kilotons, while Scope 3 as the sum of upstream and downstream activities accounts for a total of 29,020 kilotons, approximately 99.7% of the total. Of this, CO₂ emissions when using products is 28,254 kilotons, about 97% of the total. This is why we consider the development of products with low CO₂ emissions during operation to be important.

**Medium- and Long-term Environmental Goals**

In order to further strengthen our initiatives toward the environment in our products, plants and offices, we have set the following medium- and long-term environmental goals.

- **Medium-term Environmental Goals (Fiscal 2031)**
  - **CO₂ emissions reduction goals**
    - **Products**: 30% reduction from fiscal 2020
    - **Plants and offices**: 70% reduction from fiscal 2016
    - A rate of renewable energy usage: 100% of renewable energy usage

- **Long-term Environmental Goals (2050)**
  - **Goal**: To realize net zero by proactively promoting the reduction of environmental burden of both our facilities and products.

In fiscal 2022, we identified CO₂ emissions during the use of our reference products and set a roadmap for each product with goals for fiscal 2031. In addition to the status of electricity, process gases and chemicals, water and other resources used in the production and use of each product, factors such as the effects of plans to reduce their use and the reduction effects of productivity improvements were also considered in setting this roadmap. The CO₂ emissions per wafer for products shipped in fiscal 2022 were reduced by 11% compared to the base year.

We have started to introduce renewable energy (electricity) at plants and offices in Japan, the United States and China. As a result, the ratio of company-wide renewable energy use in fiscal 2022 was 60%, and CO₂ emissions were reduced by 49% from the base year. In fiscal 2023, we plan to complete the introduction of renewable energy usage at all of our manufacturing sites in Japan, as well as at other overseas plants and offices.

In January 2022, we applied for SBT* certification of our greenhouse gas emission reduction goals, and we plan to receive certification with fiscal 2023. We are working together as one on initiatives to achieve the long-term environmental goals by 2050.

**Initiatives to Reduce Water Consumption**

With the growing importance of water resource preservation, we use WRI Aqueduct® and freshwater resource quantity indicators to conduct water risk assessments in Japan and overseas. In addition, we confirm the status of water resource use in the supply chain, rainwater and wastewater management and goal setting with suppliers once a year.

We have established an annual sustainability goal of maintaining the same water consumption level of the base year (fiscal 2002 for plants and offices in Japan and a fiscal year of their choosing for each overseas operation). Our ongoing efforts to achieve these goals include reusing pure water from our manufacturing operations, installing water-saving devices, waterfaring with rainwater and implementing the intermittent operation of cafeteria faucets.

**Reduction in CO₂ Emissions through the Introduction of Renewable Energy**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total CO₂ emissions for Scope 1 &amp; 2 (kilotons)</th>
<th>CO₂ emissions from renewable energy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>174</td>
<td>60</td>
</tr>
<tr>
<td>2020</td>
<td>156</td>
<td>60</td>
</tr>
<tr>
<td>2021</td>
<td>138</td>
<td>58</td>
</tr>
<tr>
<td>2022</td>
<td>125</td>
<td>50</td>
</tr>
</tbody>
</table>

During fiscal 2022, as a consequence of the operation of new buildings and an increase in water consumption associated with product development and evaluation, water consumption amounted to 147,000 m³, up 1% year-on-year. However, water consumption per net sales was down 29% year-on-year.

Moreover, in terms of our goals at each plant and office in Japan and overseas, we achieved 7 of the 14 goals.

In recognition of these efforts, we were selected as a prestigious A List company in the CDP® Water Security Category of the survey in December 2021.

1. WRI Aqueduct: A water risk assessment tool developed by the World Resources Institute
2. CDP: An international environmental non-profit organization (NPO) founded in the United Kingdom that conducts surveys on climate change and water security measures on private companies and municipalities and publishes the results

**Table 3**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Description</th>
<th>Emissions (kilotons)</th>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Scope 3 downstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Direct greenhouse gas (GHG) emissions from use of fuel and gas we owned or controlled</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Indirect GHG emissions from use of electricity, steam and heat purchased</td>
<td>2,825</td>
<td>2,825</td>
<td>2,825</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Emissions from corporate value chains (excluding Scope 1 &amp; 2 emissions)</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Indirect emissions from electricity use in our owned or controlled purchases</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Downstream transportation and distribution</td>
<td>265</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Waste generated in operations</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Employee commuting</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Manufacturing process-related emissions</td>
<td>28,522</td>
<td>28,522</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Ownership-related emissions</td>
<td>498</td>
<td>498</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Total CO₂ emissions for Scope 1 &amp; 2 (kilotons)</td>
<td>28,522</td>
<td>28,522</td>
<td></td>
<td></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.

In fiscal 2022, in addition to the previous fiscal year's study, we examined the 1.5°C scenario, which limits the average global temperature increase to less than 1.5°C above pre-industrial levels.

Status of Initiatives Related to Recommendations of the TCFD

We have established the Environment Promotion Department and the Corporate Sustainability Management Department at our headquarters, and the entire Group is pursuing initiatives for the TCFD recommendations.

Under the supervision of the CEO, the corporate director and executive officer in charge of the environment and sustainability give reports to the Board of Directors on our responses to climate change-related risks and opportunities and progress toward our goals, and conduct reviews.

At the Global Environmental Council, comprised of members appointed by executives of headquarters and the Group companies, goals are set, progress is monitored and the achievement of these goals is promoted.

Strategy

We are conducting analyses that take 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, industries, and investors
- 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. Also, on the opportunity side we identified proactive initiatives to address climate change through R&D. In response to these risks and opportunities, we will implement the findings from our scenario analysis into our business strategies and establish medium- and long-term environmental goals, while also pursuing the adoption of renewable energy and the reduction of greenhouse gas emissions strategies across the entire supply chain.

We will increase our resilience (responsiveness to climate change) and the environmental burden from fiscal 2022 levels due to the introduction of a carbon tax. In addition, we are promoting energy-saving and the adoption of renewable energy on a global scale. For Scope 3 emissions, we are targeting a 30% reduction in CO2 emissions by fiscal 2031, compared to fiscal 2019, as a result of the introduction of a carbon tax.

We utilize enterprise risk management to identify a wide range of risks arising in business activities, and classify “Environmental Issues” including climate change as a key risk having high impact and probability of manifestation. We formulate and execute measures to minimize this risk, monitor the effect of said measures and work to understand the status of risk control, and implement the PDCA cycle for management.

Short- and medium- to long-term environmental goals

We formulate and execute various response measures that related divisions and councils recommend are deployed to 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 aiming to achieve a 30% reduction in CO2 emissions because about 97% of the emissions in our entire value chain are generated during use of products after-sale, so we are focusing on development of a range of environmental technologies.

We also formulate business continuity plans (BCPs) in anticipation of natural disasters caused by abnormal weather and other factors, and take measures with our suppliers to ensure that business operations can be maintained.

Metrics and Targets

We are pursuing the following initiatives for the development of a data-driven society and preservation of the global environment:

With our semiconductor production equipment technology, we will contribute to enhancing the performance and reducing power consumption for semiconductor devices being used around the world.

For our medium- and long-term environmental goals, in order to achieve our long-term environmental goals of realizing net zero by 2050, we have established the following medium-term environmental goals and are carrying out various activities.

- Reducing our emissions: a 70% reduction in total CO2 emissions for plants and offices (by fiscal 2031, compared to fiscal 2019), a rate of 100% renewable energy usage at plants and offices (by fiscal 2031), and reducing energy consumption by 1% year-on-year at each plant and office (per-unit basis)
- Reducing other emissions: a 30% reduction in CO2 emissions per wafer when using products (by fiscal 2031, compared to fiscal 2019)
- Reducing the volume of water resources used and the environmental burden of logistics, etc.

We launched the “E-COMPASS” in June 2021 as an initiative to build sustainable supply chains, and are promoting technological innovations for semiconductors, and reducing environmental impacts.

Table: 1. TCFD Recommended Initiatives for the Fiscal Year 2022

<table>
<thead>
<tr>
<th>Type (Scenario)</th>
<th>Short- to medium-term</th>
<th>Medium- to long-term</th>
<th>Physical Risks (4°C Scenario)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physiological risks</td>
<td>Increased energy costs due to heat based on fuel and climate change</td>
<td>Increased energy costs due to heat based on fuel and climate change</td>
<td>Increased energy costs due to heat based on fuel and climate change</td>
</tr>
<tr>
<td>Opportunity (Common)</td>
<td>Various measures to reduce energy costs and promote energy savings</td>
<td>Various measures to reduce energy costs and promote energy savings</td>
<td>Various measures to reduce energy costs and promote energy savings</td>
</tr>
<tr>
<td>- Increased energy costs due to heat based on fuel and climate change</td>
<td>Increased energy costs due to heat based on fuel and climate change</td>
<td>Increased energy costs due to heat based on fuel and climate change</td>
<td></td>
</tr>
<tr>
<td>- Developed product to achieve reduced per-wafer emissions of CO2</td>
<td>Developed product to achieve reduced per-wafer emissions of CO2</td>
<td>Developed product to achieve reduced per-wafer emissions of CO2</td>
<td></td>
</tr>
<tr>
<td>- Promote energy-saving and adopt renewable energy at plants</td>
<td>Promote energy-saving and adopt renewable energy at plants</td>
<td>Promote energy-saving and adopt renewable energy at plants</td>
<td></td>
</tr>
<tr>
<td>- Promote the adoption of renewable energy on a global scale</td>
<td>Promote the adoption of renewable energy on a global scale</td>
<td>Promote the adoption of renewable energy on a global scale</td>
<td></td>
</tr>
</tbody>
</table>

References:
1. Refer to Risk Management p. 17
2. Refer to Medium- and long-term Environmental Goals p. 38
3. Refer to Initiatives to Reduce Water Consumption p. 63
5. Refer to E-COMPASS p. 41
6. GHG: Greenhouse Gas
7. Carbon tax: We referred to the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario for the increase in tax associated with GHG emissions.

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

Scenarios used: 1.5°C scenario (1.5°C temperature increase), 4°C scenario (4°C temperature increase)
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 contribute to the realization of a sustainable, dream-inspiring society. We incorporate the concept of respect into every aspect of our business activities, and strive to nurture a dynamic corporate culture where each of us can develop to the fullest. Our human rights policy, summarized in the Ten Principles of the United Nations Global Compact, and the Fundamental Principles and Rights at Work referred to therein, is one of our company’s basic policies aiming to govern the conduct of employees in an environment of respect and fairness.

Human Rights Initiatives

We ensure that our executives and employees, as well as suppliers, are fully aware of this content. Specifically, we publish the Human Rights Policy on our website and implement training for our employees and trainees to expand their understanding of those principles.

Initiatives which Align with the United Nations’ Guiding Principles on Business and Human Rights

E-COMPASS
In June 2021, we introduced E-COMPASS (Environmental Co-Creation by Material, Process and Subcomponent Solutions) as a new initiative for building sustainable supply chains. Under this initiative, we share goals such as reducing the environmental burden of procurement and logistics, eliminating environmentally hazardous materials, and proactive environmental R&D for equipment with our suppliers, developing activities accordingly. Furthermore, we will also openly seek proposals on reducing environmental burden in relation to the environmental performance of our equipment, manufacturing processes and procurement and logistics, by proactively adopting superior technology and initiatives we are promoting to achieve these goals.

In fiscal 2022, we held the E-COMPASS briefing session for suppliers where, in addition to informing them of the status of our initiatives, we also shared measures for mutual growth through co-creation with our suppliers. We also conducted the ‘E-COMPASS Survey’ to confirm matters including the state of suppliers’ environmentally-conscious product development and the status of their products’ compliance with environmental laws and regulations. Based on these results, we will discuss response measures with our suppliers and aim to further enhance the green performance of the industry as a whole.

We believe that reinforcing partnerships with our suppliers and leadership in the industry are key to the development of a data-driven society and preservation of the global environment. By utilizing every management resource at our disposal to promote E-COMPASS, we will actively endeavor to preserve the global environment throughout the entire supply chain.

We identify human rights risks and conduct human rights due diligence to develop remediation actions every year. In fiscal 2022, we unified the survey contents with reference to the RBA auditing standards, and surveyed 12 companies out of the entire Group in Japan and overseas, including the head office, and approximately 650 business partners involved in materials, staffing, customs services, packaging, etc. Consequently, potential/actual risks (Priority/Major/Minor) turned out to be 17% of our Group companies and 18% of suppliers, with labor- and health- and safety-related risks comprising the majority of the risk breakdown.

In the area of labor, items including the formulation of policies and procedures pertaining to thorough management of working hours and the employment of student workers, interns and trainees were identified as risks. In the area of health and safety, items including the implementation of evacuation drills for all workers and deployment of trained emergency response personnel were identified as risks.

With regard to these identified risks and their impact, inside our Group companies we are conducting checks at each of our sites based on feedback sheets, and implementing a remediation program to review the execution of working hours management, formulate various policies and procedures, carry out evacuation drill initiatives, and address ethics and management systems. To our suppliers, using feedback sheets we provide reports on the potential/actual risks identified in the survey and are working on remediation activities to reduce these risks.

In addition, the percentage of companies where no potential/actual risks considered to exist (conformance) was 80% for our Group companies and 78% for our suppliers.

Furthermore, we recognize the importance of having highly effective grievance mechanisms related to human rights and are working to establish reporting systems for employees and suppliers in Japan and abroad, and to further strengthen the operation of those mechanisms. By adopting highly justified and fair grievance mechanisms, we are identifying adverse human rights impacts at an early stage and building mechanisms to help remediate them.

Go forward, in addition to proactively deploying human rights-related initiatives and further enhancing their efficacy and transparency, we will work to reduce human rights risks in our companies and in our supply chain.

1. Human Rights Policy:
2. RBA Code of Conduct: A set of standards established by the RBA (Responsible Business Alliance) for supply chains in the electronics industry for a safe labor environment, to ensure that workers are treated with respect and dignity, and that companies take responsibility for environmental impact in the manufacturing process.
3. Refer to Compliance on p. 60

Percentages of Conformance and Potential/Actual Risks (Priority/Major/Minor)

<table>
<thead>
<tr>
<th>Internal</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conformance 80%</td>
<td>Conformance 70%</td>
</tr>
<tr>
<td>Minor 10%</td>
<td>Minor 1%</td>
</tr>
<tr>
<td>Major 6% Priority 1%</td>
<td>Major 6% Priority 1%</td>
</tr>
<tr>
<td>N/A 3%</td>
<td>N/A 9%</td>
</tr>
</tbody>
</table>

1. Our classifications and definitions of conformance as well as potential actual risks based on RBA auditing standards are as follows:
Priority: Issues considered particularly serious, which are at significant risk and require immediate priority remediation
Major: High-urgency issues which are at significant risk and require immediate remediation
Minor: Issues and risks recognized in each area which require remediation
Conformance: No issues were recognized in each area and requirements are being met
N/A: Indicates that “listed options do not resemble actual circumstances, or that the question is not applicable.”

- Commitment: Commitment to respecting human rights
  - Human Rights Policy publication
  - Awareness and implementation
  - Education
- Assessment: Assessment of human rights risks in business and supply chains
  - Human rights risk assessment
  - Human rights impact assessment
- Remediation: Actions to reduce risks based on assessment results
  - Feedback sheet publication
  - Program development and review according to issues
- Report: Regular disclosure of information
  - Publication of the Integrated Report and Sustainability Report
  - Postings on the website

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Supply Chain Management

Principles and System of Supply Chain Management
To build a supply chain that is sound and sustainable, Tokyo Electron has formulated a procurement policy based on the laws, regulations and social norms of each country, as well as the RBA Code of Conduct, and together with its suppliers, is implementing activities based on this policy. To identify issues in the supply chain from a variety of perspectives, we also review ongoing communication with diverse suppliers, including materials suppliers that handle parts and raw materials, staffing suppliers that provide services and logistics suppliers that handle physical distribution operations. Under the leadership of the CEO, any identified issues are shared with relevant divisions and efforts are made to implement concrete measures for improvement. We will continue to strive to create value in the supply chain by working to build relationships of trust with our suppliers, who support our business as partners, and by working together to conduct operations in compliance with global standards.

Initiatives in the Supply Chain
• Sustainability Operations
To keep track of our suppliers’ engagement in sustainability, we have conducted a sustainability assessment in areas such as labor, health and safety, the environment and ethics since fiscal 2014. We analyze the assessment results, provide feedback to suppliers, and together, promote initiatives for improvement as required. In fiscal 2019, we completed the revision of the content of the survey based on audit standards stipulated by the RBA, and in addition to materials suppliers, included staffing and logistics suppliers in the scope of surveys. In fiscal 2022, we confirmed surveys and conducted that suppliers had implemented measures to prevent any reoccurrence of cases of false reporting that were identified in suppliers in the scope of surveys.

• Procurement BCP
As part of our business continuity plans (BCPs), we collaborate with suppliers on ongoing disaster preparation. We maintain a database of suppliers’ production sites so that it is possible to prevent any potential risk assessments as early as possible in the development phase. We implement safe equipment design to reduce the risks posed to humans by incorporating the assessment results in the design. We conduct global surveys of the strict laws and regulations and conduct incident checks through third-party assessment bodies to ensure conformity with international safety standards, SEMI S2, and CE Marking on the equipment we ship. We have also established a system to make a commitment to the safety regulations of the regions where our equipment is delivered while working with overseas companies.

• Responsible Procurement of Minerals (Conflict Minerals)
We see taking action against conflict minerals (3TG) obtained through illegal exploitation, which lead to human rights violations and poor working conditions, as our corporate social responsibility. Our resolve goal is to eliminate the use of raw materials made from these conflict minerals, as well as any parts or components supplied containing them.

In alignment with this way of thinking, we conduct surveys on potential conflict minerals using the CMRT⁵ and referring to the OECD® Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In fiscal 2022, we conducted our eighth annual survey on potential conflict minerals. As a result, we were able to identify 243 RMAP⁷ Minerals from Conflict-Affected and High-Risk Areas. In fiscal 2022.

1  3TG: Tantalum, tin, tungsten and gold
2  CMRT: Conflict Minerals Reporting Template. Survey format for reporting conflict minerals, promulgated by the Responsible Minerals Initiative (RMI), which has established international guidelines on conflict minerals.
3  OECD: Organisations for Economic Co-operation and Development
4  RMAP: Responsible Minerals Assurance Process: A program promoted and led by the IMD for auditing smelters/reuters to validate that they do not use conflict minerals.
5  BCP: Business Continuity Plan
6  TEL: Tokyo Electron Ltd.
7  RMAP: Responsible Minerals Assurance Process

Safety
Approach to Safety
Under the “Safety First” slogan, everyone at Tokyo Electron, from top management to on-site personnel, is actively and continuously improving safety and promoting health, giving safety and health the highest priority when carrying out various types of operations such as development, manufacturing, transportation, installation and maintenance.

Safe Design of Equipment
Taking the entire product life cycle into consideration, we carry out product risk assessments as early as possible in the development phase. We implement safe equipment design to reduce the risks posed to humans by incorporating the assessment results in the design. We conduct global surveys of the strict laws and regulations and conduct incident checks through third-party assessment bodies to ensure conformity with international safety standards, SEMI S2, and CE Marking on the equipment we ship. We have also established a system to make a commitment to the safety regulations of the regions where our equipment is delivered while working with overseas companies.

Incident Reporting System
In the event of an incident, we operate the TEL Incident Report System (TIRS) to quickly share information with all parties involved and follow up with the relevant department to confirm the incident response as well as to implement measures to prevent recurrences. Through the operation of this system, we will continue to strive for speedy information sharing and incident response.

Safety Education
To help create a safe workplace, we have put in place two education programs globally. Basic safety education is basic safety training targeting all employees. It is provided as introductory training for new hires, and thereafter, employees are required to take refresher training once every three years. Advanced safety education is a more specialized type of safety training targeted at workers on production lines and in classrooms. Those who are eligible for this training are required to take refresher training every year. For overseas transferees, the laws and regulations in their previous and future places of employment are compared, and additional safety education is added as necessary.

Also, to ensure the concept of safe equipment design permeates from design, manufacturing to operational processes, we hold a semiannual safe equipment design seminar at our manufacturing sites in Japan, inviting an external guest to speak. We also promote our initiatives to prevent incidents, by providing our suppliers and customers with safety information as circumstances demand. As a result of having maintained a high priority on creating safe work environments, TCIR has been maintained at less than the Company’s goal of 0.50, with 0.30 in fiscal 2022.

New Incident Prevention Initiatives
We are deploying the following new activities with the aim of creating a safer working environment.

• Safety Education Using VR (Virtual Reality)
We are striving to increase danger awareness and prevent incidents by implementing safety education using realistic simulated experiences such as falling from a high place, falling down stairs, electric shock and incidents caused by getting trapped between objects. We are also building a system that allows multiple people to take courses at the same time by developing our own interactive VR system.

• Pocket-edition Work Safety Rules
We have turned basic rules for work safety into pamphlets the size of a business card and distributed them to all employees involved in the work. The pamphlets are made from materials that can be viewed even in clean rooms and are available in Japanese, English, Korean and Chinese.

• Shortening Equipment Start-up Time
We are promoting the development of safer equipment and working to shorten the time from installation to operation. By reducing work times and types of work, we are aiming to reduce the frequency of mistakes and incidents at sites.
Quality

Initiatives for Quality Improvement

In order to help each of our employees correctly understand and implement quality assurance activities, we realize the importance of clearly defining the ideal form of quality assurance (goals), along with creating an environment and culture for widely disseminating it. From the ideal form, we established “Our Approach to Quality (Quality Policy)” and communicate the importance of quality to our employees at various opportunities to increase their quality awareness. We are establishing rules for what has to be done in quality assurance activities as well as correctly implementing those rules. In addition, to ensure that our employees are always aware of their roles and purposes and perform their work, we are striving to make the rules comprehensive, reassess and deploy our quality education from time to time and visualize appropriate quality information. Based on these foundations, we help our employees mutually enhance awareness about quality in a variety of situations so that their efforts lead to the improvement and growth of our business processes, enabling us to provide product quality and services that surpass customer expectations.

Approach to Quality

We define our approach to quality in the following way: “The Tokyo Electron Group seeks to provide the highest-quality products and services. This pursuit of quality begins at development and continues through all manufacturing, installation, maintenance, sales and support processes. Our employees must work to deliver quality products, quality services and innovative solutions that enable customer success.”

We strive to implement self-process assurance systems by carrying out strict quality-related risk management and development/design inspections beginning at the development stage, and also by ensuring thorough verification of customers’ operations using simulations. We have also built an important component traceability system to strengthen our information environment. Specifically, to prevent various types of non-conformance, we build a system that allows one platform to view information such as past problems, adjustment values used during manufacturing and assembly and important component inspection information from suppliers, and have successfully strengthened our risk management (FMEA).

By thoroughly implementing these self-process assurance system and prevention measures, it creates time for employees to focus on high-value-added business operations and promotes initiatives for Shift Left (front-loading).

1. Quality Focus

Focusing on quality to satisfy customers, meet production schedules and reduce required maintenance even with temporary cost increases.

2. Quality Design and Assurance

Building quality into products and assuring in-process quality control, from the design and development phase throughout every process.

3. Quality and Trust

When a quality-related problem occurs, working as a team to perform thorough root cause analyses and resolve problems as quickly as possible.

4. Continual Improvement

Ensuring customer satisfaction and trust by establishing quality goals and performance indicators and by implementing continual improvement using the PDCA cycle.

5. Stakeholder Communication

Listening to stakeholder expectations, providing timely product quality information and making adjustments as needed.

Quality Management

We have established the TEL Manual (TM) and TEL Guidelines (TG) based on our company-wide quality policy for each major business category, including development, design, manufacturing and services, and are deploying them to the entire Group, including manufacturing sites, as well as suppliers.

Each of our manufacturing sites has established a quality management system based on the TM and TG and have acquired the international standard ISO 9001:2015. With the Quality Assurance Division as the core, we are striving to continuously improve our quality management system by setting annual quality goals based on the results of the previous fiscal year and assessing degree of achievement based on periodic reviews, as well as by effectively operating the PDCA cycle through repeated audits by internal auditors as well as third-party organizations.

In addition, the Quality Assurance Division is in charge of determining shipping risks of evaluation machines and reviewing the transition to mass production in the development process. To ensure the stable supply of parts in the mass production process, we employ methods such as using a statistical method to control process abnormalities as well as making strict equipment shipping judgments to prevent defects from leaking into the market. We promote the realization of self-process assurance and maintenance and improvement of product quality in the upstream processes, providing high-quality and high-value-added products and services leading to the continuous improvement of customer satisfaction.

Continuous Improvement of Business Operations

We are introducing a new enterprise system (ERP) to further improve productivity and quality. The new ERP, being operated across operational and national boundaries, is aimed at creating the following five benefits: (1) compliance with the new revenue recognition standards; (2) management decision-making with quick response to change; (3) large improvements in business operation efficiency; (4) utilization of globally integrated information with an eye toward digital transformation; and (5) realization of ultimate work style reform.

In fiscal 2022, we started with introduction of the new ERP at headquarters, and completed it (1) compliance with the new revenue recognition standards. From fiscal 2023 onward, we will take full advantage of the knowledge gained in the process of introducing the system at headquarters, and gradually introduce the system at manufacturing sites in Japan and at overseas subsidiaries. In addition, with the aim of realizing a globally integrated system, we will work with our partner companies to improve operations, increase efficiency, and develop functions to further enhance system performance.

Overview of the New Enterprise System

1. ERP: Enterprise Resource Planning. A system that integrates the core business operations of an enterprise, such as accounting, personnel, production, logistics and sales, to more efficiently and effectively achieve traceability.

2. New revenue recognition standards: New Accounting Standard for Revenue Recognition that establishes rules for calculating sales in financial statements, and which became applicable to listed companies, etc. from April 2020.
Human Resources

Employees Both Create and Fulfill Company Values

Tokyo Electron operates in 77 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. In addition to implementing a common global job-based human resource system (GTC: Global TEL Career-paths) and this system, we are also focusing on global human resource management to promote career advancement under a common platform without bases against any country or the Group companies affiliation. This allows us to reposition our human resources so that employees all over the world.

We believe that our corporate growth is enabled by people, and our employees both create and fulfill company values. Based on this approach, we practice motivation-oriented management. We actively invest in our employees and implement important measures such as below while also providing many opportunities for employees to challenge themselves to achieve high-level goals by making the most of their individual potential.

Practicing Motivation-Oriented Management

Five Perspectives for Motivation-Oriented Management

- Awareness that our company and work contributes to society
- Dreams and expectations of the Company’s future
- Opportunities to take on challenges
- Fair evaluations that recognize employee efforts and globally competitive rewards
- Workplace with open atmosphere and positive communication

Human Resource Development Concept at TEL UNIVERSITY

We have established TEL UNIVERSITY as an in-house educational establishment, helping employees to independently build their careers and realize their personal goals for their growth and development. We are promoting the following initiatives and focusing on the development of human resources who are essential to our development.

- Provision of Global and On-Demand Learning Opportunities
  Since each employee’s growth is different, we are implementing on-demand education that allows employees to learn when they want according to their own needs. In addition to group training, we are proactively utilizing e-learning programs and providing a common platform from learning from any location in the world.

- Support for Career Development
  We are expanding our education programs to help employees quickly acquire basic skills. We also provide information and tools that employees can gain a more concrete image of their own learning experience and career development.

- Leader Programs
  In order to nurture the next generation of leaders to support our future, we identify and systematically nurture staff to take on the role of realizing medium- to long-term corporate value enhancement. We provide next-generation management candidates with opportunities to build networks through participation in events such as external training, to develop a broader perspective, and to receive 360-degree feedback. In addition, management, including outside directors, conduct systematic assignment considerations and reviews.

Diversity and Inclusion

At Tokyo Electron, diversity and inclusion are management pillars that lead to the continuous generation of innovation and increased corporate value. We are actively promoting them with the strong commitment of our management. We have taken on gender, nationality and generation as major themes and set the following goals based on the characteristics of each region.

- Promotion of global human resource management to promote career advancement under a common platform without biases against any country or the Group companies affiliation.
- Providing many opportunities for employees to challenge themselves to achieve high-level goals by making the most of their individual potential.

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 assess the current state of employee engagement and identify issues. Based on the results of the surveys, we make improvements to foster a better workplace environment and culture by increasing opportunities for dialogue between management and employees as well as continuously communicating messages that emphasize safety, quality, and compliance. These initiatives resulted in an increase in the overall employee engagement score of 12 points from fiscal 2016 to fiscal 2021. In addition, the retention rate in fiscal 2022 was 96%, a high level even on a global scale.

We will continue these initiatives, such as clarifying career paths and improving operational efficiency through digital transformation, since we believe that improving employee engagement is important to providing increased value to our stakeholders.

Diversity and Inclusion Day

Diversity and Inclusion Day, an online event with simultaneous streaming for Group companies worldwide, was held in February 2022. In its opening speech, the CEO stated, “We need to incorporate all wisdom and diverse ideas to maximize the growth potential of the entire Group. In order to do this, it is essential to promote diversity and inclusion.” In addition, members from the U.S. including the president of Tokyo Electron America spoke about the importance of diversity and inclusion at a talk session. From Japan, two outside directors participated in a panel discussion regarding the roles of the company in a rapidly changing global society. Through this event, the importance of embracing and making the most of diversity was once again confirmed.

1 Include experts in the number of managers
2 The ratio of females mapping in science or engineering

Ratio of Female Managers

Regular Engagement Survey Process

Up 12 points

Opportunities for dialogue between management and employees
Communication of messages emphasizing safety, quality and compliance

1 On-demand education: Education programs that allow employees to learn at their own convenience; anywhere, anytime.
2 360-degree feedback: Process for collecting feedback from the subordinates, peers and supervisors of employees, as well as self-evaluations by the employees themselves.
Corporate Governance

Corporate Governance System

Basic Principle
We regard building corporate governance structures as important for achieving success in global competition and realizing sustainable growth. To that end, we have built a structure for utilizing the maximum of the 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 established the Corporate Governance Guidelines and outlined the corporate governance structures that we have developed and reinforced ahead of other companies.

Further Development of Corporate Governance

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.

In April 2022, we transited to the Prime Market of the Tokyo Stock Exchange and took the following actions reinforcing management by the Audit & Supervisory Board.

1. Changed the composition of the Board of Directors to three inside directors and three outside directors
2. Appointed a majority of outside directors to the Nomination Committee and the Compensation Committee, including their respective chairpersons
3. Introduced a Corporate Officer system, under which corporate officers, as the highest decision-making body on the executive side of the Group, are responsible for the entire Group management and business execution
4. Established the Corporate Officers Meeting and appropriately delegated authority from the Board of Directors to the executive side to conduct prompt decision-making and agile operational execution
5. Corporate officers attend Board of Directors meetings and apply the details of Board deliberations to business execution in an appropriate and speedy manner

By establishing a Board of Directors that performs its supervisory functions and a robust business execution system in the semiconductor production equipment industry, where technological innovation is rapid and market changes are active, we will further promote growth-oriented group management on a global basis, expand short-, medium- and long-term profit and achieve continuous corporate value enhancement.

Changes in Corporate Governance (Since CY1998)

| Year | Corporate Officers Meeting | Nomination Committee | Compensation Committee
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1998</td>
<td>One inside director</td>
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<td>1999</td>
<td>Two inside directors</td>
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<td>2000</td>
<td>Three inside directors</td>
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<td>2011</td>
<td>Three inside directors</td>
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<tr>
<td>2012</td>
<td>Three inside directors</td>
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</tr>
</tbody>
</table>

Corporate Governance Framework

Board of Directors

Composition: Three inside directors and three outside directors
Chairperson: Outside director
Number of Meetings: 12 in fiscal 2022

Nomination Committee

Composition: One inside director and two outside directors
Chairperson: Outside director
Number of Meetings: 12 in fiscal 2022
Deliberation Topics: Appointment and dismissal of corporate directors and the CEO, candidates of independent outside directors, status of successor development, other topics

Compensation Committee

Composition: One inside director and two outside directors
Chairperson: Outside director
Number of Meetings: 12 in fiscal 2022
Deliberation Topics: Policies concerning determination of individual compensation for corporate directors and others, the details of compensation, compensation for corporate directors and others

Audit & Supervisory Board

Composition: Two full-time Audit & Supervisory Board members and three outside Audit & Supervisory Board members
Chairperson: Number of Meetings: 9 in fiscal 2022

Shareholders’ Meeting

Management & Supervisors

Nomination Committee

Corporate Officers Meeting

Corporate Officers

Corporate Governance System

Discretionary Committees

Evaluating the Effectiveness of Executive and Non-executive Directors

Sustainability Initiatives in the Value Chain

Chapter 3 Value Creation by the Value Chain

Procurement and Manufacturing

Installation and Maintenance Services

Business Execution

CSS (Corporate Senior Staff)

Cooperates with Risk Management Committee

Cooperates with Information Security Committee

Cooperates with Export Trade Control Committee

Business Execution Organization (All Division/All TEL Group companies)

Business Ethics Committee

Sustainability Committee

Risk Management Committee

Information Security Committee

Export Trade Control Committee

Committees on the Executive Side

Business Ethics Committee: Investigates the revision and revocation of the Code of Ethics and verifies the status of practice in accordance with the Code of Ethics

Sustainability Committee: Sets annual sustainability goals (short, medium, and long term) and implements measures to achieve them

Risk Management Committee: Performs and shares information on company-wide risk management plans from a global perspective
Overview of Compensation

The table below provides an overview of the composition of compensation.

<table>
<thead>
<tr>
<th>Type of Compensation</th>
<th>Overview of Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Basic Compensation</td>
<td>Determine within the limit of total fixed basic compensation, which has been resolved at the Meeting of Shareholders and has not been revised. Specific amounts and number of stock options granted are commensurate with the corporate performance and the results of individual performance evaluations in the relevant fiscal year.</td>
</tr>
<tr>
<td>Cash Bonuses</td>
<td>Amounts linked to business performance in the relevant fiscal year to raise awareness of and enhanced performance in each fiscal year.</td>
</tr>
<tr>
<td>Stock Compensation-Bound Options</td>
<td>Fixed to motivate recipients to contribute to medium- to long-term business performance improvement.</td>
</tr>
<tr>
<td>Restricted Stock Units (Stock-based Compensation)</td>
<td>The remuneration system is designed to be more consistent with the expected role of giving active management from shareholders to contribute to earnings growth.</td>
</tr>
</tbody>
</table>

Advanced Initiatives Relating to Director Compensation

Shareholding Guidelines

We have established the Shareholding Guidelines (effective July 1, 2021) to further ensure that management’s interests align with those of stakeholders in pursuit of sustainable enhancement of corporate value. We have set targets for management to hold company shares equal to the following within five years after the effective date of the guidelines or appointment.

Clawback Policy

We have enacted a clawback policy (effective July 1, 2021) whereby we can demand a refund of performance-linked compensation if financial figures are found to be in need of major correction due primarily to the willful misconduct of an executive director or corporate officer.

The amount of compensation subject to refund is the excess portion of the performance-linked compensation received in the fiscal year in which such misconduct was found as well as the three preceding fiscal years.

Evaluation of the Effectiveness of the Board of Directors

Objective 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 2022

Scope of Evaluation

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

Process

Survey administered to all corporate directors and Audit & Supervisory Board members

Meetings by share exchanges by outside directors and outside Audit & Supervisory Board members

Deliberations at annual meetings

Discussion and self-evaluation by the Board of Directors

Evaluation Items

The main evaluation items for evaluating effectiveness are as follows.

- Overall effectiveness of Governance System and the Board of Directors
- Roles and functions of the Board of Directors
- Compensation, roles and operational status of the Nomination Committee
- Composition, roles and operational status of the Compensation Committee
- Contact with outside directors
- Relationship with investors and shareholders

Fiscal 2022 Initiatives

- Reinforcement of continuous deliberation concerning medium- to long-term management strategies
- Two off-site meetings were held for in-depth discussions on growth strategies, the Medium-term Management Plan, the future governance system and other issues.
- Promoting diversity and developing and appointing global human resources.
- Initiatives and the status of disclosure regarding human capital are reported to the Board of Directors, and with respect to diversity, the Board discusses, sets and discloses targets for the ratio of female managers and implement specific measures.
- Reinforcement of the internal audit system and collaboration between the Internal Audit Department and the Board of Directors.

Main Topics for the Board of Directors and Off-site Meetings in Fiscal 2022

- Measures to enhance the effectiveness of the Board of Directors in the 60th fiscal year
- Clarify the division of roles and decision-making authority and ensure direct and balanced checks between the executive side and the Board of Directors.
- Conduct appropriate operations of the newly established Board of Directors.
- Meeting to ensure effectiveness.
- Continuous deliberation by the Board of Directors to achieve growth over the medium to long term and continuously enhance corporate value.
- After clarifying specific timeframes (short, medium and long term), organize targets and strategies and risk issues (deep discussion related to medium- to long-term growth strategies).
- Continuously address diversity and inclusion.
- Investigate optimal information sharing among members of the Board of Directors and with the voluntary committees.
- Internalize the status of information sharing on the activities of the Nomination Committee with the Board of Directors.
- Establish venues for exchanges of opinions among outside directors and outside Audit & Supervisory Board members.
### Skills Matrix

We define "Product Competitiveness," "Customer Responsiveness," "Higher Productivity" and "Management Foundation," which supports our overall business activities, as material issues. We will address priority themes relating to each material issue and achieve expansion of medium- to long-term profit and continuous corporate value enhancement by each corporate director and Audit & Supervisory Board member demonstrating their skills in global business, governance, sustainability and in particular, the areas listed below:

#### Expected Skills

<table>
<thead>
<tr>
<th>Name</th>
<th>Corporate Management</th>
<th>Semiconductor/FPD</th>
<th>Manufacturing/Development</th>
<th>Sales/Marketing</th>
<th>Finance, Accounting/Engagement with Capital Markets</th>
<th>Legal Affairs/Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toshiki Kawai</td>
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<tr>
<td>Sadao Sasaki</td>
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<tr>
<td>Yoshikazu Nunokawa</td>
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<tr>
<td>Michio Sasaki</td>
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<tr>
<td>Makiko Eda</td>
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<tr>
<td>Sachiko Ichikawa</td>
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<tr>
<td>Yoshiteru Harada</td>
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<tr>
<td>Kazushi Tahara</td>
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<tr>
<td>Kyoosuke Wagai</td>
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<tr>
<td>Masataka Hama</td>
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<tr>
<td>Ryota Miura</td>
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</tbody>
</table>

*Definition of Expected Skills*

- **Corporate Management**: Experience of corporate management (experience serving as a representative director or chairman (president))
- **Semiconductor/FPD**: Knowledge of semiconductor/FPD-related industries
- **Manufacturing/Development**: Knowledge/experience in manufacturing and development at Tokyo Electron and other manufactures
- **Sales/Marketing**: Knowledge/experience in sales and marketing at Tokyo Electron and other manufactures
- **Finance, Accounting/Engagement with Capital Markets**: Knowledge in financial accounting and M&A, or knowledge/experience in engagement with capital markets
- **Legal Affairs/Risk Management**: Knowledge in 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</th>
<th>(Unit: persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Management</td>
<td>5</td>
</tr>
<tr>
<td>Semiconductor/FPD</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing/Development</td>
<td>6</td>
</tr>
<tr>
<td>Sales/Marketing</td>
<td>5</td>
</tr>
<tr>
<td>Finance, Accounting/Engagement with Capital Markets</td>
<td>5</td>
</tr>
<tr>
<td>Legal Affairs/Risk Management</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Independence and Diversity of Corporate Directors</th>
<th>(Unit: persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Outside Directors</td>
<td>3</td>
</tr>
<tr>
<td>Female Corporate Directors</td>
<td>2</td>
</tr>
</tbody>
</table>

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### Directors, Audit & Supervisory Board Members and Corporate Officers (As of July 1, 2022)

**Directors**

- **Toshiki Kawai**: Representative Director
  - President & CEO
  - Corporate Officer

- **Sadao Sasaki**: Representative Director
  - Senior Executive Vice President
  - Corporate Officer

- **Yoshikazu Nunokawa**: Corporate Director
  - Chairman of the Board of Directors

**Audit & Supervisory Board Members**

- **Kyoosuke Wagai**: Audit & Supervisory Board Member
  - Director and Vice President, Shift Inc.

- **Masataka Hama**: Corporate Officer
  - President & Representative Director, Tokyo Electron Technology Solutions Ltd.

- **Ryota Miura**: Corporate Officer
  - Outside Director, ZUIKO CORPORATION
  - Outside Director, FUJIFILM Holdings Corporation

**Corporate Officers**

- **Tatsuya Nagakubo**: Corporate Officer
- **Sensu Ikeda**: Corporate Officer
- **Yoshinobu Mitano**: Corporate Officer
- **Takeki Okubo**: Corporate Officer
Chapter 3 Value Creation by the Value Chain

Messages from Outside Directors

Michio Sasaki
Independent Outside Director (Nomination Committee Chairman)

Contributing with an awareness of priorities, balance and speed to expand profits and increase corporate value

Tokyo Electron’s corporate culture, Corporate Philosophy, Management Policies and TEL Values, which are one of the sources of its competitiveness, are clearly reflected in the Board of Directors, and there is an open, candid and active exchange of opinions. I believe that carefully listening to the opinions of outside directors and Audit & Supervisory Board members, speedy and high-quality execution and organizational values have contributed to high evaluations of the effectiveness of the Board of Directors every year.

The explanation of business performance and other important matters in the CEO reports at each Board of Directors meeting is detailed, easy to understand and helpful in gaining an overall understanding. Off-site meetings are also valuable opportunities to deepen understanding of matters such as medium- to long-term management strategies and development investments through in-depth explanations and discussions, so I would like the company to continue these going forward.

I would like to utilize the management experience I have accumulated in the development and manufacturing industry until now as well as my current experience in the IT industry to continue to contribute as an outside director. I would like to do this with a particular awareness of whether our priorities, balance and speed are optimized in order to expand profit and improve corporate value, including ESG, SDGs, development investments, DX, human resource development and risk management such as security in order to achieve our new Medium-term Management Plan.

Role of the Nomination Committee

The most important role of the Nomination Committee is selecting candidates for the next CEO and proposing them to the Board of Directors.

The Nomination Committee holds fair and open-minded discussions every month regarding the creation of a framework to select and develop the next CEO who will inherit Tokyo Electron’s excellent corporate culture, which is the foundation of its growth, and who will achieve both sustainable growth and improved corporate value over the medium to long-term. Specific selection and development frameworks are discussed as the Top Management Review Meeting (TRM) consisting of the representative director, the executive officer in charge of human resources and other members, and attended by members of the Nomination Committee. There, the next generation leader development PDCA cycle is reviewed and assignments are determined.

In the next-generation leader development program, the cycle is as follows:

1. A succession planning roadmap is established
2. Executive officers, division general managers and the Human Resources Department select succession candidates and continuously update the succession pool
3. Individual development plans for succession candidates are formulated, followed by the person in charge, capability development through other competitions, and training using TEL UNIVERSITY
4. Review is conducted at TRM

Through this cycle, we reinforce the leadership, on-site skills, judgment, environmental adaptability and sense of balance of candidates and promote the continuous development of next-generation leaders.

The Nomination Committee consults with the CEO and selects several future CEO candidates, discussing and formulating a roadmap that follows them on the path to becoming CEO. Through this process, we work with the recognition that it is our responsibility to our stakeholders to propose a leader to the Board of Directors who can realize Tokyo Electron’s medium- to long-term growth and expansion of profits.

Makiko Eda
Independent Outside Director

Fostering a culture that embraces diversity and nurturing it to become a strength that is a part of the company’s DNA

Discussions at Tokyo Electron’s Board of Directors are open, fast-paced and lively. I expected Japanese companies to place more of an emphasis on formality, but Tokyo Electron is completely different. Things that need to be discussed are discussed with the necessary depth and internal discussions are becoming more transparent. In my participation in the Board of Directors meeting over the past few years, I have seen that Tokyo Electron is a lively company that continues to evolve, earn and embrace new opportunities to grow without any hesitation.

As the company continues to grow, it is essential to be able to incorporate the talents of people from diverse backgrounds. This was more clearly defined as both a company policy and a growth strategy in 2021. Setting a numerical target is just the first step. The true work is in fostering a culture that embraces diversity, building a framework and nurturing this diversity to become a strength that is part of the company’s DNA.

As Tokyo Electron grows rapidly, we must quickly assess and respond to a variety of opportunities and risks. Semiconductors shape the future, and in this regard, I believe that Tokyo Electron has a significant role to play. From my position as an outside director, I would like to contribute to Tokyo Electron’s sustainable growth from a medium- to long-term perspective.

Sachiko Ichikawa
Independent Outside Director

Governance has performed well to date, however, governance is never complete and always requires improvement

The Board of Directors and its members have a responsibility to shareholders and other stakeholders. This responsibility is not limited to the current fiscal period but rather extends over the medium to long term. Tokyo Electron’s strong performance in fiscal 2022 despite the difficult economic environment can be seen as a product of its corporate governance to date.

At Tokyo Electron’s Board of Directors meetings, the words “investor and shareholder reaction,” “time axis” and “alternative scenarios” appear frequently. This shows that the Board of Directors is looking further and wider while monitoring and supervising the current status of business execution. This perspective is necessary to avoid short-term bias, closed-minded thoughts and a lack of analysis. This receptive approach to listening has made Tokyo Electron what it is today. However, governance is never complete and always requires improvement. Furthermore, the level of uncertainty in the economic environment has increased significantly. The needs of stakeholders are likely different than they have been in the past. I will strive to realize a Board of Directors that has an eye on the future, conducts investments and structure improvements in advance to continue producing good business results, and allows the executive side to fully demonstrate its abilities when opportunities arise.
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-division and comprehensive risks across the entire Group to build a solid financial foundation based on an improved 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, and implement countermeasures without fail alongside each of the Group companies and related departments.

We believe accurately understanding the risks and impacts that we may face in our businesses with an eye on the future, viewing them as opportunities for business growth and appropriately addressing them is essential to sustainable growth as a company that is trusted by society.

Risk Management System
We have established the organization to oversee the entire Group at our headquarters and carry out enterprise risk management 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 main risks.

We are building and developing a risk management system to ensure the operating results and financial foundation based on the new Medium-term Management Plan. In fiscal 2022, we introduced CSA1, with each risk owner of the Group further strengthening risk management in the 13 defined categories. We will continue to implement autonomous and highly effective risk management.

1. Enterprise risk management: Group-wide systems and processes related to risk management activities
2. CSA-Control Based Assessment: Internal risks and controls are evaluated and monitored by those who are actually performing the duties with the goal of building and maintaining an autonomous risk management system.

Auditing by the Internal Audit Department
The Global Audit Center serves as the internal audit department for the entire Group, conducts audits based on plans, provides instructions and support for making improvements to issues and confirms the progress of these improvements.

The Group’s internal control over financial reporting during fiscal 2022 was evaluated as effective by the independent auditors, the same as in the previous fiscal year.

Risk Management Initiatives
We have begun to address emerging risks from a medium- to long-term perspective, taking a step further than its conventional approach of assessing the current risk management state, identifying key unknown risks that may surround the company in the future and examining mitigation measures.

In fiscal 2022, the 13 risks identified to date were reviewed and reevaluated from the perspective of their potential to have a significant impact on our operating results, financial position, and cash flow. We then pushed forward risk management initiatives for each identified risk even further.

Sustainability Initiatives in the Value Chain

<table>
<thead>
<tr>
<th>Item</th>
<th>Main Potential Risks</th>
<th>Main 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 dead inventory.</td>
<td>• Establish the Corporate Innovation Division and build a Group-wide development framework that integrates innovative technology development with the technologies of each division.</td>
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<td></td>
<td>• A sharp increase in demand could lead to an inability to supply customers, which would in turn lead to losses in business opportunities.</td>
<td>• Provide highly competitive next-generation products ahead of competitors by collaborating with research institutions and building an appropriate intellectual property portfolio.</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 policies.</td>
<td>• 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 resources who will lead the future, maintaining career paths for employees and offering attractive remuneration and benefits).</td>
</tr>
<tr>
<td></td>
<td>• Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policies.</td>
<td>• Meet appropriate measures to counter such risks.</td>
</tr>
<tr>
<td></td>
<td>• Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policies.</td>
<td>• Reduce travel to high-infection-risk countries and regions, maintain supply chains and thoroughly implement infection prevention measures.</td>
</tr>
<tr>
<td></td>
<td>• Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policies.</td>
<td>• Launch an Emergency Task Force headed by the CEO.</td>
</tr>
<tr>
<td></td>
<td>• Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policies.</td>
<td>• Advancing the intellectual property strategy, business strategy and R&amp;D strategy is an important measure to build an appropriate intellectual property portfolio.</td>
</tr>
<tr>
<td></td>
<td>• Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policies.</td>
<td>• Monitor and analyze market trends of customers and respond to a wide range of customer needs.</td>
</tr>
<tr>
<td>11. Environmental issues</td>
<td>• The likelihood to respond appropriately to each country’s climate change policies, environmental laws and regulations, and customer needs could lead to increased costs due to new regulations and requirements.</td>
<td>• Advance the intellectual property strategy, business strategy and R&amp;D strategy in an integrated manner to build an appropriate intellectual property portfolio.</td>
</tr>
<tr>
<td></td>
<td>• The likelihood to respond appropriately to each country’s climate change policies, environmental laws and regulations, and customer needs could lead to increased costs due to new regulations and requirements.</td>
<td>• Launch a dedicated security organization and establish an information security system that continues to prevent data breaches.</td>
</tr>
<tr>
<td></td>
<td>• The likelihood to respond appropriately to each country’s climate change policies, environmental laws and regulations, and customer needs could lead to increased costs due to new regulations and requirements.</td>
<td>• Monitor compliance activities at key sites, and develop and implement response guidelines.</td>
</tr>
<tr>
<td>12. Novel Coronavirus (COVID-19)</td>
<td>• The spread of COVID-19 could slow the Company’s business activities and lead to a global economic downturn.</td>
<td>• Establish the Corporate Innovation Division and build a Group-wide development framework that integrates innovative technology development with the technologies of each division.</td>
</tr>
<tr>
<td></td>
<td>• The spread of COVID-19 could slow the Company’s business activities and lead to a global economic downturn.</td>
<td>• Provide high-level support on the material issues in and outside Japan, and respond to a wide range of customer needs.</td>
</tr>
</tbody>
</table>

1. Establishing the CSA-Task Force headed by the President to establish a new long-term management framework based on the new Medium-term Management Plan.

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 digital transformation and other measures, and actively promote measures that protect the entire supply chain from the risk of cyberattacks that target companies.

Main Activities

Information Security Systems
The Vice President and General Manager, Information Security, run the Security Committee and implement measures on a global scale. We hold the TEL Group Information Security Committee twice a year, and Information Security Committees at each company more than twice a year.

Information Security Management
We established global information security rules, and conduct security education twice a year and phishing email training every month for all executives and employees. We hold seminars twice a year to share the latest situation to all Group members. In addition, we implement risk assessments and internal audits for each department of the entire Company to identify the risks and strengthen technological, human, organizational, and physical security measures.

Responses to Security Threats
We have proactively introduced advanced technology and established a dedicated security organization to build a robust monitoring system in order to respond to security threats such as cyberattacks and information leaks.

Security at Manufacturing Sites
We implement security measures at each manufacturing site to ensure that the manufacturing systems that support our business activities are operating safely and stably while maintaining QCD1.

Supply Chain Security
We respond to customer requests for security and monitor the security status of our suppliers to ensure that confidential information and information on our customers and suppliers that is shared in the course of business activities can be used safely without a loss of convenience.

Increasing Resilience
We operate a system that can detect the occurrence of security incidents. We confirm pre-determined procedures so that we can do the right actions for a swift response and recovery by implementing incident response training. We also implement a penetration test once a year to verify system vulnerabilities.

Overview of Information Security

Security Monitoring Organization
Early detection of signs of potential attacks

Incident Response Organization
Minimization of damage when an incident occurs

Security at Manufacturing Sites
We implement security measures at each manufacturing site to ensure the manufacturing systems that support our business activities are operating safely and stably while maintaining QCD.

Supply Chain Security
We respond to customer requests for security and monitor the security status of our suppliers to ensure that confidential information and information on our customers and suppliers that is shared in the course of business activities can be used safely without a loss of convenience.

Increasing Resilience
We operate a system that can detect the occurrence of security incidents. We confirm pre-determined procedures so that we can do the right actions for a swift response and recovery by implementing incident response training. We also implement a penetration test once a year to verify system vulnerabilities.

Compliance

Approach to Compliance
To practice Tokyo Electron’s 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’s 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 System
In order to effectively promote a compliance program that is expected of a global company, Tokyo Electron has appointed a Chief Compliance Officer (CCO) and established a dedicated Compliance Department at its headquarters. Additionally, the persons responsible for compliance who called Regional Compliance Controllers have been appointed at key overseas sites, an operation for direct reporting to the Chief Compliance Officer and Compliance Department.

Compliance Initiatives
Business Ethics
Tokyo Electron has established the Business Ethics Committee to promote and raise awareness of compliance and business ethics more effectively together with implementing “Tokyo Electron’s Code of Ethics” as the standard of conduct for all executives and employees. We have also 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.

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 laws. In order to prevent violations, we regularly provide training to promote understanding and awareness of these Policies and Guidelines as well.

Internal Reporting System
Preventing problems from occurring and resolving them quickly when they occur requires a system that allows employees to raise questions and concerns about business ethics and compliance without reservation or hesitation and to discuss them fully. We have established an internal reporting system that ensures complete confidentiality, anonymity, and the prohibition of retribution, so that employees can safely and reassuringly provide information and seek redress outside the chain of command about behavior that is, or may be, in violation of laws, regulations or business ethics.

Specifically, we have established and are operating the Tokyo Electron Group Ethics & Compliance Hotline—a global common internal point of contact that uses a third-party system that is also accessible to our suppliers—as well as an external point of contact that allows direct consultation with an outside law firm. The internal point of contact can be accessed via phone or a dedicated website 24 hours a day, 365 days a year, and accommodates all languages used by employees.

Compliance System

Systems established in preparation for emergencies

Security Monitoring Organization
Early detection of signs of potential attacks

Incident Response Organization
Minimization of damage when an incident occurs

Global Response to Internal Reports

Third-party System

Compliance Department / Legal, Compliance Division / CCO / Chief Compliance Officer

Report

Request for Investigation / Coordination and Presentation Support

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

In fiscal 2022, a total of 95 cases were received via the internal reporting system, of which 19 were recognized as compliance violations. The reports and requests for advice 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.

There were no reports or cases of non-compliance that could have had a serious impact on our business or on local communities.

**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.

For IR activities, in addition to quarterly earnings conferences, the CEO and each company's executive appear at Medium-term Management Plan announcement and IR Day events to share our business strategies and growth story. Simultaneous interpretation and subtitles are used to broadcast briefings in Japanese and English in an effort to provide fair disclosures to overseas investors. The IR Department, which was established under the direct control of the CEO, also supplements explanations as appropriate through individual interviews and regularly reports opinions from investors to management and the Board of Directors so that feedback can be of use in management. In addition, we actively participate in IR and ESG conferences in Japan and overseas and encourage dialogue with capital markets through the cooperation of company executives and the IR Department to gain a deeper understanding of the Group. In fiscal 2022, we received a Best IR Award from Japan Investor Relations Association and were selected as a Most Honored Company by Institutional Investor magazine in the U.S. for the seventh consecutive year.

As a part of our SR activities, 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 deepen mutual understanding.

To encourage active discussion and facilitate smooth and efficient voting at Shareholders' Meetings, we send convocation notices at an early stage, and also post notices in both Japanese and English on our website prior to sending notices and take other measures to provide information to shareholders in a timely manner. In addition, we analyze the results of the exercise of voting rights, report to the Board of Directors, and use the results to further enhance engagement with investors.

**Evaluation from Third-party Institutions**

Our sustainability initiatives have allowed it to continue to be recognized as a constituent stock under leading global ESG investment indices, including the DJSI Asia Pacific Index, FTSE4Good Index, MSCI World ESG Leaders Indexes, Euronext Vigeo World 120 Index and STOXX Global ESG Leaders indices. At the same time, we were evaluated as a low-risk company in Sustainalytics' ESG Risk Ratings. In 2021, we were evaluated as a prestigious A List company in the water security category of a survey conducted by the CDP, and won recognition as the “Grand Prize Company,” an award given to the most outstanding company, in the Corporate Governance of the Year® 2021 program sponsored by the Japan Association of Corporate Directors.

Additionally, the entire Group in Japan received recognition as top 500 companies under the 2022 Certified Health & Productivity Management Outstanding Organizations.
Societal Trends

Society today is facing a variety of challenges, including prolonged outbreaks of COVID-19, changes in social conditions due to conflicts between nations, abnormal weather conditions and natural disasters caused by climate change, human rights issues, demographic changes, stagnation of supply chains, geopolitical risks, cyber-attacks and so forth. Mitigating climate change and eliminating inequality in human rights in particular are pressing issues, and global efforts involving not only international organizations and national governments but also by the private sectors are expected to become more important going forward.

Advancement of Digitalization in Society

As digitalization in society accelerates, lifestyles and business models are changing drastically with the creation of new technologies and services. In addition, the demand for semiconductors to support these societal trends is continuously growing along with technological innovation. The market was driven by personal computers in the 1990s and mobile devices such as smartphones in the 2000s. Today, the spread of IoT, AI, 5G/6G, cloud computing, the metaverse and other technologies are further increasing the demand for semiconductors. Going forward, it is expected that there will be a shift to a world where people are connected with everything in society through the shift to EVs for automobiles, autonomous driving, development of smart cities as well as smarter industries in the plant, agriculture, medical and energy sectors.

Future of Computer Technology and Semiconductors

As data-driven society progresses rapidly, the computer technology that is responsible for information processing will also evolve. In addition to conventional bit-based computers such as personal computers and data servers that perform mathematical processing, new technologies such as quantum computers and brain-inspired computers that copy the movements of the human brain are expected to emerge going forward. A variety of services and products are expected to give color to future society by processing enormous amount of data at high speeds and with low power consumption in accordance with the characteristics of each computer technology.

In addition, the semiconductor market that supports computer technology is also expected to evolve under the three scenarios of Moore’s Law, Customization and Hyper-Mass.

Initiatives to Achieve Further Growth of Tokyo Electron

We achieved the financial model for fiscal 2024 in the previous Medium-term Management Plan, formulated in May 2019, two fiscal years ahead of schedule.

In response, we formulated a new Medium-term Management Plan and a Vision in June 2022 to achieve further growth. The new Medium-term Management Plan sets financial targets as well as key indicators including areas related to ESG such as efforts to reduce greenhouse gas emissions to net zero. We will put our Corporate Philosophy into practice by promoting TSV (TEL’s Shared Value), steadily implementing the new Medium-term Management Plan, and realizing our Vision for mid- to long-term profit expansion and continuous corporate value enhancement.
Aiming to Be a Company Filled with Dreams and Vitality

The world is currently pushing firmly ahead with implementing ICT (information and communication technology) as well as taking action to realize decarbonization in order to build a strong and resilient society in which economic activities do not stop under any circumstances.

Semiconductors are growing even more important as social infrastructure with increasing technological demands such as larger capacity, higher speed, higher reliability and lower power consumption.

Tokyo Electron will strive toward medium- to long-term profit expansion and continuous corporate value enhancement by continuously creating high-value-added, leading-edge equipment and technical services to apply its expertise as a manufacturer of semiconductor production equipment and using all management resources, including its employees who create and fulfill company values.

Based on these activities, we will realize our Vision, which specifies our medium- to long-term business aspirations and the direction of our near future; practice our Corporate Philosophy, which specifies our mission in society and the purpose of our existence; and meet the expectations of all of our stakeholders.

We started our 60th fiscal year in April 2022. Going forward, we will continue to take on challenges and evolve to be a company filled with dreams and vitality that is loved and highly trusted by all stakeholders.

Corporate Philosophy

We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.
From the beginning of fiscal 2022, Tokyo Electron (TEL) applies "Accounting Standard for Revenue Recognition" (ASB Statement No. 29, March 31, 2020). Comparisons between the same period in the previous year in the explanation of operating results and cash flows and comparisons between the end of the previous fiscal year in the explanation of financial positions are made using figures from the consolidated results of the previous fiscal year prior to the application of the change in accounting standard.

### Operating Results
During fiscal 2022, despite the effects of the COVID-19 pandemic and heightened geopolitical risks, a gradual recovery in the global economy has been observed.

In the electronics industry, where the TEL operates, further growth in semiconductor production equipment market is expected due to the growing importance of semiconductors driven by the transition to a data society due to the expansion of communications technologies and efforts toward realizing a dematerialized society.

In this environment, the consolidated business results for fiscal 2022 are as follows:

- Net sales for the fiscal year increased 43.2% from the previous fiscal year to 2,038.3 billion yen. Domestic net sales increased 16.6% from the previous year to 230.3 billion yen, while overseas net sales increased 47.6% to 1,773.4 billion yen to account for 88.5% of net sales.
- Cost of sales increased 30.9% to 1,091.9 billion yen and gross profit increased 61.4% to 919.1 billion yen. As a result, the gross profit margin expanded by 5.1 points to 45.5%. Selling, general and administrative (SG&A) expenses increased 28.0% to 393.5 billion yen, while the ratio to consolidated net sales declined by 1.9 points to 15.6%.
- As a result, operating income increased 86.9% to 599.2 billion yen and operating profit ratio increased 7.0 points to 29.9%.

Income before income taxes was 599.6 billion yen (year-on-year growth of 86.2%) and net income attributable to owners of parent was 437.0 billion yen (year-on-year growth of 79.9%). As a result, net income per share was 2,807.84 yen compared to net income per share of 1,562.20 yen in the previous fiscal year.

### Financial Conditions
Current assets at the end of fiscal 2022 were 1,408.7 billion yen, an increase of 393.0 billion yen compared to the end of the previous fiscal year. This was mainly due to an increase of 242.2 billion yen in notes and accounts receivable-trade, and contract assets, an increase of 69.9 billion yen in cash and cash equivalents, and an increase of 58.5 billion yen in inventories.

Tangible fixed assets increased by 26.1 billion yen from the end of the previous fiscal year, to 220.3 billion yen. Investments and other assets increased by 49.9 billion yen from the end of the previous fiscal year, to 262.6 billion yen.

As a result, total assets increased by 469.0 billion yen from the end of the previous fiscal year, to 1,894.4 billion yen.

Current liabilities increased by 140.9 billion yen from the end of the previous fiscal year, to 468.5 billion yen. This was largely due to an increase of 57.9 billion yen in income taxes payable, an increase of 303.3 billion yen in trade notes and accounts payable, and an increase of 20.8 billion yen in customer advances.

Long-term liabilities increased by 5.6 billion yen from the end of the previous fiscal year, to 78.8 billion yen.

Net assets increased by 322.4 billion yen from the end of the previous fiscal year, to 1,347.0 billion yen. This was largely due to an increase of 437.0 billion yen resulting from recording net income attributable to owners of parent, a decrease resulting from the payment of 166.2 billion yen in year-end dividends for the previous fiscal year and interim dividends for fiscal 2022, and an increase of 27.3 billion yen in net unrealized gains on investment securities. As a result, the equity ratio was 70.5%.

### Cash Flows
Cash and cash equivalents at the end of fiscal 2022 increased by 69.4 billion yen compared to the end of the previous fiscal year, to 335.6 billion yen. The combined balance including 35.6 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 172.7 billion yen, an increase of 59.7 billion yen from the end of the previous fiscal year. The overall situation regarding cash flows for fiscal 2022 was as described below.

Cash flows from operating activities were positive 283.3 billion yen, an increase of 137.4 billion yen from the previous fiscal year. The major positive factors were 596.6 billion yen in income before income taxes, a 36.7 billion yen in depreciation and amortization, and a 32.0 billion yen increase in customer advances. The major negative factors were 195.5 billion yen in increase in notes and accounts receivable-trade, and contract assets, a 105.0 billion yen in income taxes paid, and a 100.2 billion yen increase in inventories.

Cash flows from investing activities were negative 55.6 billion yen compared to negative 18.2 billion yen in the same period of the previous fiscal year. This was largely due to the payment of 56.1 billion yen for the purchase of fixed assets.

Cash flows from financing activities were negative 167.2 billion yen compared to negative 145.5 billion yen in the same period of the previous fiscal year. This was largely due to the payment of 166.2 billion yen in dividends.

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

Note: The amounts include sales to the customer and its subsidiaries.

#### Sales results by major customer and their ratio to total sales

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Sales (billion yen)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Electronics Co., Ltd.</td>
<td>266,666</td>
<td>18.9</td>
</tr>
<tr>
<td>Intel Corporation</td>
<td>258,706</td>
<td>15.8</td>
</tr>
<tr>
<td>Taiwan Semiconductor Manufacturing Company Ltd.</td>
<td>164,140</td>
<td>11.7</td>
</tr>
</tbody>
</table>

#### Income before income taxes

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>596,484</td>
</tr>
<tr>
<td>2019.3</td>
<td>510,696</td>
</tr>
<tr>
<td>2020.3</td>
<td>479,054</td>
</tr>
<tr>
<td>2021.3</td>
<td>437,000</td>
</tr>
<tr>
<td>2022.3</td>
<td>393,000</td>
</tr>
</tbody>
</table>

#### Current assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>1,408,700</td>
</tr>
<tr>
<td>2019.3</td>
<td>1,278,200</td>
</tr>
<tr>
<td>2020.3</td>
<td>1,227,200</td>
</tr>
<tr>
<td>2021.3</td>
<td>1,299,100</td>
</tr>
<tr>
<td>2022.3</td>
<td>1,389,100</td>
</tr>
</tbody>
</table>

#### Total assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>3,850,900</td>
</tr>
<tr>
<td>2019.3</td>
<td>3,494,300</td>
</tr>
<tr>
<td>2020.3</td>
<td>3,278,800</td>
</tr>
<tr>
<td>2021.3</td>
<td>3,172,600</td>
</tr>
<tr>
<td>2022.3</td>
<td>3,354,300</td>
</tr>
</tbody>
</table>

#### Total liabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>2,442,200</td>
</tr>
<tr>
<td>2019.3</td>
<td>2,419,000</td>
</tr>
<tr>
<td>2020.3</td>
<td>2,447,600</td>
</tr>
<tr>
<td>2021.3</td>
<td>2,574,500</td>
</tr>
<tr>
<td>2022.3</td>
<td>2,501,000</td>
</tr>
</tbody>
</table>

#### Net assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>1,347,000</td>
</tr>
<tr>
<td>2019.3</td>
<td>1,075,300</td>
</tr>
<tr>
<td>2020.3</td>
<td>931,200</td>
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<tr>
<td>2021.3</td>
<td>698,100</td>
</tr>
<tr>
<td>2022.3</td>
<td>853,300</td>
</tr>
</tbody>
</table>

#### Net income attributable to owners of parent

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>300,200</td>
</tr>
<tr>
<td>2019.3</td>
<td>308,100</td>
</tr>
<tr>
<td>2020.3</td>
<td>324,300</td>
</tr>
<tr>
<td>2021.3</td>
<td>368,500</td>
</tr>
<tr>
<td>2022.3</td>
<td>437,000</td>
</tr>
</tbody>
</table>

#### Net income attributable to owners of parent (billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
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<td>324,300</td>
</tr>
<tr>
<td>2021.3</td>
<td>368,500</td>
</tr>
<tr>
<td>2022.3</td>
<td>437,000</td>
</tr>
</tbody>
</table>

#### Notes

- From fiscal 2019, the Company applied the Accounting Standard Board of Japan’s “Partial Amendments of Accounting Standard for Tax Effect Accounting.” (ASB Statement No. 28, revised on February 16, 2018). Total current assets, total investments and other assets, total assets and total liabilities for fiscal 2018 have been restated in accordance with the new revised accounting standard.
Management Discussion and Analysis of State of Operating Results

Our operating results for fiscal 2022 were record-high 2,035.8 billion yen, an increase of 43.2% from the previous fiscal year, due to active capital expenditure by customers in the semiconductor production equipment market. Together with the significant increase in net sales, operating income also reached 592.2 billion yen, an increase of 86.9% from the previous fiscal year, and the operating margin was 29.9%, an increase of 7 points from the previous fiscal year. This was mainly due to the increase in gross profit margin from the increase in sales of newly acquired high-value-added processes in the key fields, and the decrease in the ratio of selling, general and administrative expenses arising from the significant increase in net sales. Total R&D expenses increased by 21.6 billion yen (year-on-year growth of 15.8%) from the previous fiscal year to a record-high of 582.8 billion yen in order to achieve the financial model of the Medium-term Management Plan announced in May 2019 as well as to achieve further growth in the future.

Net income attributable to owners of parent— which includes income from other income and expenses reflected lost tax expenses—was 437.0 billion yen, and its ratio against net sales was 21.8%, an increase of 4.4 points from the previous fiscal year. Net income per share was 2,807.84 yen due to the increase in profits resulting from the increase in net sales, as mentioned above.

With regard to objective indicators to assess the achievement status of management policy, management strategy and management goals, the Group uses net sales, operating margin and return on equity (ROE) as indicators for the financial model of the Medium-term Management Plan.

The following is our understanding, analysis and consideration of the state of operating results for each segment. Please note that segment profit corresponds to income before income taxes on the consolidated statements of income.

•Semiconductor Production Equipment

Capital investment in semiconductors for logic/foundry has been robust in a wide range of areas, from cutting-edge to mature generations of semiconductors, driven by the digitalization of society. Furthermore, as the quantity of data being handled continues to increase on an annual basis, capital investments in both DRAM and NAND flash memory continue to see high levels of investment. Consequently, net sales to customers in this segment during fiscal 2022 were 1,943.8 billion yen an increase of 47.8% from previous fiscal year. Segment profit was 674.4 billion yen, an increase of 84.4% from the previous fiscal year. As described as the business environment, customers have been actively investing in new equipment against the backdrop of growing demand for semiconductors, and our sales strategies in the key fields have progressed steadily. As a result, net sales in fiscal 2022 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 2022 was 34.3%, up 6.7 points from 27.6% in the previous fiscal year. This was mainly due to a decline in the ratio of fixed costs associated with substantial increase in net sales as a result of the Company succeeding in reliably responding to rapidly increased demand for semiconductor production equipment.

•FPD Production Equipment

As capital investment for large-sized LCD panels for televisions has run its course, the overall manufacturing equipment market for FPD TFT arrays has slowed. Meanwhile, capital investments in small and medium-sized OLED panels continues in conjunction with displays installed in end products being converted from LCD panels to OLED panels. Consequently, net sales to external customers in this segment during fiscal 2022 were 59.8 billion yen, a decrease of 28.6% from the previous fiscal year. Segment profit was 3.8 billion yen, a decrease of 56.1% from the previous fiscal year. With fiscal 2022 being a transition period to shift from LCD to OLED, capital investment was adjusted for FPD production equipment. Consequently, net sales in this segment decreased.

The segment profit margin for fiscal 2022 was 6.5%, down 4.0 points from 10.5% in the previous fiscal year. This was mainly due to a decrease in sales of new equipment in fiscal 2022 amid customers’ adjustments to their investment for FPD production equipment.

Management Discussion and Analysis of State of Financial Conditions and Cash Flows, and Information Related to Sources of Capital and Fluidity of Funds

Regarding our financial conditions, total assets stood at 1,894.4 billion yen at the end of fiscal 2022, an increase of 469.0 billion yen from the end of the previous fiscal year. This was mainly due to the increase in notes and accounts receivable – trade, and contract assets, inventories, property, plant and equipment, and investment securities included in investments and other assets. Notes and accounts receivable – trade, and contract assets reached 433.9 billion yen, an increase of 242.2 billion yen from the end of the previous fiscal year, due to the significant increase in net sales against the backdrop of rapid growth in the market for semiconductor production equipment. Inventories reached 473.8 billion yen, an increase of 37.5 billion yen from the previous fiscal year. As capital investment continued in FPD TFT arrays has slowed. Meanwhile, capital investments in small and medium-sized OLED panels continues in conjunction with displays installed in end products being converted from LCD panels to OLED panels. Consequently, net sales to external customers in this segment during fiscal 2022 were 59.8 billion yen, a decrease of 28.6% from the previous fiscal year. Segment profit was 3.8 billion yen, a decrease of 56.1% from the previous fiscal year. With fiscal 2022 being a transition period to shift from LCD to OLED, capital investment was adjusted for FPD production equipment. Consequently, net sales in this segment decreased.

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The segment profit margin for fiscal 2022 was 6.5%, down 4.0 points from 10.5% in the previous fiscal year. This was mainly due to a decrease in sales of new equipment in fiscal 2022 amid customers’ adjustments to their investment for FPD production equipment.
## Consolidated Eleven-Year Summary

Tokyo Electron Limited and Subsidiaries

From Fiscal 2012 to Fiscal 2022

### Thousand of U.S. dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales</th>
<th>Semiconductor production equipment</th>
<th>FPD production equipment</th>
<th>PV production equipment</th>
<th>Electronic components and computer networks</th>
<th>Other</th>
<th>Operating income</th>
<th>Income (loss) before income taxes</th>
<th>Net income (loss) attributable to owners of parent</th>
<th>Comprehensive income (loss)</th>
<th>Total assets</th>
<th>Total net assets</th>
<th>Overseas sales</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$16,372,300</td>
<td>$1,078,437</td>
<td>$88,849</td>
<td>1,075</td>
<td>1,075</td>
<td></td>
<td>4,834,050</td>
<td>4,875,384</td>
<td>3,571,176</td>
<td>3,972,410</td>
<td>15,478,858</td>
<td>11,006,199</td>
<td>$14,490,049</td>
<td>15,634</td>
</tr>
<tr>
<td>2022</td>
<td>$16,203,805</td>
<td>$1,139,102</td>
<td>$87,390</td>
<td>129</td>
<td>197</td>
<td></td>
<td>4,991,271</td>
<td>4,961,698</td>
<td>3,470,067</td>
<td>3,942,183</td>
<td>15,420,068</td>
<td>10,574,422</td>
<td>$13,973,471</td>
<td>15,634</td>
</tr>
</tbody>
</table>

### Millions of yen

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity ratio</th>
<th>ROE</th>
<th>Operating margin</th>
<th>Equity ratio1</th>
<th>Total asset turnover (times)1</th>
<th>Net sales per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>34.5%</td>
<td>18.3%</td>
<td>3.1%</td>
<td>5.6%</td>
<td>3.0%</td>
<td>$1,047,224</td>
</tr>
<tr>
<td>2022</td>
<td>35.0%</td>
<td>18.4%</td>
<td>3.1%</td>
<td>5.6%</td>
<td>3.0%</td>
<td>$1,047,224</td>
</tr>
</tbody>
</table>

1. From fiscal 2019, electronic components and computer networks were excluded because Tokyo Electron Device Limited, a former consolidated subsidiary, became an equity method affiliate. Photonics lens production equipment was included in FPD production equipment until fiscal 2012 but from fiscal 2019 it has been included in Other.

2. Depreciation and amortization does not include amortization and loss on impairment of goodwill.

3. Capital expenditures only represent the gross increase in property, plant and equipment.

4. Dilution is not assumed for the year ended March 31, 2024.

The amounts in this summary in millions and thousands of yen, thousands of U.S. dollars, and thousands of shares and for the years ended March 31, 2016 and prior are rounded to the nearest unit. Such amounts as of and for the years ended March 31, 2017 and forward are not necessarily agreeable with the sum of the corresponding individual amounts.
## Social

Tokyo Electron Limited and Subsidiaries

From fiscal 2018 to fiscal 2022


---

### Composition of Employees (Japan and entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of regular employees</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>7,078</td>
<td>6,305</td>
<td>773</td>
<td>7,078</td>
</tr>
<tr>
<td>2019.3</td>
<td>7,268</td>
<td>6,743</td>
<td>525</td>
<td>7,268</td>
</tr>
<tr>
<td>2020.3</td>
<td>7,706</td>
<td>6,794</td>
<td>912</td>
<td>7,706</td>
</tr>
<tr>
<td>2021.3</td>
<td>8,100</td>
<td>7,141</td>
<td>959</td>
<td>8,100</td>
</tr>
<tr>
<td>2022.3</td>
<td>8,296</td>
<td>7,312</td>
<td>984</td>
<td>8,296</td>
</tr>
</tbody>
</table>

### Recruitment/Employment (Japan and part of entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number hired</th>
<th>Percentage hired (Japan)</th>
<th>Percentage hired (entire Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>167</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>2019.3</td>
<td>199</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2020.3</td>
<td>262</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>2021.3</td>
<td>281</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>2022.3</td>
<td>209</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

### Turnover (Entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of those who took leave</th>
<th>Number of those who used</th>
<th>Percentage reinstated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>3</td>
<td>176</td>
<td>93.4%</td>
</tr>
<tr>
<td>2019.3</td>
<td>5</td>
<td>217</td>
<td>93.6%</td>
</tr>
<tr>
<td>2020.3</td>
<td>2</td>
<td>70</td>
<td>93.8%</td>
</tr>
<tr>
<td>2021.3</td>
<td>2</td>
<td>54</td>
<td>94.0%</td>
</tr>
<tr>
<td>2022.3</td>
<td>1</td>
<td>35</td>
<td>95.2%</td>
</tr>
</tbody>
</table>

### Turnover percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2019.3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2020.3</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

---

## Sustainability Data

### Work-life Balance (Japan)

#### Annual paid leave

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>639</td>
<td>87.1%</td>
</tr>
<tr>
<td>2019.3</td>
<td>605</td>
<td>88.0%</td>
</tr>
<tr>
<td>2020.3</td>
<td>591</td>
<td>88.6%</td>
</tr>
<tr>
<td>2021.3</td>
<td>687</td>
<td>94.3%</td>
</tr>
</tbody>
</table>

#### Employee retention (Japan and part of entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of those who left</th>
<th>Number of those who returned to work after leave</th>
<th>Retention after three years of joining TEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>41</td>
<td>44</td>
<td>93.4%</td>
</tr>
<tr>
<td>2019.3</td>
<td>56</td>
<td>43</td>
<td>93.5%</td>
</tr>
<tr>
<td>2020.3</td>
<td>25</td>
<td>54</td>
<td>94.1%</td>
</tr>
<tr>
<td>2021.3</td>
<td>26</td>
<td>60</td>
<td>94.7%</td>
</tr>
</tbody>
</table>

---

## Work-life Balance (Japan)

### Recruitment/Employment (Japan and part of entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number hired</th>
<th>Percentage hired (Japan)</th>
<th>Percentage hired (entire Group)</th>
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### Turnover (Entire Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of those who took leave</th>
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</tr>
<tr>
<td>2022.3</td>
<td>1</td>
<td>35</td>
<td>95.2%</td>
</tr>
</tbody>
</table>

### Turnover percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2019.3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2020.3</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>2021.3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2022.3</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

---

## Customer Satisfaction Survey

### Second career support system

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of users</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.3</td>
<td>31</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>2019.3</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>2020.3</td>
<td>23</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>2021.3</td>
<td>23</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>2022.3</td>
<td>21</td>
<td>14</td>
<td>7</td>
</tr>
</tbody>
</table>

---

## Data Section

- Percentage of female managers: calculation method - Number of female managers/Number of managers = 100% (exclude experts in the number of managers from fiscal 2022)
- Ratio of the number of regular employees who took leave to those who took leave: calculation method - Days of paid leave taken by employees/ Days of paid leave provided to employees = 100% (incl. non-regular employees)
### Products/Innovation

**Average rate of attendance for Board meetings**
- 2018: 99.46
- 2019: 98.24
- 2020: 99.39
- 2021: 98.96

**Average tenure of directors**
- 2018: 8.04
- 2019: 7.36
- 2020: 4.84
- 2021: 6.09

**Patent application success rate**
- 2018: 65%
- 2019: 65%
- 2020: 65%
- 2021: 65%

<table>
<thead>
<tr>
<th>Spending on social contribution (million yen)*</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>238</td>
<td>261</td>
<td>345</td>
<td>486</td>
</tr>
<tr>
<td>U.S.</td>
<td>111</td>
<td>126</td>
<td>126</td>
<td>126</td>
</tr>
</tbody>
</table>

**Social Contribution**

<table>
<thead>
<tr>
<th>Spending on social contribution activities excluding disaster relief contributions</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity donations (providing donations/referral to charity organizations)</td>
<td>198</td>
<td>215</td>
<td>244</td>
<td>244</td>
</tr>
<tr>
<td>Cash donations (charitable donations)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Community investment (charitable expenses for long-term care for community)</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Commercial initiatives (charitable expenses with anticipated effects on business growth)</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

### Environment

**Tokyo Electron Limited and Subsidiaries**

- From fiscal 2018 to fiscal 2022

#### Greenhouse Gas Consumption/Emissions

<table>
<thead>
<tr>
<th>Emissions (kt-CO2e)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 from fuel usage</td>
<td>213</td>
<td>214</td>
<td>215</td>
<td>216</td>
</tr>
</tbody>
</table>

**Procurement**

<table>
<thead>
<tr>
<th>Percentage of employees who received training on basic safety</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

### Safety

**Percentage of employees who received training on social contribution activities**

<table>
<thead>
<tr>
<th>Percentage of employees who received training on social contribution activities</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

### Governance

**Total number of critical incidents reported to the Board of Directors**

<table>
<thead>
<tr>
<th>Total number of critical incidents reported to the Board of Directors</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Water Consumption**

<table>
<thead>
<tr>
<th>Water Consumption (thousand m3)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tap water (Japan)</td>
<td>187</td>
<td>187</td>
<td>187</td>
<td>187</td>
</tr>
<tr>
<td>Industrial water</td>
<td>411</td>
<td>411</td>
<td>411</td>
<td>411</td>
</tr>
<tr>
<td>Domestic</td>
<td>297</td>
<td>297</td>
<td>297</td>
<td>297</td>
</tr>
<tr>
<td>Others</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
</tbody>
</table>

**CO2 Emissions from Energy Consumption**

<table>
<thead>
<tr>
<th>CO2 Emissions from Energy Consumption (kt-CO2e)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1: Direct GHG emissions from use of fuel and gas we own or controlled</td>
<td>138</td>
<td>138</td>
<td>138</td>
<td>138</td>
</tr>
</tbody>
</table>

**Commercial initiatives**

- Community investment
  - Charity donations: 13
  - Cash donations: 55
  - Community investment: 68
  - Commercial initiatives: 38

**Data Section**

- Average rate of attendance for Board meetings 99.46
- Average tenure of directors 8.04
- Patent application success rate 65%
- Spending on social contribution (million yen): 238, 261, 345, 486
- Social Contribution activities: Charity donations, Cash donations, Community investment, Commercial initiatives

**Greenhouse Gas Consumption/Emissions**

- CO2 from fuel usage: 213, 214, 215, 216
- Procurement: Percentage of employees who received training on basic safety 100%, 100%, 100%, 100%

**Environmental Impact**

- Tokyo Electron Limited and Subsidiaries
**Data Section**

### Energy Consumption/Generation

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021.3</td>
<td>226.7</td>
<td>118.9</td>
<td>250.9</td>
<td>153.3</td>
</tr>
<tr>
<td>2022.3</td>
<td>245.3</td>
<td>204.3</td>
<td>294.7</td>
<td>233.3</td>
</tr>
</tbody>
</table>

### Environmental Impact of Logistics

#### CO2

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
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<td>2022.3</td>
<td>245.3</td>
<td>204.3</td>
<td>294.7</td>
<td>233.3</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021.3</td>
<td>226.7</td>
<td>118.9</td>
<td>250.9</td>
<td>153.3</td>
</tr>
<tr>
<td>2022.3</td>
<td>245.3</td>
<td>204.3</td>
<td>294.7</td>
<td>233.3</td>
</tr>
</tbody>
</table>

### Amount of Waste Generated

#### Waste

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021.3</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
</tr>
<tr>
<td>2022.3</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
</tr>
</tbody>
</table>

#### Recycling

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021.3</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
</tr>
<tr>
<td>2022.3</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
<td>15,650</td>
</tr>
</tbody>
</table>

#### Chemical Substances Consumption/Emissions (Japan)

<table>
<thead>
<tr>
<th>Substance</th>
<th>2018.3</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methylnaphthalene</td>
<td>Other</td>
<td>104</td>
<td>117</td>
<td>132</td>
<td>140</td>
</tr>
<tr>
<td>VOCs</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Hydrogen fluoride and its water-soluble salts</td>
<td>12</td>
<td>11</td>
<td>12</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>Ferric chloride</td>
<td>82</td>
<td>84</td>
<td>98</td>
<td>106</td>
<td>85</td>
</tr>
</tbody>
</table>

### Chemical Substances Consumption/Emissions (Overseas)

<table>
<thead>
<tr>
<th>Substance</th>
<th>2018.3</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
<th>2022.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methylnaphthalene</td>
<td>Other</td>
<td>254</td>
<td>324</td>
<td>317</td>
<td>320</td>
</tr>
<tr>
<td>VOCs</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
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<td>82</td>
<td>84</td>
<td>98</td>
<td>106</td>
<td>85</td>
</tr>
</tbody>
</table>
Consolidated Subsidiaries (As of March 31, 2022)

Japan
- Tokyo Electron Technology Solutions Ltd.
- Tokyo Electron Kyushu Ltd.
- Tokyo Electron Miyagi Ltd.
- Tokyo Electron FE Ltd.
- Tokyo Electron BP Ltd.
- Tokyo Electron Agency Ltd.

U.S.
- Tokyo Electron U.S. Holdings, Inc.
- Tokyo Electron America, Inc.
- TEL Technology Center, America, LLC
- TEL Venture Capital, Inc.
- TEL Manufacturing and Engineering of America, Inc.

Europe
- Tokyo Electron Europe Ltd.
- Tokyo Electron Israel Ltd.
- TEL Magnetic Solutions Ltd.

Asia
- Tokyo Electron Korea Ltd.
- Tokyo Electron Taiwan Ltd.
- Tokyo Electron (Shanghai) Ltd.
- Tokyo Electron (Kunshan) Ltd.
- Tokyo Electron Singapore Pte. Ltd.

26 consolidated subsidiaries in total, including the above 19 companies

Data Section

Consolidated Subsidiaries (As of March 31, 2022)

Stock Information (As of March 31, 2022)

Corporate Name and Head Office
Tokyo Electron Limited
3-3 Akasaka 5-chome, Minato-ku,
Tokyo 107-6322, Japan

Established
November 7, 1963

Annual General Meeting of Shareholders
June

Common Stock
Stock trading unit
100 shares

Authorized
3,000,000,000 shares

Issued
1,572,109,911 shares

Number of shareholders
34,258

Stock Price and Trading Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>High (yen)</th>
<th>Low (yen)</th>
<th>Trading volume (thousands of shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>23,875</td>
<td>21,935</td>
<td>2018.3: 20,675</td>
</tr>
<tr>
<td>2019</td>
<td>25,875</td>
<td>18,925</td>
<td>2019.3: 27,075</td>
</tr>
<tr>
<td>2020</td>
<td>47,320</td>
<td>39,670</td>
<td>2020.3: 43,075</td>
</tr>
<tr>
<td>2021</td>
<td>69,170</td>
<td>42,670</td>
<td>2021.3: 55,545</td>
</tr>
<tr>
<td>2022</td>
<td>41,445</td>
<td>37,016</td>
<td>2022.3: 41,445</td>
</tr>
</tbody>
</table>

Notes:
1. Shares of less than one thousand have been rounded down in the “Number of shares held.”
2. Voting share ratios are calculated excluding treasury stock (851,052 shares). Figures are truncated after the second decimal place. Treasury stock equals the number of shares owned by the executive compensation board incentive plan (BIP) trust account and the share-savings employee stock ownership plan (ESOP).
3. Voting share ratios of foreigners and others totaling 26.87%.

Distribution of Ownership among Shareholders

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese financial institutions and securities companies</td>
<td>47.67%</td>
</tr>
<tr>
<td>Japanese individuals</td>
<td>4.62%</td>
</tr>
<tr>
<td>Foreign institutions and others</td>
<td>47.79%</td>
</tr>
</tbody>
</table>

Major Shareholders

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Dai-Ichi Life Insurance Company, Limited</td>
<td>1,440,000</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>42,017,000</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (trust account)</td>
<td>13,743,000</td>
</tr>
<tr>
<td>JP Morgan Chase Bank 385632</td>
<td>8,117,000</td>
</tr>
<tr>
<td>TBS HOLDINGS, INC</td>
<td>5,801,000</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (securities investment trust account)</td>
<td>2,983,000</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT - TREATY 505214</td>
<td>2,580,000</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (trust account 4)</td>
<td>2,547,000</td>
</tr>
<tr>
<td>SSAFL TRUST (MMUW ACCOUNT)</td>
<td>2,229,000</td>
</tr>
<tr>
<td>JP Morgan Chase Bank 385791</td>
<td>1,917,000</td>
</tr>
</tbody>
</table>

Notes:
1. Shares of less than one thousand have been rounded down in the “Number of shares held.”
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Website
www.tel.com